Our reporting suite

Our integrated report
Our primary report to stakeholders, providing a holistic view of our ability to create sustainable shared value in the short, medium and long term.

We produce a full suite of reports to cater for the diverse needs of our stakeholders. Our integrated report contextualises and connects to information in the following reports, which provide additional disclosure and satisfy compliance reporting requirements:

- Governance and remuneration report
  Discusses the group’s governance approach and priorities, as well as the remuneration policy and implementation report.

- Risk and capital management report
  Sets out the group’s approach to risk management.

- Annual financial statements
  Sets out the group’s full audited annual financial statements, including the report of the group audit committee.

- Environmental, social and governance (ESG) report
  An overview of the group’s social, economic and environmental (SEE) impacts.

- Report to society (RTS)
  Assesses the group’s social, economic and environmental (SEE) impacts.

- Subsidiary annual reports
  Our subsidiaries provide an account to their stakeholders through their own annual reports, available on their respective websites.
  - The Standard Bank of South Africa (SBSA)
  - Liberty
  - Other subsidiary reports, including legal entities in Africa Regions.

Intended readers
Our shareholders, debt providers and regulators

We urge our stakeholders to make use of our reporting site at https://reporting.standardbank.com/. All our reports and latest financial results presentations, booklets and SENS announcements are available here, along with a glossary of financial and other definitions, acronyms and abbreviations used in our reports.

The invitation to the annual general meeting (AGM) and notice of resolutions to be tabled is sent separately to shareholders and is also available online.

Key frameworks applied

- The International Integrated Reporting <IR> Framework
  - Companies Act, 71 of 2008, as amended (Companies Act)
  - Johannesburg Stock Exchange (JSE) Listings Requirements
  - King IV Report on Corporate Governance for South Africa 2016™
  - International Financial Reporting Standards (IFRS)
  - South African Banks Act, 94 of 1990 (Banks Act)
  - Basel Committee on Banking Supervision’s public disclosure framework
  - CDP (previously Carbon Disclosure Project)
  - The Financial Stability Board’s TCFD

- United Nations (UN) Sustainable Development Goals (SDGs)

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How to navigate our report
This interactive PDF provides active links to sections within the report and to external websites. Access to the internet is required to navigate to website content and use the download function.

The navigation tool for this interactive electronic report is at the top of each page. Selecting these will take you to the relevant section within this report. Additional navigation tools within this report are as follows:

- "Back to contents": Refer to previous section.
- "Print": Print the report.
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For information on forward-looking statements, refer to the inside back cover.
Compelling competitive advantages

The key attributes that differentiate us from our peers and protect us from competitors are outlined below.

### Purpose-driven organisation
We are committed to driving sustainable, inclusive growth across Africa.

### Unrivalled, African-focused capabilities
Our on-the-ground capabilities across 20 countries in sub-Saharan Africa, links to international capital and funding pools and a unique partnership with the Industrial and Commercial Bank of China (ICBC).

### Established, fit-for-purpose franchise with modern digital core
Our franchise strength is underpinned by our strong brand, excellent people, fit-for-purpose physical distribution network and digital platforms.

### Diversified client base, service offering and revenue streams
Our businesses and revenue streams are well-diversified across client, sector, product and geography, which provides protection in times of volatility.

### Robust capital and liquidity position
Our strong and liquid balance sheet provides flexibility to manage uncertainty, change, innovation and growth.

### Strong growth prospects
Our prospects for future growth are driven by regional economic fundamentals and increasing financial inclusion and penetration providing opportunities to increase our market share, particularly in some of the large markets in which we operate where we have relatively small market shares.

### Appetite to invest, deliver and partner
We have the resources and appetite to expand on our own and through partnerships and alliances.

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**Significant proven reach**

- **Valued people**: 50,115
- **Valued clients**: 14.8 m
- **Modernised banking platforms**
  - **Strategic partnership with ICBC**: US14 bn
  - **Well capitalised**: 13.3%
  - **Common Equity Tier 1 (CET1) Ratio**: 2019: 14.0%
  - **Market capitalisation**: 1124
  - **ATMs***: 6,774
  - **Recognised brand**: Standard Bank

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**Who we are**

We are an African-focused, client-centric, digitally enabled, integrated financial services group with compelling competitive advantages.

Our on-the-ground presence and relationships across Africa, with networks in international finance hubs position us well to solve client problems and satisfy their needs in a fast-changing environment.

We provide integrated banking, insurance, investment and advisory solutions that drive the financial wellbeing of our clients and our continent.

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**Africa Regions contributed 58% of banking activities’ headline earnings**

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**On-the-ground presence in 20 countries in sub-Saharan Africa**

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**BANKING REVENUE (%)**

- **2020**
  - South Africa: 56
  - Africa Regions: 26
  - Wealth International: 3
  - Liberty: 13
  - Other: 4

- **2019**
  - South Africa: 61
  - Africa Regions: 36
  - Wealth International: 7
  - Liberty: 17
  - Other: 3

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**GROUP HEADLINE EARNINGS (%)**

- **2020**
  - South Africa: 34
  - Africa Regions: 58
  - Wealth International: 8
  - Liberty: 7
  - Other: 0

- **2019**
  - South Africa: 38
  - Africa Regions: 30
  - Wealth International: 4
  - Liberty: 4
  - Other: 0

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**GROUP NET ASSET VALUE (%)**

- **2020**
  - South Africa: 56
  - Africa Regions: 26
  - Wealth International: 5
  - Liberty: 8
  - Other: 6

- **2019**
  - South Africa: 59
  - Africa Regions: 24
  - Wealth International: 2
  - Liberty: 7
  - Other: 0

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**Who we are**

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We provide integrated banking, insurance, investment and advisory solutions that drive the financial wellbeing of our clients and our continent.
Our approach to integrated thinking

Our approach to integrated thinking is dynamic and evolves as we respond to the challenges of the present while preparing the group for the future.

INFORMING OUR THINKING

Our operating context
The Covid-19 crisis is compounding the forces impacting financial services and changing stakeholder expectations of value, challenging us to deepen our resilience and re-imagine our relevance to our clients and our continent in the short, medium and long term.

Read more on page 22.

Our material issues
Shaped by the expectations of our stakeholders and prevailing economic, social and environmental trends, our material issues are those that have the potential to substantially impact on our commercial viability, our social relevance and the quality of our relationships with our stakeholders.

Read more on page 30.

EXECUTING OUR STRATEGY

Our strategy
We are accelerating our strategy to become a truly human and truly digital financial services organisation.

Our purpose
Africa is our home; we drive her growth.

Our vision
To be the leading financial services organisation in, for and across Africa, delivering exceptional client experiences and superior value.

Our strategic priorities
We have updated our strategic priorities to clarify what we need to do to deliver our purpose.

Read more on page 32.

ORGANISING OUR BUSINESS

Our delivery model
We secure the inputs required to transform, grow, innovate and compete effectively and through our business activities we deliver the outcomes for the benefit of all our stakeholders.

Read more on page 34.

MEASURING OUR STRATEGIC PROGRESS

Our value drivers
We track the progress we make in executing our strategy through our strategic value drivers.

Read more from page 38.

We are aligned to the UN SDGs.

ALLOCATING OUR RESOURCES

Our resource allocation framework
We have updated the formal decision-making framework we use to allocate resources, to better deal with the volatility, uncertainty, complexity and ambiguity of the environment we operate in. We use scenario planning in our resource allocation and adapt these as appropriate.

Read more on page 40.

OUR ACCOUNTABILITY TO STAKEHOLDERS

Our approach to good governance promotes strategic decision-making that reconciles the interests of the group and society in our pursuit of sustainable shared value in the short, medium and long term. Our governance framework supports ethical and effective leadership, corporate citizenship and sustainable organisational and societal outcomes.

Read more on page 112.

OUR VALUE CREATION

We aim to deliver inclusive and sustainable growth, and create value for all our stakeholders.

VALUE FOR OUR CLIENTS
Delivering relevant and complete digital solutions to our clients.

VALUE FOR OUR EMPLOYEES
Shaping a workforce that is ready to meet our clients’ needs, now and in the future.

VALUE FOR ALL OUR STAKEHOLDERS
Embracing the right business, the right way.

VALUE FOR OUR SHAREHOLDERS
Striving to generate sustainable returns.

VALUE FOR SOCIETY
Driving positive SEE impact.
We report on the progress we have made in the period 1 January 2020 to 31 December 2020 to achieve our strategic objectives. We evaluate our financial and non-financial performance against our strategic value drivers. This report includes material information up to the date of board approval on 10 March 2021.

The scope of information presented is largely medium term. It assesses the opportunities, risks and impacts influencing our ability to create sustainable shared value as we begin to realise our medium-term vision, while delivering on our purpose.

Our reporting boundary

The data in this report – both financial and non-financial – pertains to the Standard Bank Group (the group or SBG) as the reporting entity, although certain metrics relate to specific categories of activity only and are indicated as such. The integrated reporting boundary includes all entities over which we have control or significant influence.

Our banking and wealth management activities are consolidated and defined as ‘banking activities’ in our annual financial statements. For the 2020 financial year, this comprises the financial results of Personal & Business Banking (PBB), Corporate & Investment Banking (CIB) and Wealth. Our Wealth financial results are largely included in those of PBB for the current and prior years. Our banking activities also include central and other group activities, which include group hedging activities, capital instruments, surplus capital and strategic acquisitions. Where specified, banking activities’ data also distinguishes between our South Africa and Africa Regions operations.

Liberty Holdings Limited (Liberty), our life insurance and investment management subsidiary (54% interest) and our associate ICBC Standard Bank Plc (ICBCS) (40% interest), are not included in the data relating specifically to our banking activities and are shown separately in our financial results.

Our strategic relationship with our 20.1% shareholder, ICBC, the world’s largest bank by assets, allows us to facilitate investment flows and commercial relationships between Africa and China. The financial outcome of this relationship is included as part of our business activities.

The reporting boundary includes the strategic narrative in this report and pertains mainly to our banking activities across the continent and internationally, and it also includes our subsidiary and associates (including Liberty and our other banking interests) where they are relevant to the group’s business model and strategy. Performance and prospects. Where appropriate, the reporting boundary also assesses the risks, opportunities and outcomes that affect our ability to create value, arising from entities and stakeholders, but which are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and materiality of the risks, opportunities and outcomes.

Financial information has been prepared on an IFRS basis, unless otherwise specified, and therefore includes the consolidation of all entities in the group. Any restatements of comparable information are noted.

Process disclosures

We apply a combined assurance model to assess and assure aspects of the group’s operations, including the internal controls associated with elements of external reporting. Our approach to the assurance of our annual reports incorporates and optimises all assurance services and risk functions, to enable an effective control environment that supports the integrity of information used in decision-making and reporting.

While this report is not audited, it contains certain information that has been extracted from the group’s audited consolidated annual financial statements, on which an unmodified audit opinion has been expressed by the group’s external auditors, KPMG Inc. and PricewaterhouseCoopers (PwC). Similarly, it includes information extracted from the RTS and ESG reports on which assurance on selected information has been provided by PwC.

We have continued to deepen how we measure our strategic progress by refining our metrics. Our strategic value drivers form the basis for how we report our progress and priorities to the board, through our board and management subcommittees, on an ongoing basis. Our material issues are reviewed annually to take into account the changes in our operating environment and evolving stakeholder expectations.

The members of the group leadership council (GLC), previously the group executive committee, are accountable to the board for preparing the integrated report. Interviews with senior leadership and the board through its chairman, together with internal sources of information and relevant external research papers, have been used to prepare this report.

Statement of the board of Standard Bank Group Limited

The board acknowledges its responsibility to ensure the integrity of the integrated report. The group audit committee reviewed and recommended this report to the board of directors for approval. The board considers the preparation and presentation of this report as being materially in accordance with the International <IR> Framework. The board is therefore of the opinion that the report addresses material information on the group’s ability to create value over the short, medium and long term.

The board reviewed and discussed this report on 10 March 2021 and approved the content provided. It delegated the final review and approval of the report for publication to the group chief executive officer.

On behalf of the board,

[Signatures]

Thulani Gcabashe
Chairman
Simon Tshabalala
Group chief executive officer
Our leaders discuss the dynamics in our markets and how these are influencing our strategic priorities and our progress in achieving them.
Chairman’s statement

The discipline of good governance becomes even more valuable during periods of great stress and uncertainty. Far from slowing things down, it ensures that work happens faster and more efficiently, and that outcomes are significantly better.

Operating context

The South African economy shrank by 7% in 2020 (Stats SA). This is its worst performance in a century – in fact, since the influenza pandemic of 1919-20. The economy of the sub-Saharan Africa region proved more resilient, contracting by only 2.6%.

As I write this early in 2021, there is good reason to hope that 2021 may be better.

We expect the region’s economy to grow at around 3% this year, making back much of the ground it has lost. We also expect that South Africa will rebound by around 4.6%, depending on the extent to which further progress is made in relieving the electricity supply constraints, and in implementing other structural and governance reforms.

However, our forecasts for 2021 remain highly uncertain since we cannot predict the future trajectory of the pandemic, nor the extent to which vaccines may enable a return to a more normal life this year.

The pandemic has given South Africans a dramatic and powerful demonstration of the shortcomings of our current political economy. The outcomes of slow reforms, of tending to favour insiders as opposed to merit, has proved to be impoverishing, tragic and even destabilising. The need for faster, more transparent, more inclusive and more accountable economic and industrial policy execution in South Africa has never been more pressing.

Leading issues in 2020

By early March 2020, the board had become seriously concerned about the Covid-19 pandemic. By the end of March, it was clear that it would be necessary for the group to implement its disaster management and business continuity protocols, including much more frequent communication by the executive with employees and the board.

With hindsight, it has become ‘obvious’ that modern digital technology would make it possible to run a large multinational financial services firm indefinitely with around 75% of employees working from home and with the remaining 25% working under strict hygiene and physical distancing requirements. This was far from obvious at the time and the board was pleased when the group’s business continuity plans unfolded successfully.

The next concern facing the board as a result of the pandemic was whether it would be possible to maintain the security of our information systems with such a large and dispersed workforce.

It was very important to the board that the group was doing everything it could to support our clients through the extremely sudden and deep economic downturn created by the pandemic and the necessary public health responses. In the board’s view, the group’s fee reductions, debt restructuring and additional credit extension programmes were well-designed. In particular, we had to be sure that the group’s sustainability would not be placed at risk by such interventions. Our support programmes have been well-judged in those important respects, as is evidenced in more detail in the sections of this report on risk and conduct and financial outcome.

The pandemic has starkly reinforced our awareness of humanity’s global interdependence and our dependence on the natural world. Environmental sustainability was already one of the most pressing global issues in 2019. It has become even more pressing now. If in the past we were not as clear as we should have been about the group’s positions on environmental sustainability, or about how we see these in relation to our commitment to promoting inclusive and sustainable development in Africa, we must be now. The publication of our first report on climate risk, our 2020 TFCD interim report is an important first step in this regard.

The group published its fossil fuel policy in 2020, which sets parameters for our lending in this area, and complements the coal-fired power finance policy and the thermal coal mining finance policy adopted by the group in 2019.

The board expects the executive to continue to correct the weaknesses we have identified in this area during 2021.

As described in more detail in the group chief executive officer’s review, and elsewhere in this report, the executive took the view that it was essential to continue to modernise and to increase the competitiveness of the group during 2020. In the first few weeks of the pandemic, this seemed an implausible ambition. However, as discussed above, it soon became clear that the group was entirely stable and – by moving to dispersed working and by creating a range of new services to support our clients through the pandemic – it proved itself capable of very rapid and successful change even under the conditions of 2020.

This being so, the board was pleased to support the launch of new products and brand promises in 2020, not least because we had identified the effectiveness and relevance of the group’s marketing as cause for concern during 2019.

It is clear that our clients now expect us to provide seamless, increasingly bespoke and increasingly comprehensive services, mostly online, but also in person when they choose. People and corporations are not looking for products and services, but for solutions. The pandemic has only accelerated and intensified these changes. Therefore, after careful discussion, board training took place on the digital economy and on the accelerating digitisation of the financial sector, and having consulted with relevant independent experts, the board wholeheartedly supported the significant changes to the group’s internal structure, and to its ambitions, that are described in this report.

Good governance includes careful and balanced attention to the interests of all stakeholders, the scrupulous observance of the law and of good practice guidelines, detailed attention to the facts, calm and logical deliberation on the choices to be made, and above all – ensuring that accountability is enforced.

During this most difficult of years, the board of the Standard Bank Group has aimed to ensure that each of these good governance disciplines have been maintained. We have worked hard to provide the executive team with guidance and a sounding board whenever they have needed it. We have aimed to be sure that the group’s sustainability would not be placed at risk by such interventions. Our support programmes have been well-judged in those important respects, as is evidenced in more detail in the sections of this report on risk and conduct and financial outcome.

The board of the Standard Bank Group is confident that the group will continue to implement its sustainability strategy and work closely with all stakeholders to develop and implement more effective policies and programmes to achieve our goals.

Women on the board

35.3% Achieved target of 33% by 2021

Women in executive positions

33.6% 2019: 32.3%
Governance and risk management developments in 2020

The pandemic has been the largest single shock to the world economy and to human society in recent times. As this report shows, our financial and human resources were very well able to withstand the shock. Nevertheless, it is clear that the trends of the pre-Covid period have been disrupted – some stopped, some reversed, and some accelerated. We therefore concluded that it was wise to undertake a formal scenario planning exercise to orient ourselves. This exercise concluded that, whichever ‘future’ transpired, it was likely to include a more online world, shorter and more robust supply chains that could create new opportunities for African firms, and an increasingly important role in the world economy for the China-Africa corridor.

It was also reassuring to conclude that our allocation of capital and other resources was likely to remain appropriate: Africa remains a very promising long-run growth story and, if anything, the changes imposed by the pandemic have reinforced our certainty that Africa will continue to develop rapidly throughout this century.

The board was pleased that the stability of the group’s systems was very much higher in 2020 than it had been in 2019, when it had been an area of particular concern. Hau Hu and Priscillah Mabalenje stepped down and Peter Sullivan retired from the board during the year. André Parker will retire from the board at the conclusion of the 2021 AGM. I am grateful to each of these very distinguished people for the time and wisdom they have lent to our board and thank each of them for their contribution.

I remain satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well-governed, and that the interests of our shareholders, other stakeholders, and the societies in which we do business are well-served. We are pleased that the board’s gender balance has improved and we continue to look for opportunities to improve its age structure and the representation of people from Africa beyond South Africa. We will also continue to improve the depth and breadth of digital skills on the board, and to ensure that the board has the expertise it needs to support, govern and communicate our ESG obligations and our commitment to sustainable and inclusive development in Africa. We are working to ensure that the board meets the South African Prudential Authority’s requirements on director independence.

Putting people first

For large organisations, the Covid-19 pandemic has been a test of the extent to which they have really embedded digital in their ‘DNA’ – reflected in their infrastructures, capabilities and the ability of their people to rapidly adapt to different leadership practices and ways of working. Adopting new ways of working in a matter of days is no mean feat for a multinational organisation, but with our clear strategic focus on becoming digital in recent years, coupled with our investment in technology and future skills, the transition for the group ran smoothly.

As an employer that has always placed a premium on employee engagement and the crucial role our people play in delivering to our clients, we understood from the outset that how we thought about and responded to the people impact of Covid-19 would be critical for the group. We were deeply driven in our power to protect our people including splitting teams, restricting the number of people in our branches, insisting on physical distancing and distributing sanitiser and personal protective equipment (PPE) across our branches, call centres and offices. Nevertheless, it has taken a lot of courage and dedication to go to work every day at the height of the pandemic, and we are eternally grateful to all the Standard Bank people who have continued to work on the frontline to support our clients through this very difficult time.

More on how we have put people first can be accessed online here at: https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/putting-people-first.

Clients showing their resilience

We took extraordinary steps to assist our clients from the early days of the crisis and are shifting our focus to the recovery phase and the road ahead. As we do this, we will continue to work with our clients to find suitable solutions that enable them to participate meaningfully in the economic recovery. We provided temporary relief to retail and small- and medium-sized enterprises (SMEs) clients amounting to R14.6 billion. Moreover, our short-term and Life insurance businesses paid out R1.1 billion (excluding Liberty) in insurance claims in the first half of 2020 and provided more than R50 million in fine waivers and moratoriums. The foreseeable future will undoubtedly be challenging, but Africa’s people are tenacious, resourceful, and resilient. We will work closely with our clients to ensure that they achieve their dreams, and that Africa reaches her true potential.

More on how we are supporting our clients, and other experiences of the impact of Covid-19 can be accessed online here at: https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/customers-during-crisis.

Forging human solidarity

COVID-19 has exposed and intensified deep inequalities across Africa as unemployment has risen and gains in gender equality are under threat as women disproportionately shoulder the burden of the pandemic. However, this has also been a time for Africa’s people, governments and businesses to demonstrate that they can work quickly and effectively together for the common good. This knowledge, along with the new capacities built over the past year, position Africa to not only recover from the pandemic but emerge stronger and more united.

More on partnership and how we have mobilised our resources can be accessed online here at: https://www.standardbank.com/sbg/standard-bank-group/whats-happening/voices-of-resilience/forging-human-solidarity.

Charting a new path

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Group chief executive officer’s review

During the most unusual and difficult year in living memory, the people of the Standard Bank Group demonstrated courage, determination and self-discipline. They adapted very fast and worked extremely hard.

As at 7 March 2021, 39 of my colleagues have died of Covid-19. Every death has been a terrible blow. There is no greater reminder of our humanity and mortality than death. There will be more illness, and more deaths, in 2021. I hope and pray that we are over the worst and that the mourners may be comforted.

As discussed throughout this report, the group’s responses to the pandemic is organised into three phases: Respond, Recover, Re-imagine.

Our first response to the pandemic was to do everything in our power to protect the health, safety and wellbeing of our employees, and by extension their loved ones and our clients.

Guided by the World Health Organisation and the relevant national authorities, by medical and occupational health and safety professionals, and in dialogue with our trade unions, we immediately implemented the necessary health and safety protocols. From March 2020, 70% of our employees across the group have worked from home and will continue to do so until it is safe for us to return to the office.

We have worked hard to ensure that all our colleagues continued to feel connected to their teams, their managers and the group’s leadership. We have placed equal emphasis on reinforcing people’s links to the group as a caring community, and to our goals as a competitive, customer-centred and purpose-driven business. To achieve this, we have provided ongoing employee education, guidance and support, introduced special leave and benefit provisions (including parental leave for school closures and leave for self-quarantine). Interactive

The technology that enables most office-based jobs to be done remotely has existed for more than a decade, but it was being adopted quite slowly until working from home was abruptly forced upon us in the first quarter of 2020. We cannot predict how much of this change will be permanent. But we do expect that considerably less business travel will be necessary and that many people will prefer to work away from the office for much – perhaps most – of their working time. This will have a complex and wide-ranging pattern of effects on areas including management styles, tax policy, road and commuter rail usage, and the future development of cities. It is certainly my hope and expectation that commuting times, other transport delays, and business travel will all be permanently reduced, with positive effects on people’s stress levels, on the environment, and on many businesses’ cost structures.

Beyond that, the pandemic could perhaps fade quite quickly from public memory and from the minds of policymakers, like the pandemic of 1919-20. Or it might become a permanent reference point, like the great plagues of the Middle Ages or like the World Wars and Great Depression of the 20th Century, shaping attitudes and influencing economic and social policy for decades. What is already clear is that the pandemic has heightened our awareness of existing problems and sharply accelerated some existing trends.

For instance, the pandemic has forcefully reminded us of our dependence on the environment, and on each other. It has provided many – often tragic – illustrations of the costs of social and economic exclusion. The pandemic has highlighted the serious disadvantages and dangers that follow from allowing public sector capacity and private sector competitiveness to decay. Equally, though, it has shown that capable states, great research universities, strong corporations and vibrant markets can achieve near-miracles. Readers may recall that, in early 2020, many people were certain that it would take at least five years, if not a decade, to produce effective vaccines. Some people are now equally certain that it will take many years to vaccinate enough people to enable a return to normal life, or that new variants will permanently ‘escape’ vaccine technology. In my view, such a degree of pessimism is not warranted by the data before us.

In this vein, the pandemic, and associated political and social developments, have shown us the value – and disadvantages and dangers that follow from allowing public sector capacity and private sector competitiveness to decay. Equally, though, it has shown that capable states, great research universities, strong corporations and vibrant markets can achieve near-miracles. Readers may recall that, in early 2020, many people were certain that it would take at least five years, if not a decade, to produce effective vaccines. Some people are now equally certain that it will take many years to vaccinate enough people to enable a return to normal life, or that new variants will permanently ‘escape’ vaccine technology. In my view, such a degree of pessimism is not warranted by the data before us.

In this vein, the pandemic, and associated political and social developments, have shown us the value – and surprising fragility – of a shared sense of reality. In order for societies, states and economies to function well, we need agreed ways to determine the facts. We therefore also need a considerable degree of respect for expertise, for institutions, and for the law. Cognitive inclusion, it turns out, can be just as important as economic inclusion.

In a similar way to previous global crises, the Covid-19 pandemic has speeded up social, technological and economic change. To take only the most obvious examples, the pandemic has vastly accelerated biotechnology research and production and has expanded public support for more comprehensive health systems – both trends having important consequences for asset and insurance markets.

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In a similar way to previous global crises, the Covid-19 pandemic has speeded up social, technological and economic change. To take only the most obvious examples, the pandemic has vastly accelerated biotechnology research and production and has expanded public support for more comprehensive health systems – both trends having important consequences for asset and insurance markets.

The need agreed ways to determine the facts. We therefore also need a considerable degree of respect for expertise, for institutions, and for the law. Cognitive inclusion, it turns out, can be just as important as economic inclusion.
meetings hosted on Microsoft Teams grew from 20,000 to 500,000 meetings a month on average across the group. For those colleagues who had to work in our branches, call centres and offices to maintain essential services, we arranged safe transport during the most intense phases of lockdowns, provided PPE, implemented increased hygiene, temperature and symptom testing protocols across all bank premises, used multiple sites and shifts, and set limits on branch occupancy and on physical proximity in branches, protecting both our employees and our clients. We also granted a special National Service Appreciation Award to all employees who worked outside the safety of their homes during Level 5 lockdowns.

As the chairman writes, the group’s disaster management and business continuity plans were highly successful. We have therefore been able to offer our full range of digital and in-person services (usually in online meetings) throughout the pandemic. Just as importantly, we have done so without experiencing any material cybersecurity incidents or any significant failures in our digital infrastructure.

In June 2020, we conducted a survey which asked all our colleagues how we could better support them as the pandemic became a semi-permanent state of affairs. 95% of employees reported that they were adapting well to the new circumstances and that 89% of employees expressed their pride in the measures we are taking to support our employees and clients during the pandemic.

The group’s financial support to our clients during the ‘respond’ phase of the crisis has included payment holidays for qualifying individual clients and SMEs; waiving of transaction fees; short-term moratoriums on principal and interest; loan restructurings for severely impacted clients; and reduced banking fees. During 2020, we provided cumulative client relief worth R259 billion to personal and SME clients; and approved R24.8 billion to relieve corporate clients, mainly for clients in the real estate, retail, hospitality, industrial and power and infrastructure sectors. In South Africa, Standard Bank participated, on a scale more than commensurate with our market share, in the National Treasury/South African Reserve Bank/ Banking Association SME loan guarantee scheme along with all the other members of the Banking Association. As of December 2020, over R17 billion had been loaned by South Africa’s banks to almost 13,000 businesses under the scheme. There is a perception that the SME loan guarantee scheme has been disappointing and unsuccessful. One possible reason for this is that even a very large loan guarantee scheme could only partly counteract the effects of the deepest and most sudden contraction in a century. Some disappointment may also have arisen because the scheme was often referred to as the ‘R200 billion’ loan scheme, as if there had been a commitment to lend that much. That was never the case. R200 billion was the scheme’s maximum capacity, not a target.

It is also important to emphasise that this is a loan scheme – and therefore not a grant scheme. This has two consequences. First, banks cannot oblige SMEs to apply for these loans. Good business people are never keen to take up a loan unless they are confident about their capacity to use the funds productively and about their ability to repay the loan. In addition, in this instance, given the favourable lending terms of this scheme, there are certain conditions that businesses may prefer to avoid, including, for example, that no further loans may be granted until these facilities have been repaid. Second, even when a company decides to apply for a loan, we still have to be confident that this loan will not actually reduce a business’s chance of survival by creating overindebtedness. Further, as a deposit-taking institution, our first duty is always to our depositors: we have to be sure that their money is safe, which means that we have to be confident that almost all loans will be paid back. There has been some discussion about whether it would be appropriate to change the structure of the scheme to improve uptake or to convert the loans made under the scheme into grants. We are entirely open to discussion about the former possibility and entirely reject the latter. Apart from the unfair burden that a conversion to grants would place on our depositors and investors, and on taxpayers, we think that converting loans into grants would set a very undesirable precedent. We also believe that the opportunity cost of foregoing the payment of this R71 billion would be too high at a time when South Africa is under extreme fiscal stress and is in urgent need of resources to spend, for instance, on vaccines and other medical supplies. It is also relevant that the huge decline in economic activity South Africa experienced in the first half of 2020 was mostly in response to the lockdowns that were necessary to try to control the pandemic. By contrast, under the current set of public health measures, most of the South African economy is able to function at close to 2019 levels.

Executing our strategy in 2020: progress despite the pandemic

A majority of our energy and resources in 2020 were focused on the ‘Respond’ and ‘Recover’ phases of our approach to the pandemic, maintaining our services and ensuring that we would emerge from the pandemic able to support the immediate recovery. However, thanks to the success of our business continuity plans and our risk management systems, it was possible also to spend a considerable amount of time on the Re-imagine phase of our response. We started this by undertaking a formal scenario-planning exercise for the post-pandemic world. As mentioned, we certainly do not think it is possible to know in any detail what the future will be like. But careful scenario planning can detect trends, clarify probabilities and identify ‘no regret’ actions. Our scenario planning work reinforced our views that it will be necessary to be as agile and fast-moving as possible given the acceleration created by the pandemic; that companies such as Amazon and Alibaba will dominate large parts of the world economy over the next several decades; and that both our clients and the authorities will be more risk averse for several years to come. This last probability will increase demand for high-quality assets. It may also create new opportunities for Africa’s manufacturing and services sectors as governments and corporations worldwide aim to create shorter, more robust and more diversified supply chains.

To compete successfully in a world that demands greater agility, in 2020 we completed a programme that has given even more autonomy to our country businesses, including SBSA. Having made these geographical changes, and in order to remain competitive in an economy shaped by the ‘Big Tech’ companies we designed, launched, and made substantial progress on changing our internal structure from a functional perspective.

2020, therefore, is the last year in which we will report on the performance of the CIB, PBB and Wealth business lines, each of which has had many characteristics of a separate firm. From 1 January 2021, we are primarily organised into three client segments (Consumer & High Net Wealth; Business & Commercial; and Wholesale) each equally supported by our Client Solutions business, by a specialised Innovation capacity, and by our Engineering infrastructure.

1 Reviewed from prior year due to retraction of medium term guidance as a result of Covid-19.
Towards the end of the year, we surveyed our people again in our regular annual employee engagement survey. We were delighted to find that the group’s overall employee net promoter score (ENPS) was +44 for 2020, significantly improved from +18 in 2019, and better than +23 in 2018. 94% of our people said that they were proud to be associated with the Standard Bank Group, and 96% said that they understood their contribution to the group’s purpose.

My colleagues and I know that large businesses can become dangerously self-absorbed. To prevent this, we must ensure that we are serving our stakeholders well. Formally, this means serving our clients, shareholders and employees well. Informally, it means being mindful of our responsibilities to the environment and society. Our purpose is to improve people’s lives unless additional income and assets are created – and are created in an environmentally and socially responsible way. Equally, though, it would be unfair and unrealistic to ask Africans to put human development on hold. We will continue to balance these perspectives, guided by our purpose, by our membership of the UN Principles for Responsible Banking, by our commitment to advancing the UN SDGs, and by the Paris Agreement’s target to limit warming to well below 2 degrees above pre-industrial levels, in the context of a just transition.

Here I will highlight just two of our achievements in harnessing the power of finance to promote inclusive and sustainable development. First, working, in partnership with UN Women, we have collaborated with local farmer associations and cooperatives, aid agencies, national and local governments, local private sector partners and NGOs, to empower 50 000 women farmers in Malawi, Uganda, Nigeria and South Africa, through modern, climate-smart agricultural practices. This includes working to negotiate equitable market terms and to establish business and social contracts with sustainability-focused retailers. Second, we issued our inaugural USD200 million green bond to date, and South Africa’s first offshore green bond issuance, and will be used to finance eligible green assets aligned to our Sustainable Bond Framework. In the Corporate Knights Global 100 Most Sustainable Corporations in the World, we ranked 53rd overall, and are the only African company in the top 100.

Our responses to the pandemic show that, as always, we make by far the largest part of contribution to society in the course of our business. That being said, we are proud of our corporate social investment (CSI) contributions. In addition to our business-as-usual CSI spending (R907.2 million in South Africa), the group spent an additional R2.7 million in South Africa responding to Covid-19. Our other businesses also made substantial donations, including the provision of PPE, hospital infrastructure, and humanitarian support. Stanbic Kenya, for example, donated 192 ventilators to Kenya’s Ministry of Health, almost doubling the number of ventilators available countrywide, and facilitated acquisition of PPE from China for the government; Standard Bank Lesotho funded the construction of an ICU unit; and Standard Bank Namibia provided PPE to informal settlements and assistance to government in disbursing Namibia’s emergency income grant. In Ghana, we donated USD525 000 to help battle Covid-19, of which our employees contributed USD65 750 by donating a percentage of their salaries for three months.
Connects the emerging trends affecting our business and continent, and the issues that matter most to our stakeholders to how we are accelerating our strategy and organising the group to deliver sustainable shared value.
Our operating context

The Covid-19 crisis has compounded and accelerated the dynamics changing our sector, our continent and our world. The group’s prosperity depends on how well we embrace, anticipate and manage change, with the wellbeing of our clients and our continent at the centre of our responses and aspirations for the future.

Introduction

The Covid-19 pandemic has had a starkly unequal impact. On one end of the socioeconomic scale, extreme poverty is expected to rise for the first time in 20 years.1 On the other, stock markets across the world averaged 11% growth in 2020.2 In the wake of unprecedented job losses and falling small, medium and micro enterprises (SMEs), governments and global financial institutions have stepped in, spending USD10 trillion in Covid-19 relief as world economic output dropped sharply.3

The big winner in all this has been technology, as the Fourth Industrial Revolution (and digital adoption by people and companies alike) accelerates. The market value of the five biggest Silicon Valley firms rose 46% in 2020 and companies alike accelerates. The market value of the five biggest Silicon Valley firms rose 46% in 2020.2 In the wake of unprecedented job losses and falling small, medium and micro enterprises (SMMEs), governments are key. There have been significant opposing forces to the liberalisation of trade, notably: the financial crisis, the China-American trade war and now Covid-19.4 However, benefits of the interconnectedness of globalisation are irreplaceable. The election of Joe Biden as the United States of America’s (US) president will help ease China-American relations; and the digital interconnectedness and the pervasiveness of consumer culture will further support globalisation.

The territorial integrity of nation-states on our continent is well established and mostly legitimate. Further, the establishment of the African Continental Free Trade Agreement (AfCFTA) area is a sign that countries in Africa are committed to multinational collaboration in the interests of “…greater unity and solidarity between African countries and their people,” as stated by the African Union.

With digital technology, comes the increased risk of cyber-attacks. In Africa, governments that collaborate with business to enhance transparency and credibility in their financial systems can benefit from improved economic development. “Good and inclusive governance is imperative for Africa’s future.”5 The Ibrahim Index of African Governance (IIAG) defines governance as, “the provision of political, social and economic public goods and services that every citizen has the right to expect from their government, and that a government has the responsibility to deliver to its citizens.”6

In relative market size, South Africa and Nigeria present the greatest opportunity and potential risk. South Africa is our most mature market, while Nigeria is Africa’s biggest economy and a major growth opportunity for the group. The IIAG scored South Africa and Nigeria on the same deteriorating trajectory. Other African markets like Angola, Ghana, Kenya and Uganda have all improved over the ten-year period.

Economic and socio-political risks will remain until South Africa shows investors that it is serious about good governance at government level, protection of property rights and rationalisation of cash-depleting state-owned enterprises. There is evidence that these are being addressed, with government pushing back against public sector wage demands, drafting a more business-friendly Expression Bill7 and adopting a Recovery Plan in keeping with economic best practice.8

South Africa sourced rapid relief funding from the International Monetary Fund (IMF). In Nigeria, falling oil prices and a Covid-19 knock to the economy saw it too sourcing an IMF loan for the first time. This could be positive for Nigeria as it plans to float the naira and unify the exchange rate. The crisis caused by Covid-19 and falling oil prices will encourage much-needed reforms, thus potentially improving the business environment in Nigeria, as well as in other resource-rich west African countries.

Socio-political risks remain a threat. The IIAG reported that 2019 saw the first year-on-year weakenin in African governance. The trend shows an improvement in economic opportunity and human development, while participation, security and rule of law worsened.6 Sub-Saharan Africa’s population is growing at rates faster than other parts of the world and it is also urbanising as swiftly. By 2050, over two billion people will call Africa home, with 1.3 billion of those living in urban settings.9 It is estimated that by 2025 there will be over 100 cities in Africa with a population of at least a million inhabitants.9 This will drive commerce and increase financial interactions.

Our top enterprise risks for 2021 are:

- BigTech domination of financial services
- Ransomware attack
- Extreme weather events
- Third-party non-performance
- Slow pace of implementation.

We have linked our top enterprise risks to our operating context and identified related opportunities for the group in the narrative that follows.

References:

1. The World Bank, 2020
2. The Economist, 2020
3. The Economist. 2020 Note: In 2020 output is expected to be 7% less than what it otherwise would have been.
4. African Union, 2020
5. Mbaku, 2020
6. Africa’s increasing reliance on China for trade and infrastructure development is part of a broader trend whereby the collectivist values of Asia (as opposed to the individualistic values of the West) are viewed as more compatible with African culture. The Covid-19 knock to African economies may mean that some governments may have trouble repaying loans to China and this could lead to tensions, undermining China-Africa cooperation.
7. Shepard, 2019
8. On 9 October 2020, the South African Government published a draft Expropriation Bill as part of the process to create space in South Africa’s legal system for expropriation of land without compensation in certain circumstances deemed in the interests of the country.
10. Mbaku, 2020
11. The Economist, 2020
12. AMP Foundation, 2020
14. Shepard, 2019
Africa’s burgeoning urban population will place African governments under pressure to deliver opportunities for material advancement. In urban protests, which may increase across Africa as those locked out of economic opportunity vent their frustration. An IMF study showed unrest peaking 24 months after the outbreak of a pandemic.\textsuperscript{10} As a countervailing measure, business and government will collaborate to widen access to digital services and integrate citizens – via banking – into the formal economic system. Opportunities will arise for business to offer their digital solutions in service of enhanced B2G (business-to-government) and citizen-to-government interactions. And using sustainable technologies, Africa can build cleaner, smarter cities, ones that are attractive to international investment, expertise and tourism. While businesses across the world prioritise the building of digital platforms as a key part of their digital transformation, the distinction between different types of digital platforms and solutions will become more blurred as BigTech leverage their scale to offer more services to their billions of customers. Thus, Africa’s socio-political risks will be more than offset by the opportunities for business to provide services of value to an urbanising population. Notably, urbanisation rates are high for the countries where the group has significant operations.\textsuperscript{11}

Where once economists boldly asserted, ‘The business of business is profit’,\textsuperscript{12} the sentiment – accelerated by Covid-19 – has since moved in the opposite direction. The SEE impact of business will become important criteria by which capital is accessed, talent is sourced and government licence to operate is granted. The notion of just capitalism, where prosperity is achieved equitably, will impact decision-makers in business and finance, as we have already seen with the integration of the UN SDG goals into corporate business strategies.

**ECONOMY**

In its most recent World Economic Outlook (WEO),\textsuperscript{13} the IMF estimates GDP contracted by 3.5% in 2020, and is forecast to recover in 2021 with growth of 5.5%. For sub-Saharan Africa, it estimates a 21% contraction for 2020, with growth of 3.2% expected in 2021. For 2020, South Africa’s GDP contracted around 7% (per Stats SA), with 2021 growth estimated at 2.8%, and Nigeria’s GDP contracted by 3.2% in 2020, with growth of 1.5% estimated for 2021.\textsuperscript{14}

While most emerging markets and developing economies will struggle, the outlook is positive for China, which the IMF estimates grew by 2.3% in 2020 and is forecast to expand by 8.1% in 2021. In 2020, the economy was about a fifth bigger than America’s in terms of purchasing power parity (USD24.2 trillion to USD20.8 trillion)\textsuperscript{15} and this gap will widen in the next few years. As more Chinese people move into upper-middle class consumption patterns, opportunities will be created for African producers, particularly in high-value agricultural items.

China is the biggest trading partner to almost all major economies,\textsuperscript{16} and is Africa’s biggest trade partner. Many African countries will become more reliant on China for infrastructure development, loans, trade deals and investment. Africa is already China’s top destination for construction firms and there are over 10 000 Chinese businesses operating throughout the African continent. According to recent research, the value of Chinese business in Africa since 2005 is more than USD20 trillion, with the potential to grow another USD300 billion.\textsuperscript{17}

Aside from South Africa’s more sophisticated manufacturing capacity, sub-Saharan Africa is primarily an exporter of raw commodities and will continue to be so for the foreseeable future. Oil producers are facing challenges, with the price per barrel expected to hover around the mid-forties in 2021. The situation is brighter for metal producers. The IMF annual base metal price index is forecast to increase 0.6% for 2020 and 3% for 2021.

For precious metals, the index estimates an increase of 28.4% in 2020 and 10.4% in 2021.\textsuperscript{18} As the ACPA gains traction it will improve intra-Africa trade and competitiveness and give Africa more relevance in global trade negotiations. Trading under the ACPA was meant to start in July 2020 but was postponed because of Covid-19 and the need to complete certain technical work, and was formally launched in January 2021.

The World Bank projects that the ACPA will boost Africa’s income by USD450 billion by 2035. Currently, intra-African exports account for only a fifth of African trade, whereas for Asia it is around 60% and almost 70% for Europe.\textsuperscript{19} Our footprint in countries across sub-Saharan Africa means we are well-placed to benefit from greater African integration. Few countries in sub-Saharan Africa have a reliable electricity grid. This is a key inhibitor to growth. The solution is as likely to be driven by bottom-up consumer demand in tandem with new technology, as it is by top-down big infrastructure projects. Africa still understands massively on infrastructure. Fortunately, Africa can deliver middle-class lifestyles to its people without necessarily matching infrastructure spend in more developed regions. Mobile phones leapfrogged the need for landline infrastructure and likewise innovative systems like pay-as-you-go solar, delivered through mini-grids, could help satisfy electricity demand. Indeed, it is already doing so, with the biggest share of future mini-grid projects planned for Africa.\textsuperscript{20}

The promise of the Fourth Industrial Revolution is that the Internet of Things (IoT) will exponentially improve the utility of infrastructure and physical assets. As the digital revolution advances, it will mitigate Africa’s infrastructure shortfall. Clearly, there is an opportunity for digital businesses to drive efficiency in utilisation of assets. In Africa, this drive has the added import of shifting its people into more dignified circumstances.

In terms of debt, there are serious risks for the continent. The IMF’s Debt Service Suspension Initiative (DSSI) saw rich countries suspend debt repayments from poor ones in the wake of the pandemic, allowing many sub-Saharan African countries some fiscal breathing space until mid-2021. Multilateral initiatives like the DSSI will become increasingly important in our globalised world, ensuring that Africa enjoys some protection against the disproportionate burden of climate catastrophe and other risks. However, many sub-Saharan African countries’ debt burdens will crimp public spending. Governments will look to public private partnerships to produce public goods and buffer the fiscal shortfall. However, it will take a few years to establish the regulatory and legislative framework for such partnerships to flourish and for private players to redeem the opportunity.
The use of AI, predictive analytics, process automation and cloud computing to leverage vast pools of data will drive competitive differentiation, ensure compliance and provide clients with a simplified and personalised experience.

In the US, Google has partnered with Citibank to offer clients smart checking accounts; while Apple and Goldman Sachs have teamed up on their credit card offering, the Apple Card. In late 2020, Facebook – in response to a regulatory backlash – changed course on its global stablecoin to instead launch multiple stablecoins (under the brand ‘Diem’), each linked to its own flat currency, e.g. the euro or US dollar. Where Facebook plans to go, Asian giants Alibaba (via Ant Group) and Tencent have already arrived. Between Ant Group’s Alipay and Tencent’s fintech offerings (notably WeChat Pay) they control 90% of China’s trillion-dollar payments business, with Alipay in the lead. Alipay and Tencent are broadening their offering of financial services, either directly or with third-party institutions via their app. The US and Europe will be slow to shift away from the traditional banking model but in other parts non-bank payment platforms and QR codes will increasingly dominate payments.

Notably, in May 2020 Ghana became the first African country to implement a universal QR code. Other African governments will follow suit, seeking the benefits of improved revenue collection for their fiscus and financial convenience for citizens. The big prize for Africa will be continent-wide financial and monetary regulation in the wake of AfCFTA, allowing business to operate at scale and pass on cost-savings to consumers.

While Alipay has around a billion users, M-Pesa – Africa’s largest payments platform – has only 40 million spread across numerous countries. Given the complexity of operating in a multinational environment it will always be more difficult to scale financial services in Africa. Thus, for now, it is unlikely BigTech will sweep into Africa and make banks redundant. Further, competition from non-banks in Africa is being more than offset by the opportunity created by the digital revolution to bank the unbanked. Nigeria alone offers an opportunity for 60 million potential new clients, with potentially hundreds of millions across Africa.

This competition will be good for African consumers, giving them better, cheaper financial services. Businesses that are optimally digitised, client-focused and agile will profit in this environment.

Related Risk
Includes:
• the threat of BigTech monopoly swallowing financial services and becoming too big to fail and regulate.
• third-party failure or non-performance, which may result in failed strategic initiatives or poor client service.
• the opportunity cost of under-formulated concepts and inefficient or protracted implementation of innovation.

 OPPORTUNITIES
• Accelerating our strategy and partnering with fintechs and other third parties will improve the speed and execution of delivery and allow us to build a low-cost portfolio of solutions made available digitally.
• The use of AI, predictive analytics, process automation and cloud computing to leverage vast pools of data will drive competitive differentiation, ensure compliance and provide clients with a simplified and personalised experience.

COMPETITION

Competition in the banking sector is being driven by technology advancements in artificial intelligence (AI), IoT, distributed ledgers and cloud computing. Strategic partnerships are being sought with BigTech and third parties. AI and IoT, possibly powered by quantum computing, will drive progress as digital becomes ever more sophisticated at satisfying customer needs. Distributed ledgers and cloud computing will help banks reduce friction in their processes and protect data.

But regulation will be a challenge should governments insist on extending their geographic borders into the virtual world. Business will need to work closely with policymakers to build trust in benefits of distributed data. Meanwhile, adoption of cloud and SaaS (software as a service) will reduce capital costs for banks and give them more flexibility and responsiveness in meeting customer needs, promoting inclusivity for the unbanked.18

Traditional banks find themselves facing competition on three fronts: BigTech seeking to leverage their scale and broaden their client offering; fintechs focusing on a discrete part of the banking value chain; and digital-only banks unencumbered by the costs of legacy infrastructure.

As financial services become more digitised and commoditised, non-bank players will increasingly offer discrete services – particularly payments – to customers. Banks will also start to look less like banks as they leverage their client base, data, and relationships to build digital businesses that intermediate value-enhancing interactions. Given that they manage customer identity, financial services companies have an edge in the digital business. How they use this advantage will separate winners from losers.
CLIMATE CHANGE AND AGRICULTURE

Climate change constitutes a real threat to the group, amplifying the risk of stranded assets, business disruption and growing insurance claims. There is a further reputational risk for banks invested in oil or coal. Increased environmental awareness is a global trend amplifying the risk of stranded assets, business disruption and growing insurance claims. There is a further reputational risk for banks invested in oil or coal. Increased environmental awareness is a global trend.

According to the World Meteorological Organization (WMO), 2019 was one of Africa’s three hottest years. The Food and Agricultural Organization (FAO) reports: “in the drought-prone sub-Saharan African countries, the number of undernourished people has increased by 45% since 2012.”

There are claims that Africa has between 480 million and 840 million hectares of unused land that can be converted into agriculture. The truth is that “only about 20 million to 30 million hectares of additional cropland in sub-Saharan Africa, primarily in nine countries, is readily cultivable today.” The opportunity is not in clearing indigenous forest for farming, but in intensifying current operations.

Smother intra-Africa trade and improved infrastructure (thanks in large part to China’s involvement) will see African farmers from South Sudan to South Africa enjoy better access to markets. Not only that, but digital technology will also level the playing field for smaller farmers, helping them make better decisions and access markets.

According to the World Bank, only 20% of beneficiaries of agricultural payments in Africa received the money in an account. There is an opportunity for business to partner with sub-Saharan Africa’s tens of millions of family farmers and small-scale commercial farmers, particularly those near burgeoning urban centres. These tend to be under-capitalised and not always optimally served by food markets. Research indicates that “Africa could be two to three times more productive if it intensified its agricultural productivity.”

**Urban food sales in Africa are worth somewhere between USD200 and USD250 billion, with 80% of this sourced from local suppliers. A 2020 AGRA (Alliance for a Green Revolution in Africa) report sums up the situation: “the combination of growing urbanisation, rising incomes, and changing diets is collectively fuelling rapid growth in urban food markets, making this a very single most important commercial opportunity available to African farmers and agribusiness over the coming decades.”

**There are other factors too. The sheer number of Chinese consumers mean that opportunities abound for Africa to grow food they consume, package holidays they enjoy, and create goods and services they will buy. However, the model of infrastructure-led growth in Africa has its limits. It is being driven by Chinese construction firms, using goods procured in China, paid for with Chinese loans. New and better railways, roads, ports and power stations will help Africa.**

**The real opportunity for Africa is urbanisation, underpinned by thriving local agriculture. Growth in the region will be as much bottom-up as top-down, driven by urban consumption, adoption of better farming techniques, solar mini-grid solutions and smart digital solutions that optimise the allocation of goods and services it can afford.**

**China’s support in establishing the AfCFTA is evidence of its pivotal role in Africa’s rise. There are other factors too. The sheer number of Chinese consumers mean that opportunities abound for Africa to grow food they consume, package holidays they enjoy, and create goods and services they will buy. However, the model of infrastructure-led growth in Africa has its limits. It is being driven by Chinese construction firms, using goods procured in China, paid for with Chinese loans. New and better railways, roads, ports and power stations will help Africa.**

**While Africa will become more industrialised it will still rely heavily on agriculture, which currently employs around half of sub-Saharan Africa’s workforce and constitutes almost a fifth of GDP. The continent can ill-afford the climate change threat to farming productivity, which will affect different countries and regions differently. For example, climate change in Nigeria and South Africa is projected to be only mildly disruptive to agricultural output.**

While climate change will negatively affect farming productivity there are other forces at play. History has shown that improved farming practices have more than compensated for growing populations and loss of farmland. Science, technology and better application of capital will continue to improve yields in Africa. As will urbanisation. Africa’s cities constitute “the largest and most rapidly growing agricultural markets in Africa.”

**CONCLUSION**

Socio-political uncertainty remains a concern. South Africa remains the only upper-middle-income country in sub-Saharan Africa. Africa’s legitimate political system and constitutional integrity may help it weather socio-political storms and nudge decision-makers to adopt rational policy to grow the economy. In spite of some worrying trends in Nigeria, the aspirational demands of a large, youthful population, which is at least 50% urbanised, will add pressure to liberalise trade and adopt reforms that attract investment.

**Africa provides significant opportunity for the group, with our competitive advantages strongly rooted in the continent. By ensuring that our strategy is responsive to the forces in our operating context, the group can convert opportunities to create sustainable shared value for our stakeholders.”**

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27 AGRA, 2020
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30 Ferguson, 2004
Our material issues
Our material issues are those that matter most to our stakeholders and have an impact on our ability to create value in the short, medium and long term.

We consider an issue to be material if it has the potential to substantially impact on our commercial viability, our social relevance and the quality of our relationships with our stakeholders. Our material issues are informed by the expectations of our stakeholders and the economic, social and environmental context in which we operate and therefore encompass the global and African trends and opportunities facing the business.

How we determine our material issues
We view the materiality determination process as a business tool that facilitates integrated thinking.

We undertake an annual review of our material issues to take into account the changes in our operating environment and evolving stakeholder expectations. Our material issues continue to evolve in response to changes in our operating environment and stakeholder expectations; although the broad themes tend to be relatively stable. Together with our material issues process, the group undertakes an annual process to identify the risks that are expected to have a material impact on the group in the short, medium and long term – key prevalent and emerging risks. The list is then refined and those which require additional focus are elevated and referred to as enterprise risks. These directly inform our material issues. The material issues are, however, broader in their scope in that they take into account the expectations and priorities of a diverse set of stakeholders.

Identify
In 2020, the group identified an initial long list of 55 potential issues, drawing information from:

- Desktop research to identify stakeholder concerns
  - Media and national developments, stakeholder publications and trends reports.
  - Comparative review of material issues identified by a range of global and regional banks and large corporates operating in Africa.
  - Analysis of guidance and research from supervisory and standard-setting bodies, including reporting standards and frameworks.
  - Civil society communications and campaigns.
- Review of internal developments
  - Internal reports and surveys, including strategy documents, the Enterprise Risk, Enterprise Strategy and annual assessment of material issues.
  - Prior year material issues and reporting suite.
  - Quarterly stakeholder engagement reports.
- Internal stakeholder engagement
  - Internal survey with group executives.
  - Discussion at group social and ethics management committee.

Prioritise
In considering issues for inclusion, stakeholder inclusiveness, sustainability context, materiality and completeness of the potential issues were considered. A priority list of 18 material issues was then identified, grouped by value driver and prioritised according to potential impact on the group and importance to stakeholders. The top 18 issues were then presented to the group, SBG executives and the social and the social and ethics management committee for discussion and approval.

Approve
The top material issues were shared with the group social and ethics committee for approval and then shared with the group board, responsible for finalising and approving management’s bases for determining materiality.

Engaging our stakeholders
Our stakeholders are those individuals, groups and organisations that materiality affect or could be materially affected by our business activities, products and services, and associated performance. Our stakeholders provide us with the resources and relationships we need to achieve our strategy and purpose; influence our operating environment and confer legitimacy on our business activities. Our business activities directly and indirectly impact on our stakeholders’ own well-being and success.

We are committed to building constructive partnerships with our stakeholders, minimising the harmful impacts and optimising the positive impacts of our business activities on them. We engage with our stakeholders on a range of diverse issues and strive to respond to their legitimate concerns in an appropriate and timely manner.

Proactive engagement with our stakeholders provides us with insights that help inform our material issues, shape our business strategy and operations and minimise reputational risk. Our decentralised stakeholder engagement model means that different teams within the group regularly meet with their stakeholders on matters of mutual interest. Material stakeholder engagements are reported to the group social and ethics committee and material issues and concerns are incorporated into the group’s annual assessment of material issues.

Prioritising issues: economic impact of Covid-19, appropriate responses to client needs, leadership and our role in transforming the business in current economic climate; behavioural and cultural shift required to transform our business.

Clients: impact of Covid-19 on finance; increased reliance on digital channels; information and cybersecurity; value for money; personalised solutions; customer service; allegations of racial bias in allocation of Covid relief in South Africa.

Investors: competitiveness in crowded market; speed and efficiency of digitalisation journey.

Regulators: fair treatment of customers; affordability of access to services; measures to relieve financial distress arising from Covid-19; efficiency of relief measures; allegations of racial bias in relief allocation; management of customer complaints.

Enterprise risk: slow pace of implementation.

Prioritising issues: employee safety and wellness; need for more flexible ways of working while retaining organisational identity and productivity.

Employees: safety, wellness; resilience; juggling multiple responsibilities while working from home; need for ongoing skills development; gender equality in senior and top management; employment equity in South Africa.

Regulators: business continuity and safety of employees; reskilling for digital age; gender equity; employment equity in South Africa.

Investors: ESG performance in relation to board of management; diversity and anti-discrimination policies; access to appropriate skills and talent; availability of specialised knowledge and skills.

Enterprise risk: ransomware attack, third-party non-performance.

Prioritising issues: cybersecurity; risk of breach at third-party impacting the group; information risk in the context of people working remotely.

Investors: disruption caused by system outages.

Clients: disruption, uncertainty.

Regulators: third-party risk.

Industry associations: cybersecurity; financial crime; regulatory developments impacting cross-border banks; digital finance; sustainable finance; climate risk; evolving human capital governance; stakeholder capitalism.

Enterprise risk: cybercrime; risk of breach at third-party impacting the group.

Prioritising issues: managing climate risk balanced by need for critical infrastructure development across Africa, including development of fossil fuel industries; financial inclusion; employment practices that drive equity; support for education and skills development.

Clients and regulators: solutions for SMEs, entrepreneurs and the informal sector; climate risk; access to finance.

Investors: ESG performance; transparency on climate-related risk exposure and ESG impacts; TCFD; sustainable finance products.

Communities: social and environmental impacts of fossil fuel projects, perceptions around limited disbursements of Covid 19 loans (South Africa).

Enterprise risk: extreme weather events.

Prioritising issues: deep diversification and inclusion within the group.

Investors: governance; ethics; market conduct; internal controls.

Regulators: fraud and cybercrime; third-party risk.

Enterprise risk: increased diversity and inclusion.

Prioritising issues: protecting and maintaining the integrity of our data and information assurance.

Clients: information risk in the context of people working remotely.

Regulators: third-party risk.

Enterprise risk: information risk.

Prioritising issues: ensuring fair outcomes for clients.

Investors: governance; ethics; market conduct; internal controls.

Regulators: fraud and cybercrime; third-party risk.

Enterprise risk: information risk.

Prioritising issues: supporting clients during difficult times.

Investors: governance; ethics; market conduct; internal controls.

Regulators: fraud and cybercrime; third-party risk.

Enterprise risk: information risk.
Our strategy

Technology has changed the way we live and work, and financial services are no different. The expectations our stakeholders have of us are changing radically and quickly, and our strategy needs to respond to these expectations.

In transforming the group, we will become:

- **Truly human**
  Providing services, solutions and opportunities that our clients and employees need to achieve growth, prosperity and fulfilment.

- **Truly digital**
  Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

In executing our group strategy our key focus areas for 2020 were:

- Delivering personalised and exceptional client experiences.
- Leveraging digital to drive engagement, efficiencies, and predictive decision-making.
- Co-creating integrated, platform-based solutions in selected client networks.

We have updated our strategic priorities to align to our accelerated strategy, clarifying what we need to do to deliver our purpose.

From 2021, these are:

- Transform client experience
- Execute with excellence
- Drive sustainable growth and value

Our strategic value drivers, now deeply embedded within the group, track our performance in delivering value to all our stakeholders. We continue to develop the associated metrics, ensuring they are simple, understandable and credible.

In transforming the group, we will become:

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  Serving clients predominantly online, processing in the cloud, embracing open innovation underpinned by data and insights.

The aspirations and objectives associated with the accelerated execution of our strategy, and the expected timeframes are reflected below.

**HORIZON 1**
**Responding and recovering**

**Evolve our response to the prevailing threats associated with Covid-19.**
- Implement rapid response strategies that have positive societal impacts.

**Facilitate a return to growth coming out of the crisis.**
- Continue to support our clients and economies to recover from the crisis.

**HORIZON 2**
**A truly human, truly digital group providing a comprehensive range of services**

**Transform client experience**
- Deliver exceptional client experiences.
- Meet clients’ needs with optimal solutions.

**Transformed operational efficiency**
- Efficient, stable, robust, secure technology processing, mostly in the cloud.
- Modular, agile, reusable optimised capabilities and services.
- Strong data analysis and data monetisation capabilities.

**HORIZON 3**
**Africa’s leading digital financial services business**

**Features of the future Standard Bank Group**
- We will engage and serve our clients digitally.
- We will grow and scale the client networks that centre on the complete fulfilment of a client’s need.
- We will innovate, and collaborate with partners, to focus on the needs we can best fulfil.

- We will earn higher revenues and margin premiums, underpinned by integrated and predictive risk management and resource allocation that drives value for all our stakeholders.
- We will be deliberate in driving the sustainable development aspirations of Africa in those areas most crucial to her people and an inclusive, prosperous and sustainable Africa.
Our delivery model

Our business model enables us to manage our resources and relationships responsibly to deliver the best outcomes for our stakeholders.

**CLIENT FOCUS**
- Over 14.8 million clients.
- Omni-channel distribution capability.
- Modern banking platform supporting digitally enabled client solutions and higher operational efficiency.
- Strong strategic partnerships that include ICBC, Big Tech and a range of fintech innovators.
- Dedicated innovation capability.

**EMPLOYEE ENGAGEMENT**
- Over 50,000 group employees.
- Responsive leadership of our people.
- Supported our people through Covid-19.
- High-performance, ethical culture, deeply connected to our purpose.
- Significant investment in workforce of the future and aligning culture to support the transformation of the group.
- Strong executive and leadership teams, and deep succession pools.
- A leadership identity that defines behaviours we need to shift our culture.
- A compelling people promise, aligned to our promise to our clients.

**RISK AND CONDUCT**
- Forward-looking, integrated and digital approach to managing non-financial risks, leveraging digital solutions to be a more responsive partner to business.
- Reputable and ethical brand underpinned by values-driven culture and governance framework, including progressive ethics policies.
- Well-developed financial risk and capital management framework.
- Responsiveness to ongoing measurement of conduct-related indicators.
- Strong relationships with regulators and governments across Africa.
- Sophisticated credit models and scenario planning supporting capital allocation and the potential cost of Covid-19.

**FINANCIAL OUTCOME**
- Net asset value – R176 billion (2019: R171 billion)
- Deposits – R1.6 trillion (2019: R1.4 trillion)
- Policyholders’ liabilities – R325 billion (2019: R324 billion)

**SEE IMPACT**
- Investment in our seven impact areas.
- SEE embedded into business as a commercial strategy.
- Working with clients to manage ESG risk.
- Dedicated sustainable finance unit to drive sustainable investment.
- Signatory to the UN Principles for Responsible Banking.

**Key constraints**
- Macroeconomic and socioeconomic hardship impacting our clients’ aspirations and growth prospects.
- Intensity of investment and change needed to remain relevant.
- Maintaining our competitive advantages and remaining stable, secure and reliable.
- Reliability of infrastructure in Africa.
- Fragmented and unequal regulatory environment.

**Key constraints**
- Availability of the right skills to support the group’s transformation.
- Managing change fatigue and inculcating resilience to support focused and urgent delivery.
- Managing the human, socioeconomic and reputational impact of skills redundancy and increasing digitisation.
- Continuing impact of Covid-19 on the emotional wellbeing of our people and increased online fatigue as people miss the in-person, collaborative work environment.

**Key constraints**
- Balancing stakeholder expectations and interests in pursuit of higher growth within risk appetite.
- Managing risk and compliance in non-traditional services and business models.
- Retaining conduct risk across a large and complex group.
- Managing the risks associated with dependency on third parties, including monitoring and management of contracts.
- Ability to leverage technology and AI to effectively manage non-financial risks.

**Key constraints**
- Managing the investment needed for our strategy versus the necessity to change with urgency.
- Scarcity of resources requiring focused and balanced allocation of capital to growth, change and efficiency.
- Managing regulatory capital while increasing investment in higher growth markets in Africa Regions.
- Retaining the support of our providers of capital by balancing short-term returns against retention of capital for longer-term growth.

- Achieving a just transition to climate-smart economies in balance with Africa’s economic development.
- Implementing measurement and reporting systems to assess and mitigate the financial impact of complex and interconnected ESG risks.
- Mitigating the direct environmental impact of IT and data assets.

To achieve our strategy, we are changing our operating model to deliver relevant and complete solutions to our clients:

**Our outputs**
- Banking – spend, transfer and borrow
- Insurance – protect and safeguard
- Investment – earn and grow
- Beyond financial services – ancillary services provided by the group or our partners

- Our inputs
- Resources and relationships per strategic value driver
- OURSELVES
- HOW WE ORGANISE OURSELVES
- Implementing our strategy
- Our capability model defines how we execute our strategy.
- Managing our risks and opportunities
- We proactively manage risk in relation to our environment.
- Embedding good governance
- Our approach supports the achievement of good governance outcomes.

- Our outcomes
- Embedding good governance
- SEE embedded into business as a commercial strategy.
### OUR BUSINESS ACTIVITIES

**What this means for the group**

<table>
<thead>
<tr>
<th>Business activities</th>
<th>Financial impact and associated risk</th>
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<tbody>
<tr>
<td>Lend money to our clients</td>
<td>Net interest income Interest earned on loans granted to clients less loans not repaid.</td>
</tr>
<tr>
<td>Source funding from client deposits and other funders</td>
<td>Interest expense Costs incurred on funds raised from depositors and other funders, used to lend to clients who need finance.</td>
</tr>
<tr>
<td>Provide transactional banking facilities and knowledge-based services to clients</td>
<td>Net fee and commission revenue Fee and commission revenue earned for services provided.</td>
</tr>
<tr>
<td>Provide market access and risk mitigation solutions to businesses</td>
<td>Trading revenue Fees earned from clients who use our platforms to access and trade foreign exchange, commodity, credit, interest rate and equity instruments.</td>
</tr>
<tr>
<td>Revenue from other sources linked to core businesses and strategic investments</td>
<td>Other revenue Revenue earned from other sources, including income from property, private equity and investments in fintechs, as well as growing non-banking revenue streams.</td>
</tr>
<tr>
<td>Provide long- and short-term insurance, investment products and advisory services</td>
<td>Income from investment management and life insurance activities Brokerage fees and underwriting profits generated from wealth offerings provided to clients and commission earned on Liberty and STANLIB risk and investment products held by clients.</td>
</tr>
<tr>
<td>Invest in our people</td>
<td>Staff costs Cost of the people we rely on to consistently deliver exceptional client experiences, and the cost of upskilling and reskilling our people to deal with a changing world of work.</td>
</tr>
<tr>
<td>Invest in our operations</td>
<td>Other operating expenses Cost of our day-to-day operations, both internal and partnerships in our supply chain.</td>
</tr>
<tr>
<td>Direct and indirect taxes to governments and regulators</td>
<td>Direct and indirect taxes Cost of operating in the various jurisdictions in which we do business.</td>
</tr>
<tr>
<td>Returns to shareholders</td>
<td>Dividends Payment to shareholders for their investment in the group.</td>
</tr>
<tr>
<td>Reinvested to sustain and grow our business</td>
<td>Retained equity Capital reinvested to support our strategy and business growth.</td>
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</table>

### SHARED VALUE OUTCOMES

**What this means for stakeholders**

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<tr>
<th>Financial value created</th>
<th>Socioeconomic value created</th>
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<tr>
<td><strong>Clients</strong></td>
<td><strong>R103 bn</strong></td>
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<tr>
<td>2019: R126 billion</td>
<td>Individuals and business clients can borrow money to fulfill their current needs and future ambitions, supporting employment and inclusive economic growth in Africa.</td>
</tr>
<tr>
<td>Value of Covid-19 support measures provided temporary relief to:</td>
<td>Depositors earn a return on the funds they place with the group, a safe haven for their money with a stable and reputable institution.</td>
</tr>
<tr>
<td>• Cumulative client relief of R118 billion in South Africa and R111 billion in Africa Regions provided to individual and business clients.</td>
<td>Transactional banking facilitates the movement of money, providing clients with convenient access to their funds. Our knowledge-based services allow our clients to benefit from our experience and track record on the continent and connects them to global pools of capital.</td>
</tr>
<tr>
<td>• Cumulative relief of R24.8 billion for corporate clients.</td>
<td>Market access enables businesses to grow, providing a conduit for investment into Africa, helping economies monetise resources and diversity. Risk mitigation products enable financial protection and diversification through risk transfer.</td>
</tr>
<tr>
<td>• Paid R1.1 billion, excluding Liberty, in insurance claims.</td>
<td>Strategic investments support inclusive economic activity and enable wealth creation, while also contributing to investments that drive Africa’s socioeconomic development.</td>
</tr>
<tr>
<td>• Provided R50 million in fee waivers and moratoriums.</td>
<td>Insurance, investment and advisory services enable clients to build, diversify and protect their wealth (including inter-generationally) and offer protection.</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td><strong>R34 bn</strong></td>
</tr>
<tr>
<td>2019: R33.5 billion</td>
<td>Employees derive value from new, more appropriate reward structures, our enabling innovation mindset, and training that equips them with relevant skills for the future world of work within or outside of the group.</td>
</tr>
<tr>
<td><strong>Suppliers and third parties</strong></td>
<td><strong>R48 bn</strong></td>
</tr>
<tr>
<td>2019: R47.4 billion</td>
<td>Through our local procurement activities, we sustain businesses and job retention and growth in local economies.</td>
</tr>
<tr>
<td><strong>Governments</strong></td>
<td><strong>R5 bn</strong></td>
</tr>
<tr>
<td>2019: R4.7 billion</td>
<td>Various forms of taxation enable governments to earn revenues in our countries of operation.</td>
</tr>
<tr>
<td><strong>Shareholders</strong></td>
<td><strong>R10 bn</strong></td>
</tr>
<tr>
<td>2019: R10.7 billion</td>
<td>Shareholders earn a return on their investment in a growing, African-focused group with compelling competitive advantages, in the form of dividends and capital appreciation.</td>
</tr>
<tr>
<td><strong>Reinvest in the business</strong></td>
<td><strong>R6 bn</strong></td>
</tr>
<tr>
<td>2019: R5.9 billion</td>
<td>Capital retained to deliver the group’s strategic transformation and long-term sustainable shared value.</td>
</tr>
</tbody>
</table>
Our strategic outcomes

Our strategic value drivers measure our strategic progress and allow us to focus on the value we aspire to create for all our stakeholders.

We continue to improve the coverage, accuracy, depth and consistency of the metrics we use to measure our strategic progress against our defined targets for the medium term.

We provide consistently exceptional client experiences in all the markets in which we operate.

We ensure our people feel deeply connected with our purpose and are empowered and recognised.

We ensure we do the right business, the right way by adhering to our risk appetite metrics.

We aim to deliver superior value to shareholders.

We drive Africa’s growth through delivering shared value.

Our SEE management approach is guided by our purpose, drivers that support Africa’s growth, our core business and the needs of African societies. We continue to work on identifying metrics to measure our direct contribution to society. Our ESG performance is measured by our inclusion and position on reputable sustainability indices, and we have prioritised six that we track.

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<tr>
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<td>Employee engagement</td>
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<td>+18 +23</td>
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<tr>
<td>Employee retention</td>
<td>Voluntary regrettable turnover</td>
<td>1.4%</td>
<td>2.3% 2.3%</td>
<td>9%*</td>
</tr>
<tr>
<td>Employee diversity</td>
<td>Overall employee turnover</td>
<td>6.0%</td>
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<td></td>
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We ensure our people feel deeply connected with our purpose and are empowered and recognised.

We measure and manage our risk and conduct by adhering to our risk appetite metrics.

We drive Africa’s growth through delivering shared value.

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Key
✓ Achieved  ○ On target  x Not met

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We aim to deliver superior value to shareholders.

We drive Africa’s growth through delivering shared value.

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<th>Metric</th>
<th>Progress</th>
<th>Actual</th>
<th>Medium-term target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client experience</td>
<td>PBB South Africa channel net promoter score (NPS)</td>
<td>✓</td>
<td>72 67 70</td>
<td>Continually improve</td>
</tr>
<tr>
<td></td>
<td>PBB Africa Regions NPS</td>
<td>✓</td>
<td>33 25 25</td>
<td>Continually improve</td>
</tr>
<tr>
<td>Wealth NPS</td>
<td></td>
<td>o</td>
<td>68 70 68</td>
<td>Continually improve</td>
</tr>
<tr>
<td>CIB customer satisfaction index (CSI)</td>
<td></td>
<td>✓</td>
<td>8.2 8.1 8.0</td>
<td>Continually improve</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measure</th>
<th>Metric</th>
<th>Progress</th>
<th>Actual</th>
<th>Medium-term target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible risk taking</td>
<td>CET 1 ratio</td>
<td>✓</td>
<td>13.3% 14.0% 13.5%</td>
<td>10.0% – 11.5%</td>
</tr>
<tr>
<td></td>
<td>Total capital adequacy ratio</td>
<td>✓</td>
<td>16.1% 16.7% 16.0%</td>
<td></td>
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<tr>
<td></td>
<td>LCR</td>
<td>✓</td>
<td>134.8% 138.4% 116.8%</td>
<td>Minimum &gt;80%</td>
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<td></td>
<td>NSFR</td>
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<td>Minimum &gt;100%</td>
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<td>Conduct index</td>
<td>Compliance training completion rate1</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

Read more on page 105.
Allocating our resources

We have revised our approach to resource allocation to support the acceleration of our strategy.

Our resource allocation framework

1. **Client strategy and supporting business model**
   - Significant investment in transformational initiatives across the group is needed to accelerate the delivery of our strategy.

2. **Investment portfolio shape**
   - We will focus on developing our digital and innovation capabilities and invest our capital in higher growth opportunities and markets.

3. **Decision-making framework**
   - We have revised our decision-making framework to align to our strategy. Resources are finite and allocation is subject to filters and availability.

Filters

- Does the opportunity add value to our clients evidenced by value and growth metrics?
- Is it driven growth in a manner that is scalable for the group?
- Is the ROE sustainably greater than the cost of equity?
- Is it within-risk appetite?
- Can we use available resources to deliver?
- Are all filters met? → Invest
- Filter(s) not met → Exit

4. **Targets and metrics**
   - We continue to develop, refine and track metrics that are easy to understand and measure, actionable and aligned to our strategy. Target ranges set for each metric are realistic, achievable and timebound, and are directly linked to reward incentives to ensure balanced outcomes across our strategic value drivers.

5. **Risk appetite**
   - We regularly review and amend our risk appetite across segments, products and countries.

6. **Rolling forecasts**
   - Our approach to resource allocation is agile, real-time and focused on making decisions that have the most positive impact for our clients. We use scenario planning as the basis for decision-making. We dynamically adjust our resource allocation, targets and forecasts for each of our strategic value drivers as the environment and circumstances evolve.

Balancing value outcomes

As an outcome of the scenario process, the group identified the following areas requiring deliberate attention and resource allocation:

- **Increased investment in change to transform the group**
  - We need to prioritise the investment we make in digital engagement and distribution channels and capabilities. This includes managing the impact of transformational change on our operations and our workforce, as we develop the capabilities and the infrastructure to effectively originate and distribute our solutions digitally, and grow and scale our client-defined networks. The expectations for short-term returns by our providers of capital will need to be managed against the need to retain capital to invest in growth, change, innovation and efficiency.

- **Increased capital allocation to non-banking activities**
  - We will focus our investment in higher growth and capital efficient activities that add to and diversify our revenue streams, while maintaining our incumbent competitive advantages and mitigating the impact of competition on our core banking franchise.

- **Increased integration with and dependency on strategic partners**
  - As we develop our digital business and seek to provide services in those of others, we will partner with other providers. These networks of third-party relationships will need to be carefully understood, aligned and governed to ensure that the associated dependencies, risks and complexities are well-managed, there is seamless fulfilment of our clients’ needs and that protect the group’s reputation as a trusted provider and responsible corporate citizen is protected.

- **Increased investment in new business models and higher growth markets**
  - Our ongoing strategic transformation will require increased investment in business models that are different to traditional banking. This will require us to understand and accept certain risks inherent in these business models not previously considered.
Our progress for the year and prospects for the year ahead in relation to our strategic value drivers.
Client focus

Our clients are at the centre of everything we do. We strive to understand their unique needs and aspirations, and to partner them in making their dreams possible.

MEASURING OUR STRATEGIC PROGRESS

What success looks like
We provide exceptional client experiences.

How we measure progress
We aim to continually improve client satisfaction, and thus retention, to grow active clients.

Key metrics
NPS for PBB and Wealth
NPS indicates the likelihood of a client recommending Standard Bank to their friends, family and others. It is calculated by subtracting detractors from promoters. This value can range from -100 (if every client is a detractor) to +100 (if every client is a promoter). Any score above zero means there are more promoters than detractors.

CSI for CIB
CSI measures the extent to which our clients are satisfied with the service CIB provides. This is calculated using a ten-point rating scale.

Accountability for client focus
Board subcommittees provide mandated oversight for governing our client focus value driver. Key to effective creation and protection of value relating to client focus are:

• The group information and technology committee oversees how the group manages IT and the governance processes that are in place to ensure the efficient delivery of technology strategies, effective cybersecurity, ongoing cyber resilience and value creating technology investment that together offer better client service and protection of their assets.

• The group remuneration committee oversees remuneration policy and its implementation throughout the group. This ensures that performance is measured against the value drivers and our people are rewarded appropriately. This in turn helps to drive greater client focus.

Mandated executives who are part of the group leadership council are accountable for delivering our client focus strategies. These GLC members are standing invites to board subcommittee meetings to provide feedback on progress to board members.

How we performed
PBB South Africa channel NPS
↑72
2019: 67 | 2018: 70
2017: 66
Wealth NPS
↑68
2019: 70 | 2018: 68
2017: 70
CIB CSI
↑8.2
2019: 8.1 | 2018: 8.0
2017: 7.8

How we organise ourselves
The acceleration of our strategy has required a change in how we organise the group.

From 1 January 2021, three core client segments, supported by dedicated group capabilities and functions focused on the design and delivery of relevant, innovative and efficient digital solutions, will replace our traditional structure. Our new capability model will improve coordination and enable us to accelerate the execution of our strategy. Our performance reporting for 2020 is still by business line; however, forward-looking discussions and disclosures relate to the new group structure.

Our traditional structure to 31 December 2020

How the group manages IT and the governance processes that are in place to ensure the efficient delivery of technology strategies, effective cybersecurity, ongoing cyber resilience and value creating technology investment that together offer better client service and protection of their assets.

Why the group manages IT and the governance processes that are in place to ensure the efficient delivery of technology strategies, effective cybersecurity, ongoing cyber resilience and value creating technology investment that together offer better client service and protection of their assets.

As the group is client led, our primary axis of organisation will be CLIENT SOLUTIONS teams.

Our CLIENT SOLUTIONS teams will support the client segments and the group as a whole. The client solutions teams will work in partnership with the client segments in pursuit of the customer value proposition strategy. Client solutions teams will provide products and services for banking (spend, transfer and borrow), insurance (protect and safeguard) and investment (earn and grow) and expand into non-financial services and solutions over time.
KEY TRADE-OFFS

Achieving our client focus priorities is contingent on managing the following trade-offs.

- Our response to Covid-19 resulted in a temporary reallocation of resources to protecting our employees and providing relief for clients impacted by the pandemic, increasing costs and provisions; however, our response was well received and supports the group’s longer-term sustainability.
- Our digitisation strategy, centred on providing ‘always on and always secure’ services, improves client experience and efficiency and is critical to our long-term competitiveness, but increases our continuing investment in IT.
- We must invest in innovative new products and services respond client demand and improve client retention, albeit at the cost of traditionally higher yielding revenue streams.
- New business models such as mobile money and ecommerce make it necessary for the group to manage additional non-financial risks beyond those related to traditional banking.
- Our integration with partners facilitates our transition to a digital business, which is fundamental to protecting and growing our client franchises, but increases the need to manage the associated dependencies, risks and complexities of third- and fourth-party relationships.
- Increasing capital allocation to higher growth markets and new revenue streams accelerates our strategic transformation but requires that we mitigate the impact on clients by ensuring that we continue to offer competitive financial services.
- Developing new skill sets to deepen our understanding of clients and improve client experience may have a temporary impact on the working environment and productivity.

2020 KEY PRIORITIES

PBB

- Scale and execute ecosystem banking to deliver value chain solutions across Africa.
- Be proactive in managing client relationships and solutions to deliver what matters to clients.
- Connect relationships to deliver trade solutions to our Africa-China client base.
- Fully digitise origination capability while maintaining the human touch.
- Migrate clients to relevant and innovative digital payment and service capabilities.
- Modernise outdated financial systems to leverage cloud and other new technologies.
- Achieve ‘always on’ service access for clients.
- Address SBG mobile app user concerns to further improve adoption and use.
- Manage branch footprint proactively in response to client behaviour and demands.
- Upskill employees continuously to ensure agile, flexible, cross-functional teams equipped to respond to the expectations of our clients, and the demands of the new world of work.

CIB

- Digitise core client interaction processes, including client onboarding.
- Be proactive in developing solutions to resolve client challenges.
- Implement a resilience programme for our top ten critical digital solutions to improve IT system stability.
- Accelerate application programming interface (API) enabled infrastructure and intelligent automation.
- Automate selected product transactions per country to beat competitor benchmarks.
- Leverage cross-functional teams and capacity to deliver complete solutions to clients within their value chains.

WEALTH

- Respond to transformational trends in wealth management, including a significant increase in insurance activity in Africa, more integration of financial services in South Africa and an industry-wide focus on client centricity, efficient distribution channels and technology advances.
- Continue to capitalise opportunities to grow earnings by offering clients an innovative value proposition that leverages the group’s strength to position Wealth as the market leader, continually raises the bar on client experience and increases our market share.

RECOGNISING OUR ACHIEVEMENTS

Our integrated client approach was recognised in reputable industry awards during the year.

Private Banker International Awards
- Winner: Outstanding Global Private Bank – Africa
- Winner: Outstanding RM Training and Development Programme
- Highly Commended Achievement: Outstanding Wealth Management Technology Initiative – Back Office

Global Finance Awards
- Winner: Best Private Bank in Africa and Ghana
- Winner: Best Investment Bank in Africa, Angola, Botswana Mauritius, Mozambique and South Africa
- Winner: Global Best Investment Bank for Sustainable Finance

PWM/The Banker Global Private Banking Awards
- Winner: Best Private Bank in Nigeria

The Banker Innovation in digital banking
- Winner: Innovation award for Africa

Euromoney Awards for excellence
- Winner: South Africa’s Best Bank for Wealth Management
- Winner: Best Investment Bank (Africa, Kenya, Malawi, Nigeria)

Intellidex SA Top Private Bank & Wealth Manager Awards
- Winner: Top Wealth Manager for Internationally Wealthy Families

Euromoney Best Private Bank and Wealth Management Survey
- Winner: Capital Markets and Advisory, Africa
- Winner: Serving business owners, Africa
- Winner: Serving business owners, South Africa

Structured Products and Derivatives Awards 2020
- Winner: Best House MEA (Middle East and Africa)
- Winner: Best Distributor MEA
- Winner: Best Performance South Africa

South African Listed Tracker Awards (SALTA) 2020
- Invest Top 40 ETF won the Tracking Efficiency award (three-years) for SA Equity ETFs 2019 and 2020

Citywire Global Equity Sector Rating 2020
- Melville Douglas Top AA-rated fund manager

International Investment Awards 2020
- Winner: Excellence in Private Banking Offshore Group

Intellidex SA Top Stockbroker of the Year Awards
- Top Stockbroker of the year

BrandZ
- Placed second: Top Most Valuable South African Brands
A year of anticipated growth and opportunity was quickly overshadowed by the Covid-19 pandemic. While we rapidly reordered our priorities to respond to the severe humanitarian implications of the pandemic, we were consistent in striving to provide exceptional client experiences.

We provided extensive support to our clients and employees during the period and accelerated our digitisation strategy to expand and enhance our digital service solutions. We were rewarded with improvements in client satisfaction and retention, and 7% growth in active clients in Africa Regions.

Our performance in the second half of the year reflected the benefits of higher productivity and growth in main market clients across the continent, driven by the appeal of our suite of digital client solutions. Our ongoing, significant investment in both our people and IT infrastructure, to secure our relevance and competitiveness in a fast-changing world, underpinned this resilience.

The health consequences of Covid-19, and the restrictions implemented in response, compounded socioeconomic vulnerabilities in South Africa, home to our largest client franchise. Across the continent, our countries were impacted to varying degrees in line with the severity of government responses to the initial surge in infections. This led to increased unemployment, loss of income and stalling transactional banking activities, while closed borders disrupted trade flows across the globe.

While the shift from office to home working environments drove the adoption of digital banking, it further displaced branch activity. Digital lending by personal banking clients increased as clients opted for our fully digital origination solution, but this was offset by a reduction in branch-originated unsecured lending during the lockdown period.

Despite the challenges, we maintained robust balance sheet growth with loans and advances up 7% and 1.4% growth in our client base, primarily by attracting new clients through our digital channels and new solutions.

With the help of IT support teams, we equipped 4 200 (of a total of 4 500) contact centre employees to work from home, with priority given to vulnerable employees. While many of our front-line teams have returned to their offices subsequent to hard lockdown, we continue to closely monitor branches in hotspot areas and proactively manage branch openings to adjust to the health risk and capacity implications of the pandemic.

Our response proved effective in limiting productivity impacts, although reduced front-line employees led to lower origination and transaction levels during the peak of the South African lockdown, in which regional branch capacity was down up to 50% in peak periods.

In South Africa, to support the financial survival of our clients, we introduced relief measures for qualifying personal and business clients, which included:

- Discretionary instalment payment relief for personal banking clients on home loans, vehicle and asset finance, personal loans and credit cards, and instalment and interest relief for full-time students during the period.
- Three-month instalment relief on business loans for SMEs with turnover below R20 million provided critical support for businesses defined as non-essential service providers.
- Applied and supported the government-initiated Loan Guarantee Scheme, introduced to support small businesses; at December 2020, R7.1 billion in loans had been disbursed (of the R7.4 billion contracted) under this scheme.

We continued to focus on improving our operational efficiency by accelerating the digitisation of our services, reducing our cost base, streamlining the client experience and lowering costs, which on average remained below in-country inflation rates for the full year.

We realise some early benefits of rebuilding our business banking team and intensifying our focus on business banking in the domestic market. We reviewed our value propositions, with an emphasis placed on client acquisition, renewal of focus on cross-sector, streamlined the health and legal sectors, and enhanced our digital offering to SMEs. These improvements in client experience supported growth in business and entrepreneur clients.

In addition to growth in our client base, client satisfaction improved across the continent. We attribute this to our strategic focus on consistently delivering what matters most to our clients, being proactive in providing support when they need it most, enhancing our digital capability to improve client engagement, and leveraging our data assets to personalise our engagement with and offerings to our clients.

In addition, leveraging our extended network of relationships to assist our business clients to identify trade opportunities includes our support of the China International Import Expo (held virtually in 2020) and our Trade Club offering.

As expected, we saw elevated impairments as the economic consequences of Covid-19 weighed heavily on our personal and business banking clients. This pressure, together with the effect of forward-looking expected loss provisioning demanded by accounting standards, led to an increase of 2.5 times from the prior year in impairments. Despite our healthy balance sheet and client growth, revenue remained under pressure due to the negative endorsement effect of material interest rate reductions and the substantial drop off in transactional activity during the lockdown period. These factors negatively impacted our financial results for the year.
The extensive changes within our business in recent years, particularly the reconfiguration of our South African branch network in 2019 and the shift to digital banking solutions, have affected all our employees to some degree. We continue to invest in equipping our teams to deal with the rapid shifts in our markets and clients’ expectations, specifically through our extensive and fit-for-purpose learning and development offerings.

Noteworthy has been the extensive programme to train and transition 2,908 employees, whose positions became redundant in the branch reconfiguration, to universal banker roles, thereby securing their employment and future employability. The introduction of future-ready training academies and programmes focused on strengthening our data science and behavioural economics capabilities will continue to support the ability of our people to make the required changes that the Fourth Industrial Revolution demands.

As we strive to remain relevant to our clients, we will leverage our digital and human capabilities to:

- Deliver enhanced client segment and sector value propositions.
- Improve our clients’ experience with personalised solutions delivered through the channels they choose, based on a deep understanding of their current needs and future ambitions.
- Increase operational efficiency by ensuring that our technology is efficient, stable, robust and secure and our processes are automated and in the cloud.
- Further grow and scale our digital services and solutions.
- Empower our people to partner our clients in making their dreams possible, through well-embedded, agile ways of working and leveraging data to personalise client engagement and offerings.

Besides adapting to a changing world and rapidly evolving client needs, and responding quickly and decisively to the first wave of Covid-19, our operations also prepared for a second Covid-19 wave. With this materialising from December, our teams were well-prepared to respond with immediate off-site capability, digital capability and experience in managing the branch closures and team capacity.

2020 was strongly coloured by a need for empathy and humane support, both within our business and in our communities. We anticipate that the uncertainty and impact of Covid-19 will remain a feature of our operating environment during the first half of 2021, and its compounding effect on the socioeconomic vulnerabilities in our markets will last long into the future.

Our response to the pandemic has demonstrated our inherent resilience and confirmed the validity of our strategic direction. In this extraordinarily difficult year, we were able to revitalise our client franchise, an achievement that augurs well for the accelerated execution of our strategy.

Our ability to partner with our personal and business clients on their life and business journeys is contingent on transforming our digital and human capabilities to better understand and quickly respond to their needs, with solutions drawn from across the full spectrum of our services. To this end, continuously improving our application of new technologies, data and AI is fundamental to meeting our objective to consistently deliver exceptional client experiences while also transforming our operating efficiency.

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We generate and analyse vast amounts of client data to provide the insights that assist us in solving our clients’ financial and, increasingly, non-financial needs. During the year, we had more than a million personalised conversations with our clients, with 30% of these converting into client action. As we migrate to a single digital client engagement platform, our ability to personalise our interaction with clients and connect them efficiently to the solutions they need, will be significantly enhanced. This will enable our employees to unlock client value by applying and generating valuable data insights that will be available to client service teams across the group.
We continue to focus on building scale and appropriate client solutions for our main market clients. During the year, we introduced several new digitally enabled solutions to service these clients, including PayPulse, @Ease and MyMo Plus. These solutions have been well received. Customer response and adoption has been positive. Entrepreneurship is a major driver of economic growth, particularly when small businesses develop their potential to expand and contribute to job creation. Our OneFarm solution in Uganda helps farmers overcome these impediments by offering a digital marketplace that brings together suppliers, buyers and trade facilitators. The solution is being used by 500 small farmers and has been proven to significantly increase the quality and quantity of crop yields.

Adding value through our client networks

By understanding our clients’ businesses and their value chains we can support them effectively and recommend solutions. An example of this relates to a logistics client, based in Nigeria, who needed to expand their fleet from 70 trucks to 100. This sizeable investment was originally anticipated to be met by international suppliers who would provide the required vehicles. However, our team was able to connect this client to suitable local suppliers and fabricators within our client network, saving both time and cost.

Leveraging our trade and networking capability during the pandemic

The group leveraged its import solution, the Africa China Import Solution (ACIS), as well as our client networks, to source and import PPE from China for clients across the continent, and to secure donations for needy causes and for our employees during the height of global supply shortages and logistics restrictions in 2020. This quick response to ensuring the safety of our people was also subsequently recognised by a Global Finance Award for outstanding crisis leadership.
Corporate & Investment Banking

CHIEF EXECUTIVE’S REVIEW

KENNY FHLA, Chief executive officer, Wholesale Clients (previously Chief executive, CIB)

“While some oil and gas projects were delayed as a result of the pandemic, we continued to support transformational developments in the oil and gas sector in Africa. These included the financing of Africa Oil’s acquisition of a 50% ownership interest in Petrobras Oil and Gas BV. We remain optimistic about the sector and continue to support these important developments for Africa’s longer-term growth.”

Despite the severe economic and social impact of Covid-19, we produced a resilient performance, which reflects the strength and diversity of our client franchise. Our strong relationships and consistent engagement with clients gives our teams the insights necessary to provide solutions that help clients protect and grow their businesses in changing, and intensely challenging, market environments. An important development was to clarify our policy positions on facilitating a just transition to a climate smart African economy in balance with the continent’s need to drive inclusive and sustainable growth.

Respond

The economic impact of Covid-19 and the lockdown measures implemented by many governments across Africa heightened operational and credit risk in our portfolio and disrupted the running of our business. Our immediate response to the pandemic was to support our clients, keep our employees safe while also ensuring that our systems remained stable and capable of supporting client engagement and the launch of new products and services. These became more relevant as a result of Covid-19 related dynamics.

During the pandemic, we engaged proactively with our clients to understand the support they required. We provided cumulative relief of R24.8 billion, and our client engagement teams stayed close to our clients as they navigated complex and abnormal operating conditions. We enabled over 90% of our employees to work from home, supported by the introduction of controls to manage data security and operational resilience in their home office environments. In addition to investing in our employees to equip them to provide exceptional client service, we monitored their emotional wellbeing and provided support to ensure they remained resilient and able to continue originating new business.

While Covid-19 exacerbated persistent economic weakness in many of our markets, impacting the financial position of clients and increasing impairments by 2.6 times, Impairment levels were high in east Africa, west Africa and South Africa. Our robust risk management process, in tandem with the relief measures offered to clients mitigated the losses incurred during 2020.

Recover

Our deep insights into our clients’ markets and businesses enabled our teams to differentiate between clients experiencing a short-term Covid-19 related shock from which they would recover, and those that were vulnerable before Covid-19. We provided short-term liquidity to support otherwise sustainable businesses through the lockdowns and accelerated measures such as debt restructuring, asset sales and capital market transactions that were underway before the crisis hit, to help more vulnerable businesses reduce debt and recover.

We focused on adjusting risk appetite to reflect changes in clients’ operating environments, including the impact of Covid-19, and were selective in exposures to avoid concentration in certain sectors. Unsurprisingly, our clients in sectors classified as essential services, such as financial institutions, consumer goods and telecommunications and media, were more resilient during the Covid-19 lockdowns. These were the top performing sectors by revenue for the year. Our clients in the hospitality, automotive and mining sectors were most negatively impacted by operational shutdowns and production interruptions during lockdown periods. The oil and gas sector continues to offer significant opportunity, but we remain circumspect about sovereign and state-owned entities, which are highly indebted.

While the commitment of our client teams during a difficult year consolidated the strength of our client franchise, we continue to augment our long-standing product expertise, deep Africa experience and strong, trusting client relationships by partnering with our clients in co-creating digital solutions that help them manage and grow their businesses. These engagements extend to consulting with our clients to understand how they choose to engage with us and the services they need now and in future.

As we accelerate our strategy, we will continue to leverage our human and digital capabilities to:

- Deliver tailored solutions in partnership with our clients to meet their current needs and future growth ambitions.
- Provide a frictionless client experience, supported by the group’s adoption of a digital client engagement platform that will enable our employees to deliver more precisely to clients by using data insights shared across the group.
- Capitalise on growth opportunities across our markets, remaining alert to the uncertainty of Covid-19, the direct effects of which we expect to remain a feature of our operating environment in the first half of 2021, as well as the longer-term ramifications of the crisis for our clients and markets, and for global trade flows.
- Identify and develop further opportunities to expand our products and services and provide complete solutions to our clients and their value chain partners in our targeted sectors.
- Continue to apply sound credit management and control across our franchise.
- Support our employees as they deal with the impacts of the pandemic on their physical, mental and financial wellbeing.

We maintained a sound performance despite the significant challenges that disrupted our markets, our clients, our operations and our people. Our focus on providing tailored funding, liquidity and risk management solutions sustained and protected our clients without exposing the group to undue risk. As we responded to Covid-19 and recovered from the initial surge and various government responses, we focused on staying responsive to our clients’ evolving needs in a rapidly changing and uncertain world.”

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CIB’S PERFORMANCE AGAINST STRATEGY

The following pages describe our integrated response to the group’s strategic focus areas.

Delivering exceptional client experiences

CIB’s mature client relationship model enables our coverage teams to partner our corporate clients, and to employ their intimate understanding of their business growth strategies and sector to provide proactive and relevant solutions within ecosystems and across operating regions.

In the CIB space, creating valuable partnerships with our clients is contingent on the depth of skill, innovative thinking and entrepreneurial spirit of our coverage teams. This is underpinned by ongoing digitisation of our processes to improve our operational efficiency and the seamless fulfilment of client requirements. Key developments in 2020 were the piloting of innovative ways to automate and improve trade processes.

Our progress in refining our client relationship model and deepening process automation over several years contributed to the slight improvement in client satisfaction for the year and was recognised by several awards that provide reputable benchmarks to assess our competitiveness.

Driving Africa’s sustainable growth

We continued to drive Africa’s growth in 2020, serving the banking, finance, trading, transactional, investment and advisory needs of a range of multinational companies, local and regional businesses and financial institutions. Our partnership with ICBC remains key and is critical for us in the support of trade business between China and Africa.

CIB is a material provider of foreign currency liquidity and risk management across our African footprint. We participate in financing trade flows that strengthen regional and cross-continental trade links and facilitate trade and capital flows within Africa, and between China and Africa. In South Africa, we have the largest market share of the issuance of letters of credit.

With our deep sector specialisation, we offer extensive financial solutions that our clients require across their value chains. Our comprehensive financial services and products meet the evolving needs of our clients, while our on-the-ground specialist teams support clients in identifying opportunities that drive the development of their broader value chains.

An important feature of 2020 was the progress we made in supporting our clients’ adoption of environmentally and socially responsible practices. Funding solutions in this regard included:

- The highest CSI ratings were achieved in Ghana, Mozambique and Angola, with Mozambique and Angola showing significant year-on-year improvements.
- Positive sentiment from South African clients was unfortunately dampened by continued online channel and foreign payment challenges.

Enabling Vodacom’s first sustainability-linked loan

In a first for South Africa’s telecommunications, media and technology sector, the group facilitated a R2 billion sustainability-linked loan facility for Vodacom that aligns the telecoms giant’s sustainability incentives with its financing structure. As the sole arranger, sole lender and sustainability agent on the deal, we advised Vodacom in meeting its predetermined sustainability targets over a range of ESG metrics.

Facilitating a shift towards sustainable finance solutions in real estate

In partnership with Equites, we concluded a R1.6 billion sustainability-linked loan facility agreement comprising two R800 million tranches. This sustainability-linked loan facility is the first for the real estate sector in Africa. The interest rate is linked to Equites’ achievement of certain pre-agreed ESG performance targets. These involve ESG integration, which relates to green building certifications and other metrics; product governance, which partly relates to occupier satisfaction; business ethics; and human capital, including gender pay equality.

Issuing South Africa’s first offshore green bond

We issued a USD200 million green bond through a private placement by the International Finance Corporation. This is Africa’s largest green bond to date and South Africa’s first offshore green bond issuance. Listed on the London Stock Exchange, the bond will be used to finance eligible green assets, such as renewable energy, energy efficiency, water efficiency and green buildings aligned to Standard Bank’s sustainable bond framework.

Issuing the first B-BBEEE performance incentive linked loan globally

In March 2020, Isanti Glass completed the acquisition of Nampak Glass. We acted as the financial advisor, mandated lead arranger and sustainability agent to Isanti Glass. The funding package included a broad-based black economic empowerment (B-BBEE) performance incentive linked loan, the first of its kind, structured under the group’s sustainable finance framework. The margin of the loan is linked to the achievement of pre-agreed B-BBEE targets. Isanti Glass is 60% owned by KwaZulu Capital Proprietary Limited, a black-owned investment company, and is 35% owned by SASSA Holdings Limited, a wholly owned subsidiary of AB InBev. Isanti’s purchase of Nampak Glass creates the first and only black-owned and controlled glass container manufacturer in South Africa.

Leveraging our digital capabilities to meet our clients’ needs

Our strong client partnerships help us to understand, analyse and address areas of client friction across the spectrum of their financial needs. As we become more digitised and integrated, we are better able to address client financial services needs and match these with secure, personalised, relevant experiences, and a full range of solutions, in real-time, all the time.

Our system modernisation and the digitisation of our processes provides more efficient client service at lower cost, and helps our clients execute their strategies.

We have introduced several services as a consequence of our engagement with clients focused on co-creating digital solutions that help them manage and grow their businesses, while contributing to significant improvements in client experience and operational efficiency. These include:

- OneHub, provides a single digital platform for clients, employees and partners (including our Big Tech and fintech partners) to access the digital assets we have created and co-create new solutions within the market community – a ‘shopping centre’ for wholesale clients.

- OneDeveloper, offers clients and partners a ready secure API test environment that mimics the production environment, in which business-to-business solutions can be collaboratively developed. The solution is accessible through OneHub and will form a key part of our strategy to partner our wholesale clients on their digital journeys.

Improving client experiences with digital technology – QuantumTrade

Our Quantum Leap programme provides client-led and digitally enabled transactional banking solutions for corporate clients. QuantumTrade, the first offering in the Quantum Leap programme, provides digital trade solutions, which were launched in Uganda in 14 weeks and will be rolled out across the rest of the countries in which we operate. By automating trade processes, we can reduce the processing times for guarantees and letters of credit from days to minutes for clients with whom we have longstanding relationships, while increasing transparency of trade limits and the visibility of the underlying commodities.

Standard Bank was awarded the 2020 Innovation in Digital Banking Award (Africa) by The Banker magazine in recognition of the excellence and innovation of our Quantum Leap programme.

OneDeveloperv2.png

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Wealth

CHIEF EXECUTIVE’S REVIEW

MARGARET NENABER, Chief executive officer, Client Solutions (previously Chief executive, Wealth)

“Our clients were at the centre of our response to constant change in the Wealth Management and Insurance industries, in a year dominated by immense global health and socioeconomic challenges. Despite these obstacles, we were able to protect our clients’ financial assets and support their aspirations by leveraging the group’s strength and our position as Africa’s Wealth leader. Our obsession with client satisfaction remains a key focus of our business. Our culture of excellence, thoughtfulness and ‘before the sun sets’ service enabled us to raise the bar on client engagement and capitalise on opportunities to grow our market share. In addition to hosting more than 250 virtual client events in 2020, we also garnered 22 industry awards, including the Euromoney Award for Best Bank for Wealth Management in Africa for the fifth year in a row.”

In addition to maintaining the stable foundation of our franchise, we continued to expand and diversify our presence across the continent. Market-leading performances and consistently thoughtful client engagement enabled us to retain and grow our client base during a tumultuous year. Although new client cash flows came under pressure, we saw significant reinvestment from existing clients.

Consistent implementation of our client-centric strategy culminated in a resilient financial performance. Headline earnings contracted by 20% (32% on a headline adjusted basis), androe remained strong at 29%. Excluding the impact of lower interest rates (negative endowment) on our business, overall headline earnings improved by 13% year-on-year.

Our performance was positively impacted by our market-leading Nigerian pension fund business, growth in our high net worth client base, and stable performance by our insurance business. Our investment performance in managing clients’ money continues to be above the benchmark in international and domestic markets.

We maintained a strong risk culture, underpinned by our embedded risk governance and conduct structures. Our relatively low credit impairments reflect our proactive management of risk and the operation of our businesses within their predetermined risk appetite. We also continued to promote a culture of savings, with more than R3.3 billion of clients’ assets invested in low-cost online investment programmes. Nearly 10 000 clients and their family members attended our Financial Fitness Academies, or virtual sessions for Feenix students, and over 1 000 attended our Leadership Academies.

The UN African Women Impact Fund (AWIF) was launched using the asset management expertise of Melville Douglas and STANLIB. The AWIF is an innovative impact investment fund that addresses UN SDGs and has raised over R1.8 billion. We launched the AWIF using the asset management expertise of Melville Douglas and STANLIB. The AWIF is an innovative impact investment fund that addresses UN SDGs and has raised over R1.8 billion.

We continued to support our employees with continuous training and education, as well as mental health and wellness initiatives. We also launched a mental health awareness campaign to alleviate Covid-19 related anxieties.

Our operational resilience was maintained by empowering our employees with technology to work from home, as we were committed to serving our clients, no matter where the work took place. No major incidents or breaches were reported, illustrating the robustness of our business continuity and crisis management plans.

We worked closely with our clients to support them during the Covid-19 pandemic, proactively and consistently, and with empathy to its effects on our clients and our employees, simultaneously tailoring personalised solutions to support our clients’ unique goals and aspirations.

We engaged constantly with our clients across our South African, Africa Regions and International operations and introduced a number of measures to mitigate the impacts of Covid-19, including:

• A range of financial relief measures across our jurisdictions, including cash back on insurance premiums during the lockdown, premium payment relief on certain credit life, funeral and education policies, and proactive identification of distressed clients and the restructuring of their loan facilities.

• More client interactions on innovative communication channels, including WhatsApp Covid-19 chatbots. We also used virtual channels to provide economic and investment updates, thought leadership initiatives and educational webinars.

• Participation in a revolving credit facility to support the Isle of Man Government’s Covid-19 response.

We supported our employees with continuous engagement through regular connect sessions and chief executive forums. We also initiated a mental health awareness campaign to alleviate Covid-19 related anxieties.

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Recover

Despite the difficult operating conditions, we made strides in harnessing technology to drive more integrated solutions, backed by digital capabilities that allow us to evolve efficiently with changing client preferences. These innovations form part of our drive to accelerate the transformation of client experience and operational efficiency.

Our My360 app is a good example of our commitment to placing our clients and digitisation at the centre of our strategy. Our My360 app gives clients a consolidated view of their net worth across more than 20 000 global financial institutions on a single easy-to-use dashboard. Now with more than 42 000 users, the My360 app won the Most Innovative International Fintech award at the 2020 Benzinga Global Fintech awards in recognition of its enhancement of financial wellness.

We use our digital solutions to gather client insights that inform holistic, goal-based advice delivered in a personal manner. During the Covid-19 lockdown, we continued to serve our clients, no matter where the work took place, with the launch of WhatsApp chatbots, digital onboarding and e-signatures, and the accelerated development of our My360 app.

Following the launch of Wealth and Investment’s Family Office conference in 2019, we conducted a virtual Family Office conference, in partnership with Family Office Exchange (FOX), across all of our regions. One of the largest and most respected family office institutions in the US, FOX provides integrated service offerings and advice, and its leadership was one of the key drivers in the development of My360.

Many of our innovations are the result of more focused collaborations across the group, as well as our strategic partnerships. For example, the group’s adoption of a global customer engagement platform has enabled us to find the right prospective clients and to personalise their experiences, including complaint resolution and customer engagement, based on rich data-driven insights.

We expect Covid-19 to remain a feature of many of our markets during 2021. As we continue to manage the pandemic’s impact on our client base and employees, we are accelerating the implementation of our strategy to position the group in an evolving wealth industry and a fast-changing world by leveraging our core strengths:

• Access to a widespread client base and distribution capabilities through our integrated group.

• Unwalled African-focused capabilities, capturing a multitude of in-country opportunities.

• Investing in digital assets and capabilities to accelerate, with increased urgency, the transformation of core experience and operational efficiency.

The solutions we offer are clustered within the framework of Wealth Management (Advise and Invest) and Insurance (Insure). These core areas cover the following businesses:

Wealth

As Africa’s Wealth leader, we believe in championing our clients’ aspirations and enabling their goals. Our key differentiators are our ability to seamlessly integrate offerings across our advisory, investment and insurance businesses, our nurturing client engagement philosophy and our commitment to delivering exceptional client experiences.

We know that happy employees create happy customers, and that happy employees are also more productive, efficient and creative. We achieved a pleasing eNPS of +40, an increase of 60%, and employee regrettable turnover improved substantially compared to the previous year. This reflects well on our people, strong engagement and commitment to our client-centric strategy, particularly during a difficult year that required them to offer an extraordinary level of empathy and support to our clients.

To further strengthen employee alignment with our client base and diverse thinking, we promoted diversity across our jurisdictions, achieving 56% female representation.

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While our international deposit base remained stable as investment funds in the mass affluent segment continued to flow from Africa and corporate call accounts grew, investment performance was impacted by a reduction in global interest rates, 46% exposure to a volatile US dollar and increased regulatory pressures due to the South African credit rating downgrades. The international business remains an important part of our value proposition and a strong contributor to group liquidity. Our boutique investment management company, Melville Douglas, performed very well in difficult market conditions. Our global equity and global growth funds remained in the top quartile, while our domestic multi-asset strategies performed ahead of benchmarks and the domestic peer group. Melville Douglas’ offshore performance was acknowledged by Citywire’s Top AA-rated Global Equity Sector Fund Manager.

We continued to strengthen our partnership with Liberty, with significant reinvestment from existing portfolios driving robust growth in assets with STANLIB. Our specialist non-active asset management partner Invest also hosted webinars in collaboration with Liberty and other external partners to increase awareness of passive solutions and to diversify distribution channels. Invest received a number of awards at the recent South African Listed Tracker Awards.

**INVEST**

Discretionary (Melville Douglas), stockbroking, international deposits, pension fund administration (Nigeria) investment and advisory (Ghana) and funds, including alternative and passive investment funds.

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Looking ahead for our clients

Moving closer to our clients through new client segments

We are clear on our strategy and focus: we will garner further insights and develop valuable relationships with our clients through deepening our digital capabilities, to understand their preferences and dreams to provide them with the solutions they need. We will become central to fulfilling each of our clients' financial, and increasingly non-financial, needs in their life and business journeys. Our changing functional structure, including targeted new client segments, drives us closer to our clients by enhancing focus, improving coordination across the group and enabling us to accelerate our strategy.

Delivering integrated solutions to our clients

As we transform the group, we are integrating our capabilities and reshaping our infrastructure to offer our clients integrated solutions. We also collaborate across the group to attract and serve new clients by banking our existing clients across their value chains and within their client relationships centred on fulfilling their needs.

Expanding our services and solutions

To keep adapting to change, we continue to reorganise our business around our clients to ensure that we spend more time understanding the way they live, shop, socialise and do business, and responding to their changing expectations. We are migrating towards providing our clients with an expanded range of integrated services and solutions leveraging the group’s scale, scope and digital capabilities. For our consumer, high net worth and small business clients, our services are increasingly individualised, instantly available solutions and opportunities, enabled by modern digital technology but delivered whatever way our clients choose. For our commercial and wholesale clients, our services require close human relationships that support the complexity, competitive pricing and bespoke nature of corporate deals, while we transform client experience and efficiency by digitising manual processes and decision-making.

Our integration across the group extends geographically. In Africa Regions, our business and commercial banking has tended to pave the way for client growth across the group, primarily due to the extension of our spectrum of financial services to our clients’ ecosystems. This has also gained traction in South Africa. We will continue to leverage and scale ecosystems throughout our franchises, growing in markets where we are under scale and strengthening our client base across all segments.

We are also increasingly working in partnerships with other businesses to provide solutions beyond those of traditional financial services through broader ecosystems, using and growing our existing digital solutions such as LookSee, Trade Suite, and Onefarm to support our clients’ life and work experiences. For example, by scaling our digital trade capabilities and ecosystems to connect our clients to 18 000 vetted businesses across 60 countries, leveraging our partnership with ICB to link African companies with Chinese importers, and managing our clients’ end-to-end trade processes digitally, we are positioning the group to support trade business in Africa.

The acceleration of our integrated approach is demonstrated by the following examples:

LookSee – supporting home ownership experiences

Our LookSee online guide helps property buyers, sellers or homemakers to make informed decisions when buying or selling property. On the same site, homeowners can access online first-time investor tips, access bonds and home loan protection plans.

LookSee enables property buyers or sellers to:

- View the estimated value of a property by entering its address. View its growth and average values in the area.
- Understand sales trends, crime statistics, nearby amenities and demographics in the area where they would like to buy.
- Download property guides and compare up to three properties at a time.
- Understand one-off and monthly costs involved in owning the property, including estimated insurance, rates and taxes.

Leveraging technology across our clients’ value chains

Our clients in the fast-moving consumer goods sector supply wholesalers, retailers and the informal sector. Many of these clients want us to support small local farmers in their supply chains or consumers in the informal sector who experience cash flow and cash management challenges. By leveraging technology, we remove physical cash from supply chains and improve logistics and security. Technology can also increase our clients’ visibility of suppliers’ production to ensure quality and sustainability of supply. In some instances, these interventions are provided through our small business incubation centres.

Simplifying business clients’ trade experiences

Trade Suite manages our clients’ end-to-end trade processes, ensuring that the goods they import arrive on time, in good condition and at the price they expect.

The group also offers Trade Club, an online platform that connects our clients to more than 18 000 vetted businesses across 60 countries, drawing on our global trade alliance with 13 leading international banks.

To date, over 750 business clients have accessed our networks of relationships, intimate understanding of African markets and global connectivity through a range of benefits, including:

1. Competitive working capital finance solutions and risk reduction instruments
2. Access to some of South Africa’s best logistics businesses at competitive rates
3. A fully managed import solution that allows businesses to focus on other core areas of their operations
4. The ability to explore over 200 000 pages of curated market insights in over 100 countries, and commodities therein
5. Access to Trade Club, where companies can source approximately 18 000 new buyers and suppliers from over 60 countries, including sourcing products from China
6. Access to international trade shows and events (digitally enabled owing to Covid-19 restrictions)

UNAYO – YOU HAVE IT

Unayo is a global wallet account that has been designed to offer a fully digital experience with a range of solutions centred around client needs.

A mobile phone and number allows subscribers to connect, trade and transact through personal or merchant accounts. Money is redeemed into the client’s wallet when received as a voucher or sent from another client. The funds can be cashed at any connected merchant. Unayo provides a simpler, safer way of transacting and accessing cash. This allows both informal traders and well-established businesses to grow their business by joining the network and running their business using Unayo instead of through branches.

Unayo was launched in Matali in November 2020 following a successful pilot and will be rolled out across the group during 2021.
Priorities for the year ahead

Our new capability model will return the group to the great tradition of community banking, to understand our clients deeply and to anticipate their needs. The new core client segments are Consumer & High Net Worth, Business & Commercial and Wholesale Clients. Each client segment is equally supported by our client solutions; corporate functions; a specialised innovation capacity (providing future-ready solutions and new business models to generate new value streams), and by our engineering infrastructure. Our 2021 priorities for our new client segments include:

**BUSINESS & COMMERCIAL**

- **Partner our clients for growth** by identifying, understanding and providing solutions for our client aspirations, based on insights gained from data analysis; increasing meaningful client conversations; and evolving into long-term strategic partners to our clients.
- **Provide superior and consistent client experience** through digitisation and rapid deployment of enhanced customer relationship management; continuous improvement in the turnaround of credit decision-making; and empowerment of client engagement teams.
- **Elevate trade as a core capability** across our international, regional and domestic markets, encompassing trade, forex and cross-border payments. Continue to develop trade on the Africa-China corridor in partnership with ICBC.
- **Scale existing digital offerings and solutions**, including but not limited to OneFarm to support our agricultural capability; Trade Suite and Thrive to support our trade capability and develop client networks; and increase opportunities in Africa Regions.
- **Cultivate enterprise segment across all markets** through our Enterprise Direct capability, automation and continued digital banking solution delivery.
- **Strengthen focus on key sectors**, to deliver sharper and contextually relevant propositions, this includes enhancing our teams with sector expertise and experience to build relationships and serve these clients.
- **Increase transformation in South Africa** by understanding and supporting local businesses.

**WHOLESALE**

- **Continue to embed our relationship** with ‘on-strategy’ clients forming the bedrock of our portfolio.
- **Drive sector and geographic diversification** for our core clients in our presence markets.
- **Optimise our existing value propositions** through innovating our client processes.
- **Capture emerging client opportunities** best served through digital business propositions.

**CONSUMER & HIGH NET WORTH**

- **Drive high levels of people engagement** and productivity, and build a workforce that is highly engaged and skilled for the future ways of work.
- **Grow client franchise by being a bold, inclusive and locally legitimate African brand.**
- **Provide superior client experience** consistently by enabling clients to do all transactions once through mobile, and continue to use data and analytics to drive relevant conversations with our clients.
- **Being more than a bank and scaling chosen ecosystems** through leveraging partnerships, and working in an integrated way with other segments and Client Solutions.
- **Maintain our stable and consistent risk appetite** during good and tough times, and strengthen client rehabilitation and collections.
- **Reduce the cost of client acquisition and servicing** by increasing digital adoption and solving client needs at first point of contact, reduce physical and voice branch-based transactions that can be easily done on mobile and solution for clients to have easier access to cash.

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**Employee engagement**

Employee engagement is a critical driver of long-term sustainable value. Our people’s thoughts and feelings about their work correlates with how satisfied our clients are; and indicates how successful we are likely to be in accelerating our strategy to achieve higher growth and efficiency, while retaining the trust our stakeholders have in the group.

**MEASURING OUR STRATEGIC PROGRESS**

**What success looks like**

- We are considered a good place to work and our people feel deeply connected to our purpose, their colleagues and our clients.
- Our people are empowered to, and are recognised for, delivering against our strategic priorities and being client-centric in everything that they do.
- Our people make the most of every opportunity to embrace new ways of working and learn new skills to remain relevant in a changing world of work, and achieve their full potential.
- Our people are encouraged to speak up and feel heard when they voice their views.

**How we measure progress**

Our anchor measure of employee engagement is our eNPS – an indicator of how likely an employee’s experience is to recommend the Standard Bank Group as a good place to work. We measure eNPS annually across our global footprint, through a survey of our people’s perspectives and opinions. This is supplemented by indicators that provide additional insight.

**Indicators of employee engagement**

- **eNPS**: calculated by subtracting the percentage of survey detractors from the percentage of promoters. This value can range from -100 (if every employee is a detractor) to +100 (if every employee is a promoter). Although the eNPS score measures the distribution of promoters, insights gained from the responses of detractors and passives, employees who are satisfied but not necessarily enthusiastic, are also assessed for further action.
- **Employee turnover**: measures the percentage of employees who left our employ during the year.
- **Diversity and inclusion**: measures the representation of people from under-represented groups and also assesses their qualitative experience of the work environment through an in-depth analysis of the employee survey results.
  - Gender equity: measures the representation of women in senior management and executive positions across the group.
  - Employment equity: measures the representation of black people in management levels in South Africa.

**How we performed**

<table>
<thead>
<tr>
<th>Measure</th>
<th>2019</th>
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<tbody>
<tr>
<td>eNPS</td>
<td>+44</td>
<td>+23</td>
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<tr>
<td>Voluntary turnover</td>
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</tr>
<tr>
<td>Voluntary turnover at executive level</td>
<td>3.3%</td>
<td>4.8%</td>
</tr>
</tbody>
</table>

Our eNPS was an impressive 26 points higher than the prior year and participation in our annual employee engagement survey increased to 83% of employees, up from 74% in 2019.

**Employee turnover**

Overall turnover decreased to 6.0%, from 10.8%. Voluntary employee turnover declined year-on-year and our voluntary regrettable turnover also declined from 2.3% to 1.4%. Our overall and voluntary turnover remain well below global financial industry benchmarks of 13% and 9% respectively (Source: Gartner financial services benchmarks: 2019).

**Diversity and inclusion**

**Gender equity: Representation of women (banking activities)**

We are continuously working to improve the representation of women in senior positions across the group. Women currently hold 33.6% of executive positions across the group. When measured against the 2020 McKinsey Women in the Workplace Report, the group compares favourably in respect of the representation of women in both executive and senior management positions.

**Representation of black people (South Africa)**

In South Africa, in line with our employment equity targets, we improved the representation of black people, and African people in particular, at all management levels.

**Accountability for employee engagement**

Board subcommittees contribute to creating and preserving value for our stakeholders while providing mandated oversight governing our employee engagement value driver.

- **Group social and ethics committee**: Oversees employee engagement, transformation and ethics resulting in a responsive and responsible organisation with an ethical culture that values its employees.
- **Group directors’ affairs and the remuneration committees**: Oversees employee-related matters as part of their mandates.

Read more about the purpose and activities of the board subcommittees.

---

**Number of banking employees**

<table>
<thead>
<tr>
<th>Region</th>
<th>Permanent employees</th>
<th>Non-permanent employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>29,581</td>
<td>621</td>
</tr>
<tr>
<td>International</td>
<td>14,247</td>
<td>621</td>
</tr>
<tr>
<td>Africa Regions</td>
<td>14,274</td>
<td>621</td>
</tr>
</tbody>
</table>

**Tenure breakdown (%)**

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td></td>
<td></td>
<td>23.8</td>
</tr>
<tr>
<td>2 – 5 years</td>
<td>31.7</td>
<td>31.7</td>
<td>31.7</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>21.6</td>
<td>21.6</td>
<td>21.6</td>
</tr>
<tr>
<td>11 – 20 years</td>
<td>9.2</td>
<td>8.3</td>
<td>8.3</td>
</tr>
<tr>
<td>21 – 30 years</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>More than 30 years</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>

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**Tenure breakdown (%)**

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<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
</tbody>
</table>
Our people strategy responds to the following key challenges and the critical trade-offs they require:

- We continue to invest significantly in what really matters to our people, while appropriately managing our cost base. Ensuring we deliver a compelling and competitive employee value proposition is critical to attract and retain the right people to support the group’s strategic acceleration.
- Some of the more specialised skillsets and capabilities we require to achieve our strategic aspirations are scarce in our markets and subject to fierce competition not only in financial services but also in many other industries. We have introduced specific strategies to attract and grow these skills.
- In shaping a future-ready workforce, we expect our people to adapt and remain relevant in a rapidly evolving and increasingly digital environment. Our extensive efforts to reskill and retrain our workforce are enabling us to manage the human, socioeconomic and reputational impact of skills redundancy in the face of increasing digitisation.
- Through our culture change journey, we are taking care to honour the past and those attributes that have contributed to our longevity and success while adopting new behaviours that will enhance our culture in line with our aspirations to transform our business.
- We are focused on managing the risk of change fatigue and building resilience to support focused and urgent delivery of the group’s accelerated strategy.

In our 2020 employee engagement survey, an incredible 96% of our people told us that they understand their contribution to our purpose.

Our purpose, values and culture

A sense of belonging is deeply grounded in whether the purpose of an organisation resonates with its people. This is fundamental in keeping and attracting the right people – those aligned to this higher meaning and the organisational belief system it anchors. We can demonstrate that our people feel deeply connected to our purpose – Africa is our home, we drive her growth; they believe they are making a difference, not only in the lives of our clients, but also in the communities we serve. That service took on a whole new meaning in the context of the pandemic. Our people went the extra mile for our clients, many placing themselves at risk by serving on the frontline during national lockdowns across our geographies.

Becoming a true culture leader, we’ve focused on aligning our values and culture to our purpose and to the needs of our customers and employees. Our culture blueprint, which incorporates the behaviours we believe are crucial for us to realise our vision, informs our culture (‘the way we do things around here’). We have initiated several culture journeys across the group to ensure we strike the balance between honouring the past and the good qualities associated with our heritage, and driving the shifts in behaviour needed to put our clients at the centre of everything we do, to continuously adapt to our changing environment and to win in our chosen markets.
Leading by example
We are clear on the attributes our leaders need to achieve our strategy. Our leadership identity defines how we expect our leaders to show up in the moments that matter for our clients and our people, and informs all our leadership practices and development interventions. In 2020, our leaders not only managed the crisis in a deliberate and thoughtful way, but stayed connected to our people – whether they were working from home or in the office – to inspire energy, focus and hope. Our leadership teams saw every challenge as an opportunity to demonstrate their commitment to keeping our people safe and well, and to supporting our clients.

Keeping our people safe, healthy and productive
Our first priority at the onset of the Covid-19 pandemic was to ensure the health, safety and wellbeing of our employees, and by extension their loved ones and our clients. Our ongoing investment in technology and digitisation enabled us to equip more than 75% of our people across the group to work from home, practically overnight. For those frontline employees providing essential services in key office locations and branches, our focus remained sharp on keeping them safe and healthy in line with changing health risk dynamics. Multi-disciplinary teams came together to solve different challenges, developing a range of critical protocols to provide clarity and guide action in navigating complex scenarios. To keep our essential services workers safe, extensive PPE and special transport were provided. We introduced special leave and other benefits, like parental leave for school closures and leave for self-quarantine purposes. Where feasible, our international assignees were repatriated to their home countries ahead of border closures and travel bans. We granted a special recognition award to all our employees who worked outside the safety of their homes, during the hard lockdown across our countries of operation, to recognise their efforts in providing continued essential services to our clients. We also launched a Covid-19 app and online information hub to facilitate constant communication with our people, provide important educational information, enable them to complete daily symptom checks and keep their leaders informed of their health condition and work location.

Managing the impact of the prolonged pandemic on our people
As it became clear that the pandemic and its associated risks were here to stay for the foreseeable future, we redoubled our efforts to help our people care for their physical, emotional and mental wellbeing. For many of our people, feeling isolated, missing the human connection with colleagues, long hours spent working remotely and the blurring of boundaries between work and home have proven challenging – especially over a prolonged period. In response, we launched an extensive range of wellbeing interventions, including counselling and support services, online webinars and useful guidance on personal resilience, loss and grief, remote working, leading remote teams, home schooling and parenting, mental wellbeing, and violence against women and children.

ADAPTING TO NEW CIRCUMSTANCES
We conducted a special ‘Tell us how you are’ survey mid-year to determine whether our people were adapting to their new working conditions and to understand how we could better support them. The vast majority told us they were adapting well and expressed appreciation and pride for the efforts that the group had made to help them and our clients through these difficult times. Specific feedback included:

- 95% of employees reported that they were adapting well to the new circumstances.
- The top three sentiments expressed by employees were “grateful”, “positive” and “appreciative”.
- Positive feedback on the ability of leaders to empower and enable teams to deliver on expected outcomes, while showing real care for their personal wellbeing.
- 89% of employees expressed their pride in the measures taken by the group to support both employees and clients during the pandemic.

Work is what you do, not where you are
With most of our people embracing digital solutions and working remotely, it has become clear that we will need to rethink our traditional ways of working. We are considering the right balance between physical and remote working environments, given that our people have told us that most of them would prefer having the flexibility to balance working from home with time in the office when it becomes feasible.

Changing conditions bring new opportunities
Our digitisation efforts, which are focused on helping our people to grow and thrive in the new world of work, were accelerated in 2020. Furthermore, our integrated approach to building future capabilities, which has matured significantly over the last few years, continued to evolve even as we dealt with the immediate impact of the pandemic. Most notably, we accelerated the launch of our new MyLearning platform, to give all our people easy access to an extensive range of learning resources. More than 85% took up the opportunity to access learning content anytime, anywhere and on any device. More than five million learning items were completed online by employees since going live in 2020. To ensure our people remain future-fit, we have developed a future skills framework with 432 bespoke learning paths. Tailored learning academies focused on building capabilities relevant to the group’s strategy have been introduced to supplement these learning pathways.

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Learning outcomes
Equipping our employees with future-ready skills

- >40 000 employees have accessed our new online learning platform
- >5 million learning items completed
- >R677 million invested in employee learning capabilities

Staying focused on strategic imperatives
Despite the disruptions caused by the pandemic, we continued to deliver on our people strategy. Importantly, we have continued to focus on enabling a diverse and inclusive workforce. Tailored diversity and inclusion plans, with set targets and metrics, are now in place in all our countries. Ensuring healthy succession pipelines and implementing specific strategies to attract and retain people in critical roles that require scarce skills remained a priority.

This investment in digital learning solutions resulted in an 8% improvement in how our people rate their opportunities for development and career growth.

To better enable sound people decisions, informed by real-time data, a cloud-based people insights and predictive analytics solution was introduced for all line managers. Initial uptake of this solution has been encouraging; as we add data sets, the business value of this solution will grow.

The pandemic served as a catalyst for our people and culture teams to think differently about deploying various people practices and solutions. Besides the rapid redesign of all learning programmes for online delivery, we introduced a completely digital experience for job-seekers and onboarding new employees. Our youth development programmes were also adjusted to be delivered digitally and we provided all our graduates, learners and interns with devices and data to ensure they were well integrated into the organisation and remained connected and productive.
Our promise to our people
The world of work is changing, and so are the expectations of employees. In line with evolution of the group’s brand, and our commitment to our customers and to find new ways to make their dreams possible, we launched our People Promise, based on what our employees have told us they are looking for in a future employer of choice. We shared a clear and aspirational promise as an employer – centred on finding new ways to make their dreams possible; as well as what we expect of them in return. Our People Promise has been well received. It will not only help our employees deliver on our commitments to clients but will also inspire and enable them to realise their full potential.

Ensuring future-readiness
Informed by our aspiration to become a client-centric digital business, we embarked on our journey to transform the group which started with changes to the group’s top leadership team and the inception of the GLC.

We actively engaged with our executive teams and all our people to position the need for urgent change, engender buy-in to our aspirations and help them understand the implications of our accelerated strategic journey. Our people have responded with a sense of excitement and hope for the future prospects of the group.

In particular we are confident that the group has the depth and breadth of leadership experience to achieve the balance between short-term deliverables and long-term sustainable value creation. Our leadership teams, supported by our extensive leadership development programmes, have demonstrated their ability to deal with complexity and resolve the trade-offs required to achieve accelerated growth, change, innovation and efficiency – to transform and perform at the same time.

Employee development
The group is committed to growing and developing our employees to their full potential, investing R677.5 million in 2020.

Graduate programme
Our signature programmes have a strong focus on future fit skills, including data science, actuarial science, behavioural economics and relationship banking. In 2020, our graduate programme had an intake of 199 graduates, 150 in South Africa and 49 from Africa Regions. The programme comprises individualised learning journeys; action learning projects, executive sponsorship and accelerated work experience. These allow us to build a strong succession pipeline for core, critical and scarce roles in the group.

Bursaries and learnerships
Our bursary scheme allows employees to apply for study support courses they want to pursue as part of their career development. Bursaries provided to employees for undergraduate and postgraduate studies in 2020 totalled R51 million and benefitted 1,831 employees. We are reviewing the bursary scheme to accommodate the changing landscape of learning and learning solutions.

- Student bursary programmes
In 2020, we sponsored 36 students with bursaries that cover tuition, textbooks, accommodation and stipend. This year, the benefit was extended to include laptops and data to ensure minimal disruption to their studies.

- Employed learnerships
We offered employed employees the opportunity to pursue in learnership opportunities to build key skills. We introduced a virtual solution for the 987 employees who registered for learnerships in 2020.

Exchange programmes and secondments
During 2020, 132 employees participated in international assignments to build cross-cultural awareness and support succession planning for key roles. Due to Covid-19 and travel restrictions implemented by many countries, 47 new assignments were put on hold with 35 repatriations and two medical evacuations facilitated for assignees and their families.

Our exchange programme with ICBC, established in 2016, allows selected employees from both the group and ICBC to spend time in locations across Africa and China. It supports collaboration and relationship building, enabling the sharing of knowledge and resources. In addition, 45 assignees have participated. Covid has not stopped the sharing of knowledge and resources and three exchange assignments have successfully proceeded.

Diversity outcomes
Gender equity (banking operations)

<table>
<thead>
<tr>
<th>Category</th>
<th>Key Data 2020</th>
<th>Target 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female leaders</td>
<td>13.6%</td>
<td></td>
</tr>
<tr>
<td>Women in executive positions</td>
<td>36.3%</td>
<td>35.3%</td>
</tr>
<tr>
<td>Women in standard management positions</td>
<td>51.5%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Measured against the 2020 McKinsey Women in the Workplace report, the group compares favourably in respect of the representation of women in both executive and senior management positions.

Employment equity (SBSA)

- Black | 51.5% |
- Female | 48.6% |
- Top Africa Regions | 44.2% |
- Top Africa | 49.1% |
- Top South Africa | 45.1% |
- Female chief executives | 35.3% |
- Female leaders | 13.6% |

Our unrelenting effort to keep our people safe, healthy and productive will continue to be the primary focus in 2021.

We will continue to drive a growth mindset and encourage people to take personal responsibility for constantly evolving their skills and make full use of our world-class learning resources. We look forward to bringing our People Promise to life through a variety of initiatives that meet their needs in thoughtful ways.

To support the achievement of the group’s future aspirations, our priorities in the year ahead will include:

- Facilitating the ongoing evolution of the group’s organisational capabilities and ways of working to meet the needs and expectations of our clients.
- Accelerating our strategy to empower our leaders to step into the future with confidence.
- Experimenting with, and then implementing new ways to source and develop the right skills, leveraging the total spectrum of the augmented workforce.
- Re-imagining our performance and reward strategies to drive the right behaviours and business outcomes.
- Shaping the appropriate models of working that balance the changing nature of work, higher levels of productivity and shifting client and employee needs.

The significant increase in our employee engagement indicator, in an extraordinarily challenging year, gives confidence that our people strategy is reaping rewards. With employee engagement being a leading indicator of client satisfaction, we are well on our way to transforming the experience we deliver to our clients, on which our long-term competitiveness rests. Our ongoing initiatives to support the resilience, capabilities, wellbeing and future employability of our people will enable the group to emerge from this crisis stronger and more ready for the future than ever before.
Risk and conduct

Our reputation as a trusted partner is built on the strong foundation of risk management processes and ethical personal, market and societal conduct. This protects the value we create for all our stakeholders.

Managing the Impacts of Covid-19

The group operated in a highly complex and uncertain external environment in 2020. The public health, financial and humanitarian threats associated with Covid-19 compounded the socioeconomic pressures that existed in many of our markets prior to the onset of the pandemic. Covid-19 did not slow the momentum of change in our competitive landscape; rather, it amplified the direct threat to our client franchise and, more generally, the threat to the relevance of traditional financial services offerings, posed by BigTech companies and niche fintech offerings. This made it imperative to accelerate the transformation of our business in line with our medium-term strategy, while at the same time dealing with the immediate impacts of the pandemic.

More specifically, pandemic-related restrictions on workplaces and the desire for contactless services created the need to advance our digitisation strategy significantly and urgently, with heightened attention given to the associated risks.

Respond

Risk management is a cornerstone of the group’s response to the Covid-19 crisis, enabling fast, targeted and responsible support of our clients, while preserving the group’s financial position. Measures include:

- Balancing extensive client relief programmes with careful monitoring and management of our capital, liquidity and credit loss risk measurements.
- Focusing on protecting the health of our employees by providing appropriate PPE to essential office workers and leveraging our investment in technology and digital innovation to equip over 75% of our employees to work from home.
- Collaborating with all internal assurance functions to identify new or heightened risks in the new environment and compliance requirements from new regulations and advising on appropriate controls.
- Engaging with banking regulators on financial risks and exceptions to liquidity and capital requirements, non-financial risks and highlighting systemic risks that may adversely impact the country’s banking system.
- Maintaining the group’s operational resilience through robust business continuity and crisis management response plans that included a change in working locations.
- Channelling learnings from our Covid-19 experience back into governance processes to improve the efficiency of our governance structures.
- Making Covid-19 training compulsory for all employees, and providing emotional support and wellbeing services to our people to support them in dealing with social, financial and to work-from-home demands.

We helped ease the liquidity crisis facing many clients, particularly corporate clients, while maintaining the effectiveness of debt collection activities. We continue to manage credit portfolio concentrations, including concentrations in specific client sectors, such as real estate and hospitality.

Recover

Uncertainty remains a feature of our risk landscape as the Covid-19 pandemic evolves and recovery is set to be uneven across the countries in which we operate. This requires close monitoring of financial risks, which are well understood and well-managed. The impact of Covid-19 on the interrelated non-financial risks continues to unfold and our risk management processes are designed to proactively identify and analyse this new information, as well as establish their potential impact on our financial recovery plans.

Our digitisation strategy is key to our recovery. It enhances client experience by reducing banking costs, improving payment mechanisms and providing better debt management support. However, digitisation, combined with the group’s transformation into a more digitally focused solutions provider, has increased the susceptibility to cyber, information, fraud, and third-party risks. These non-financial risks were exacerbated in 2020 by the shift to a work-from-anywhere approach and required additional employee conduct and information security controls to minimise the impact on client facing services.

Re-Imagine

We will continue to leverage our risk management capabilities in support of the group’s transformation strategy. We expect uncertainty and rapid change to remain features of our operating environment in 2021 and we are alert to the ongoing impacts of Covid-19 on the group, our employees, our clients and communities we serve.

Read more about the group's strategy on page 32.
CONDUCT

How we manage it
We manage conduct risk in accordance with our conduct risk management framework, which defines the group’s conduct risk appetite and informs the approach to managing and mitigating instances of misconduct. Quarterly conduct governance dashboards are submitted to the group leadership council, providing a view on the ethical climate of the group.

Conduct is evaluated, managed and monitored by the appropriate governance and management committees, using conduct risk indicators. Where deficiencies are identified, immediate remedial action is taken. We continue to identify metrics and mitigation measures to improve the responsiveness and effectiveness of conduct risk controls.

How we performed
Good conduct is key to winning and retaining our clients’ trust. Through our actions and behaviour, we aim to deliver fair outcomes for our clients. Good conduct is key to winning and retaining our clients’ trust. Through our actions and behaviour, we aim to deliver fair outcomes for our clients

We monitor and report regularly on conduct risk using predictive and retrospective analysis. Our indicators include:
- Effectiveness of new client product sales.
- Client satisfaction.
- Effectiveness of money laundering prevention practices.
- Information security processes.

2020 KEY PRIORITIES

Good progress has been made against these priorities, and adjustments were made to ensure appropriate focus on Covid-19 crisis management:
- Continue to align the risk and compliance functions to changes in group architecture and transformation to a truly digital organisation.
- Deliver value-based risk management services with a clear link to financial outcomes.
- Actively monitor stressed client portfolios at a group level.
- Enhance our scenario analysis and stress test our strategic objectives and expectations against key risk scenarios.
- Embedding the effective management of non-financial risks across the group, expanding the traditional operational risk universe.
- Continue to leverage data as an asset and develop intuitive risk management processes.
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Accountability for risk and conduct
The key board subcommittees that provide mandated oversight in governing our risk and conduct value driver are the group risk and capital management committee, the group audit committee, the group technology and information committee, the group social and ethics committee, the group remuneration committee and the group model approval committee. Various group management committees report to these committees quarterly and certain members of the group leadership council are invitees to the board subcommittees.

TRADE-OFFS

Achieving our risk and conduct priorities is contingent on managing the following trade-offs:
- We reallocated resources in response to Covid-19 to ensure we keep our people and our clients safe, investing in PPE and implementing necessary protocols in the workplace, and supporting their ability to work from home by making data and necessary equipment available.
- In managing our exposures responsibly in line with macroeconomic and socio-political realities, it is sometimes necessary to tighten our risk appetite in lending to vulnerable sectors and clients. This reduces the potential for losses but may inhibit client growth and revenue generation.
- We manage the natural tension between client convenience and the speed at which we can fulfil their needs, and the parameters of our mature and continually evolving regulatory, supervisory and control environment.
- The evolving expectations of ensuring compliance is a necessary condition of maintaining our reputation as a trusted partner, which is a strategic asset and a source of competitive advantage, especially as an incumbent financial services organisation.
- Our size and footprint places us under the constant scrutiny of regulators and other stakeholders and it is imperative that we are able to demonstrate transparently that our business activities create measurable value in a socially and environmentally responsible manner.
- Our ability to balance mitigation of potential disruption to client experience while we accelerate the transformation initiatives of the group.
How we manage risk

We take a holistic, forward-looking view of the risks we face, assessing the threats and opportunities in our operating environment. Our well-developed framework supports a consistent approach to risk and capital management throughout the group.

GROUP STRATEGY

Organisational design
Risk management is enterprise-wide, applying to all entity levels.

Risk management approach
Our risk management approach ensures consistent and effective management of risk within our board-approved risk appetite and provides for appropriate accountability and oversight.

RISK UNIVERSE

Our risk universe represents the risks that are core to our business. We regularly scan our operating environment for changes to ensure that it remains relevant.

RISK GOVERNANCE

DOCUMENTS, comprising governance frameworks, standards and policies
Our governance of risk is underpinned by a strong control environment and is defined in our risk governance and management standards and policies.

REPORTING AND COMMITTEE STRUCTURES
Our governance structure enables oversight and accountability through appropriately mandated board and management committees.

RISK LIFECYCLE

Our risk universe is managed through the risk lifecycle. Our risk measurement process includes rigorous quantification of risks under normal and stressed conditions, up to and including recovery and resolution.

RISK LIFECYCLE

Identify
Assess and measure
Treat
Monitor and report

THREE LINES OF DEFENCE

We leverage the lines of defence to maintain a strong and resilient risk culture.

RISK OWNERSHIP

Design and implement an effective risk management programme across the enterprise.

DIRECT, CONTROL AND OVERSIGHT

Facilitate risk and capital management activities at an enterprise level.

RISK ADVISORY AND ASSURANCE

Provide assurance on the adequacy and effectiveness of the risk management programme.

RISK CULTURE

Doing the right business, the right way

NON-FINANCIAL RISKS

The risk of inadequate or failed processes, people and systems as a result of changes in internal or external factors.

Cyber risk

The potential of a digital attack on the group’s systems for financial gain—either direct (through cash out attacks) or indirect (through stolen data or extortion).

People risk

The challenge or failure to attract and retain skilled, committed people and the inability to enable people to grow and remain relevant in a rapidly evolving workplace.

Legal risk

The risk of financial or reputational loss that can result from lack of awareness or misunderstanding of, ambiguity in, or reckless indifference to, the way law and regulation apply to your business, its relationships, processes, products and services.

Model risk

Inadequate or inappropriate use of a model and fundamental errors in models that are not aligned to design objectives and intended business use.

Financial accounting risk

Losses arising due to inadequate management and oversight of internal financial accounting processes.

Tax risk

Inaccurate or inappropriate tax treatment or failing to meet statutory reporting and tax payments.

Physical assets, safety and security risk

The risk of damage to the organisation’s physical assets, client assets, or public assets for which the organisation is liable, and (criminal) injury to the organisation’s employees or affiliates.

ECONOMIC RISKS

The direct and indirect impact on the environment and society caused by the group's activities.

ESG risk

The potential legal or regulatory sanction, financial loss or damage to reputation that the group may suffer as a result of its failure to comply with laws, regulations, codes of conduct, internal policies and standards of good practice applicable to its financial services activities.

Compliance risk

The risk of economic loss, reputation damage and regulatory sanction arising from involvement in any type of financial crime. This would include instances where the crime has been perpetrated against the group, and also instances where the group may have facilitated the commission of a crime through misuse of its products and services. Financial crime includes fraud, theft, money laundering, bribery, corruption, tax evasion, terrorist financing and providing financial services to sanctioned individuals.

Conduct risk

The risk where detriment is caused to the group’s clients, markets or itself as a result of inappropriate execution of business activities.
### OUR RISK LANDSCAPE

Our risk universe diagram represents the risk types that are prevalent in our business. These risk types are well understood, and organised into strategic, financial and non-financial risk categories.

Under these risk types, some risks have been identified as those that require additional management focus in 2021 and beyond as we accelerate our transformation initiatives.

#### RISK DESCRIPTION

<table>
<thead>
<tr>
<th>Driver</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BigTech domination of financial services</strong></td>
<td>- BigTech organisations can offer simple, efficient and affordable financial services on their platforms.</td>
</tr>
<tr>
<td>- Increased competition in payments and small lending markets.</td>
<td>- Strategic partnerships with key BigTech organisations.</td>
</tr>
<tr>
<td>- Traditional financial services firms are not innovating fast enough.</td>
<td>- Implement strategic acceleration initiatives</td>
</tr>
<tr>
<td><strong>Ransomware attack</strong></td>
<td>- Accelerate the simplification of the group’s systems and connected devices.</td>
</tr>
<tr>
<td>- Rising cyber incidents, especially ransom attacks, on large corporates.</td>
<td>- Continue to deepen TCFD reporting.</td>
</tr>
<tr>
<td>- Complexity of the group’s systems and connected devices.</td>
<td>- Continue to mature security culture and practices.</td>
</tr>
<tr>
<td><strong>Extreme weather events</strong></td>
<td>- Ongoing improvement of access controls.</td>
</tr>
<tr>
<td>The increasing frequency of extreme weather events may cause food insecurity, water scarcity and create climate refugees.</td>
<td>- Increased impacts of global warming and climate change.</td>
</tr>
<tr>
<td>- Slow transformation to sustainable energy.</td>
<td>- Slow transformation to sustainable energy.</td>
</tr>
<tr>
<td><strong>Third-party non-performance</strong></td>
<td>- Continue to deepen TCFD reporting.</td>
</tr>
<tr>
<td>Third-party failure or non-performance may result in failure of strategic initiatives or poor client service.</td>
<td>- Embed sustainable bond framework and ESG risk management framework.</td>
</tr>
<tr>
<td>- Increasing number of critical suppliers are in place for essential services to clients.</td>
<td>- Support lending to green projects through sustainable financing.</td>
</tr>
<tr>
<td>- Increase in strategic partners needed for accelerated execution of strategy.</td>
<td>- Facilitate performance monitoring.</td>
</tr>
<tr>
<td>- Rollout third-party risk management framework and implement digital solution to facilitates risk mitigation.</td>
<td>- Enhance vendor and contract management processes for third parties.</td>
</tr>
<tr>
<td><strong>Slow pace of implementation</strong></td>
<td>- Complex legacy IT systems.</td>
</tr>
<tr>
<td>Opportunity cost of slow and protracted implementation of innovation.</td>
<td>- Late and inaccurate translation of concepts into clear and measurable deliverables.</td>
</tr>
<tr>
<td>- Complex regulatory environment.</td>
<td>- Increase the capability of the innovation unit.</td>
</tr>
<tr>
<td>- Proactive policy advocacy to positively influence regulation changes.</td>
<td>- Conduct policy engagement with regulators to influence policy outcomes.</td>
</tr>
</tbody>
</table>

### PERFORMANCE AGAINST STRATEGY

The demand across the group for risk management services that are integrated into business process and closer to our customers and partners is underpinned by the common ambition to accelerate the group’s transformation strategic objectives. Effective risk management enables us to consistently do the right business, the right way to meet our strategic objectives.

#### Delivering exceptional client experiences

The stability of our risk management process enabled us to respond proactively to early signs of financial risks stress. The financial impact of Covid-19 resulted in a slight adjustment of our risk appetite in order to address credit concentration concerns in some geographies and sectors and still meet our client expectations of service continuity and financial support.

**During 2020:**
- Early warning triggers were reassessed and adjusted to be able to respond better to higher risk customers and impending distress levels.
- Ongoing investment in technology improved our systems resilience and reduced service disruptions.
- Digital fraud prevention capabilities improved through the release of digital biometric access authentication and identification of unusual transaction behaviour.
- Digital onboarding and verification of clients were also enhanced.
- Ongoing improvement of access controls.
- Proactive policy advocacy to positively influence regulation changes.
- Support lending to green projects through sustainable financing.

#### SAFER AND MORE SECURE BANKING

**Safer and more secure banking**

The group launched DigiMe, an innovative client authentication solution that uses the latest biometric and facial recognition software, combined with multifactor authentication, to create safe and secure banking experiences for clients using mobile devices.

**Recognition**

The Business Continuity Institute Africa Awards awarded Standard Bank Malawi the Continuity and Resilience Team award.
Leveraging our digital capabilities to meet our clients’ needs

We have accelerated our strategy to achieve future-readiness. Some initiatives include the continuation of our cloud journey and ongoing strategic partnerships. Our risk management practices continue to evolve to address the risks of digitisation. Operational resilience is always a priority to ensure we deliver our promise of ‘always on, always secure’ services. A key component is empowering and supporting our people to do the right business, the right way.

During 2020, we:
- Introduced internal digital tools for the management of non-financial risks. Regulatory compliance was digitised through the use of monitoring trackers, mobilisation of applications and quick reference insights.
- Developed internal multilingual chatbots to provide immediate and optimal knowledge when needed.
- Seamlessly migrated liquidity management systems to the cloud, capitalising on the infrastructure as a service approach for the benefit of scalability and cost efficiency.
- Further matured the cybersecurity model to face the ongoing threat of attack against a digital bank.
- Rolled out supplier management and third-party management framework and processes across all jurisdictions.
- Launched a WhatsApp for Credit Card engagement channel that allows customers to make payment arrangements on a direct digital platform.

ETHICAL AND EFFICIENT BUSINESS

The Regtech solution uses AI such as machine learning and data analytics to gain accurate insights from large volumes of data processed by the group. Regtech provides augmented intelligence by assisting human decision-making rather than replacing humans. The solution is being implemented throughout the group to monitor and investigate transactions. It is already impacting name screening, the identification of individuals involved in transactions who are considered higher risk individuals, are politically exposed or subject to sanctions. Future developments of the solution are likely to be done in partnership with other financial service providers or fintechs, in consultation with regulators to address their concerns and contribute to faster and more efficient deployment of new industry solutions.

With technology availability and innovation at the centre of the group’s accelerated strategy, we manage the risks of digitisation through a deep understanding of our digital process and a focus on business and operational resilience to keep our digital channels secure.

EVOLVING OUR ETHICAL FRAMEWORK

Our ability to achieve our purpose depends on our reputation as a trusted partner. Our reputation rests on the ethics and values that shape the culture and conduct of our people.

Our code of ethics requires all employees to act with integrity and to place the interests of our clients, and the communities impacted by our business, at the centre of our decision-making. It sets out clear principles to help our employees decide on the correct course of action. All employees must undertake annual mandatory training on the code of ethics. We are currently updating the code to ensure that our focus on our SEE impacts is reflected.

Our approach to ethics

Governance framework
- Board level: group social and ethics, and group risk and capital management committees
- Management: GLC and social and ethics management committees
- Group standards and policies

Policies covering:
- Conflicts of interest
- Gifts and entertainment
- Outside business interests
- Personal account trading
- Diversity and inclusion
- Harassment, sexual harassment and unfair discrimination
- Occupational health and safety
- Whistleblowing

Execution
- Tracking metrics related to diversity and inclusion, employee trends and wellbeing, and monitoring progress against targets
- Performance management and remuneration
- Recruitment and selection
- Culture
- Leadership development and group leadership identity

Recognition
- Published our first fossil fuel policy and issued our first TCFD-related disclosures
- Improved our Dow Jones Sustainability index rating
- Successfully raised Basel III compliant additional tier 1 (AT1) and tier 2 capital bonds of R1.5 billion and R7 billion respectively, the proceeds of which were invested in SBSA on the same terms and conditions.

Market conduct
- Board level: group social and ethics committee
- Management: GLC and social and ethics management committee
- Group standards and policies

Policies covering:
- Anti-bribery and corruption
- Whistleblowing
- Financial crime control
- FAIS disbarment
- Data privacy
- Market abuse control
- Treating customers fairly (TCF)
- Complaints management

Societal conduct
- Board level: ethics and committees
- Management: GLC and social and ethics management committee
- Group standards, policies and statements

Policies covering:
- Respectful, constructive, transparent and responsible stakeholder engagement
- Trade associations and industry memberships
- Engaging advocacy and lobby groups
- Human rights statement
- UN Principles for Responsible Banking
- Equator Principles
- Environmental and social risk management
- UN HeforShe campaign
- Corporate social investment policy
- Whistleblowing
- Procurement policy
- Third-party code of conduct

We aim to:
- Understand the impacts of our business activities – direct and indirect – including impacts on the environment, society and economic growth.
- Identify and develop opportunities to provide financial products and services that help our clients overcome economic, social and environmental challenges.

Dashboard metrics and considerations include:
- Complaince training
- Compliance with policies
- Whistleblowing incidents
Driving a strong conduct culture

Managing conduct

As part of our ongoing efforts to instil the right behaviours and drive and encouraging actions that are aligned to our values and behaviours, as articulated in our code of ethics, the board exercises continual oversight of executive management’s efforts to foster a culture of ethics and appropriate conduct within the group. Executive management is ultimately responsible for continuously reinforcing and championing of the group’s ethics, conduct and culture.

Our leadership set the tone from the top to instiluate a strong positive culture of treating customers fairly in all our markets and jurisdictions to ensure that we operate in an ethical and sound manner. To support the delivery of treating customers fairly, the group developed six habits which are linked to each of the fairness outcomes. These are:

- Be fair: Customers can be confident that fair treatment is central to our culture.
- Meet the need: Products and services are designed to meet the needs of identified customer groups.
- Communicate: Customers are provided with clear information and kept informed before, during and after the transaction.
- The right fit: Advice to customers is suitable and considers their circumstances.
- Your word, your honour: Product performance and service outcomes have been created.
- Make it easy: Customers do not face unreasonable barriers to change products, switch banks, claim or complain.

Our board ensures all aspects of conduct are central to our governance arrangements, including general execution of business activities, effective oversight of how fairly we treat customers and the way we uphold market integrity. This is achieved by:

- Enhancing governance structures as the management of conduct risk is integrated fully into business as usual.
- Overseeing the rigorous interrogation and assessment of identified conduct risks.
- Establishing escalation mechanisms when required.
- Monitoring the end-to-end client experience. This includes consistency across third-party supplier arrangements.
- Reactively identifying areas where misconduct occurs to ensure management responds swiftly and decisively when individual/s act against the values and ethics of the group.
- Maintaining an ethical culture by strengthening our control environment that promotes good business practices and reinforce appropriate behaviours aligned to the group’s values.

Our employees contribute toward the group’s compliance efforts, to create a culture of compliance when executing their daily tasks. All employees, consultants, contractors, suppliers, other associated persons and other third parties are required to:

- Act honestly and integrity at all times.
- Execute business activities with due care, skill and diligence and in the best interest of clients.
- Be aware of and adhere to, all regulatory requirements that apply in the jurisdictions in which they are located.

Evolving regulation of conduct

In a dynamic and evolving regulatory environment, new conduct regulations included:

The Financial Sector Conduct Authority (FSCA) published the Conduct Standard 3 of 2020 (Banks) on 3 July 2020, with conduct and internal commencement timelines under the Financial Sector Regulation Act 9 of 2017.

The generic compliance risk management plan (CRMP) was developed, and workshops were held to clarify any interpretation issues relating to the compliance requirements and the completion of business areas’ customised CRMPs are being tracked to ensure readiness for the implementation timelines.

Amendments to the Specific Code of Conduct for Authorised FSPs and Representatives Conducting Short-Term Deposit Business, 2004 under the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) were published in June 2020 with an effective date of 26 December 2020. The generic CRMP has been developed and distributed to BCOs.

National Treasury published the second draft of the Conduct of Financial Institutions (COFI) Bill for public comment on 29 September 2020. The COFI Bill aims to establish a consolidated, comprehensive and consistent regulatory framework for the conduct of financial institutions, and to give legislative effect to the market conduct policy approach, as provided for in the Financial Sector Conduct Authority Act 4 of 2012.

Covid-19 is expected to continue beyond 2021, with different levels of severity in countries of operation and client sectors. We will continue to:

- Monitor portfolio credit risk and engage proactively with clients to provide tailored support to assist with the impact of Covid-19.
- Contribute to uncertainty of client liquidity demands. Despite liquidity in financial markets recovering strongly, the risk of further financial market dislocation remains.
- Integrate forecasting models as being developed and will be integrated across the group.
- Continuously enhance processes and systems to continue to drive improvements in data quality, efficiency, effectiveness.

Amendments to the General Code of Conduct for Authorised FSPs and Representatives (GCoC) under FAIS was published in June 2020 with phased implementation timelines. The previous generic FAIS GCoC CRMP has been retired.

The revised FAIS GCoC CRMP has been provided to business compliance officers for customisation with their respective business areas.

Looking ahead

As the group accelerates its transformation to a digital financial services business, we will continue to leverage our current risk management capabilities and proactively expand and evolve our enterprise risk environment to anticipate and effectively manage risks that may arise. We expect uncertainty and rapid change to remain features of our operating environment in 2021 and we are alert to the ongoing impacts of Covid-19 on the group, our employees and their clients.

Strategic risks

Changing client preferences and the rise of new competitors in the financial services space have seen traditional financial institutions accelerate their transformation into digitally focused solutions providers to remain competitive. However, the industry faces the risk of unfair asymmetrical regulation if established institutions are required to comply with regulations that do not apply to new digital entrants. In this landscape the group’s advanced risk and compliance management capabilities will provide an additional competitive advantage as data use and privacy becomes subject to increasing regulatory scrutiny.

Financial risks

The economic impact of Covid-19 is expected to continue beyond 2021, with different levels of severity in countries of operation and client sectors. We will continue to:

- Manage the risk of further Covid-19 infection surges and its impact on the mental and emotional wellbeing of our people.
- Invest in the resilience capability in our systems and critical business services to support the execution of our group’s strategy and deliver exceptional client experiences.
- Manage resilience against the expanding cyber threats and improve client security awareness and authentication controls.
- Roll out our third-party management solution that has in-built risk management capability.
- Strengthen our control and monitoring activities for conduct risk and invest in training and awareness programmes for employees.
- Align our compliance management practices across the group to ensure that current and global regulatory developments are met.
- Enhance our capabilities to monitor and frustrate fraud, including working with industry participants to prevent, detect and create awareness about fraud.
- Ensure the protection of sensitive information and enhance our ability to use data intelligence to efficiently manage information risks.
- Optimise our ESG risk management processes, integrate these into business transaction and third-party relationship decisions.

Non-financial risks

Our non-financial risk universe was also impacted by Covid-19 with long lasting consequences for the employee experience and the way we operate to serve clients. While supporting the acceleration of the group’s strategy, we will continue to:

- Continue to service our multinational client franchise by effectively using the integrated organisation approach to provide cross-jurisdictional regulatory support.
- Enable risk as a service by using platforms, like Risk Market Place, to digitally embed risk processes that support our strategic transformation.
- Deepening our ESG risk management, reporting and disclosure, including TCFD reporting.

Our priorities for the year ahead include:

- Supporting the simplification of client experiences to ensure efficiency and protection for clients and the group.
- Focusing on the use of AI (predictive analytics, machine learning and robotic process automation) to modernise our approach to non-financial risk management and enable effective risk-based decision-making aligned to our risk appetite.
- Continuing to service our multinational client franchise by effectively using the integrated organisation approach to provide cross-jurisdictional regulatory support.
- Enable risk as a service by using platforms, like Risk Market Place, to digitally embed risk processes that support our strategic transformation.
- Deepening our ESG risk management, reporting and disclosure, including TCFD reporting.

STANDARD BANK GROUP
Annual integrated report 2020
Financial outcome
Delivering sustainable returns to our shareholders depends on the extent to which we have made strategic progress in achieving client focus, employee engagement and risk and conduct.

Key metrics
- **Headline earnings**
  - 2019: R28.2 billion
  - 2019: R27.2 billion
- **ROE**
  - 2019: 8.9%
- **Banking headline earnings**
  - 2019: R15.7 bn
- **Banking ROE**
  - 2019: 9.6%
- **Credit loss ratio (CLR)**
  - 2019: 151 bps
  - Measures total income growth minus total operating expenses growth. We aim to achieve positive jaws to ensure we grow our revenues faster than our costs increase.
- **Cost-to-income ratio**
  - 2019: 58.2%
  - Measures our efficiency in generating revenue relative to the costs we incur, including our costs to key to growing headline earnings and improving ROE.
- **Africa Regions contribution to banking headline earnings**
  - 2019: 113 bps
  - Measures total income growth minus total operating expenses growth. We aim to achieve positive jaws to ensure we grow our revenues faster than our costs increase.

Accountability for financial outcome
- **Board subcommittees**:
  - Group audit committee: assesses and reviews the adequacy and effectiveness of accounting policies, financial and other internal control systems and financial reporting processes; ensuring that value is not eroded by control and policy inadequacies.
  - Group risk and capital management committee: provides independent and objective oversight of capital management, liquidity and funding requirements across the group, ensuring continued operations and sustainable value creation.

STRATEGIC PROGRESS
Measuring our sustainable shareholder value.
We measure our progress in generating sustainable returns by how we manage capital, liquidity and capital management.

What success looks like
We consistently deliver superior value to shareholders.

How we measure our progress
We measure our progress in generating sustainable returns by how we manage capital, liquidity and capital management.

Accountability for financial outcome
Board subcommittees provide oversight and governance of our financial outcome, contributing either directly or indirectly to creating and preserving value for our stakeholders.

Key trade-offs
To ensure that we can continue to attract the capital we need to fund the growth in our assets, we must provide an appropriate rate of return to our equity shareholders and debt funders, including depositors. This requires that we balance our ability to generate revenue with the costs incurred in doing so. Balancing the need to provide sustainable returns to shareholders while creating value for other stakeholders, as a responsible corporate citizen.

KEY TRADE-OFFS
- Increase our competitiveness by improving client experience through the seamless delivery of relevant and personalised financial solutions to our clients, in a secure manner, via their channel of choice.
- Exercise tight cost discipline and increased efficiency by permanently reshaping the group’s cost structure.
- Seek to allocate resources efficiently and in support of our strategy to build a group ready for the future.
- Strive to deliver sustainable earnings (our medium-term targets were withdrawn due to uncertainty created by Covid-19).
- Pursue growth opportunities.
- Continue to support faster, more inclusive and more sustainable growth and health development in South Africa and across the continent we are proud to call home.
Measuring our financial outcome

Headline earnings
The group’s headline earnings is one of the components used in the determination of the group’s ROE and represents the major lever in lifting the group’s ROE.

Banking activities balance sheet drivers
Growth in deposits and funding, and loans and advances supported the group’s headline earnings.

- **Net loans and advances**: 14% average interest earning assets
- **Deposits and debt funding**: 16% average deposits and funding
- **Trading and pledged assets and financial investments**: -61 bps net interest margin

Credit impairments
Credit impairment charges increased to R20.6 billion, 2.6 times that of 2019. The increase was driven by the year-on-year deterioration in client risk profiles and forward-looking assumptions, additional charges associated with the remaining client relief portfolio in PRB, and corporate and sovereign risk downgrades. Due to the enduring uncertainty and associated forecast risk, an additional R500 million provision was raised and held centrally. The group CLR increased to 151 bps from 68 bps in 2019.

Operating expenses
Operating expense growth was well contained at 1%. Staff costs were down 1% as annual salary increases were offset by lower headcount and lower performance-related incentives. Other costs increased 4% driven primarily by higher IT costs, professional fees and communication costs. The group purposefully continued developing and rolling out innovative digital solutions to improve service efficiency and client experience. In addition, the group incurred Covid-19 related business continuity costs and employee work-from-home costs. Jaws were negative 306 bps and the cost-to-income ratio increased to 58.2% (2019: 56.4%).

Net interest income (NII) declined 2% from 2019 as strong balance sheet growth was more than offset by margin compression, and negative endowment, associated with the significant interest rate cuts across our markets. Net interest margin (NIM) declined year-on-year from 433 bps to 370 bps.

Non-interest revenue (NIR) declined 1%. Pressure on fee income was largely offset by a strong trading performance. Lower fee income was driven by constrained consumer activity levels and transactional volumes, fee waivers and moratoriums, and an accelerated switch to lower fee-generating digital channels. Elevated market volatility drove increased client activity and, in turn, trading revenue growth. Knowledge-based fees were supported by higher advisory fees from corporate deals in South Africa and international. Higher fee and commission revenue was largely driven by fees earned from the group’s pension fund management business in Nigeria. Negative revaluations impacted the equity investment portfolio. Gross written premium growth was offset by higher credit life and funeral claims.

Group headline earnings were R15.9 billion, a decline of 43% on the prior year, due to the impact of the pandemic. A final dividend of 240 cents per share was declared, representing a payout ratio of 23.9% on 2020 headline earnings.
Return on equity
Our ROE is the most relevant measure of our financial performance over time as it combines all of our critical drivers, including earnings growth and capital utilisation, into a single metric. Internally we measure our return on equity on risk-weighted assets (RoRWA) as a more direct measure of earnings relative to regulatory capital utilisation.

Group average RWA increased by 14.6% in 2020 to R1 160 billion, from R1 012 billion in 2019, mainly due to depreciation of the rand and an increase in client exposures.

The group’s average RoRWA decreased to 1.4% (2019: 2.8%), driven by the lower group headline earnings (year-on-year decline), and higher group average RWA (year-on-year growth).

The group’s financial leverage is the ratio of average RWA to average shareholders’ equity. For 2020, financial leverage was 6.5 times, marginally higher than 2019, supported by higher average RWA.

In 2020, the group’s ROE decreased to 8.9%, reflecting the result of a difficult year. Our medium-term target range has been withdrawn due to uncertainty created by Covid-19.
Our performance
The income statement below reflects the revenue generated and costs incurred by our banking activities, with material income statement line items explained. A detailed analysis on the group’s financial performance, and the principal headline earnings drivers for growth in ROE, is on page 90.

GROUP INCOME STATEMENT for the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Change</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income interest</td>
<td>(2)</td>
<td>61 425</td>
</tr>
<tr>
<td>Non-interest revenue</td>
<td>(4)</td>
<td>47 156</td>
</tr>
<tr>
<td>Net fee and commission revenue</td>
<td>(3)</td>
<td>29 413</td>
</tr>
<tr>
<td>Trading revenue</td>
<td>(23)</td>
<td>13 874</td>
</tr>
<tr>
<td>Other revenue</td>
<td>(3)</td>
<td>3 158</td>
</tr>
<tr>
<td>Other gains and losses on financial investments</td>
<td>(6)</td>
<td>711</td>
</tr>
<tr>
<td>Total income</td>
<td>(2)</td>
<td>108 581</td>
</tr>
<tr>
<td>Net income before operating expenses</td>
<td>(10)</td>
<td>87 987</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(1)</td>
<td>63 182</td>
</tr>
<tr>
<td>Staff costs</td>
<td>(1)</td>
<td>34 380</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(4)</td>
<td>28 802</td>
</tr>
<tr>
<td>Net income before non-trading and capital related items</td>
<td>(38)</td>
<td>24 805</td>
</tr>
<tr>
<td>Non-trading and capital related items</td>
<td>(10)</td>
<td>2 253</td>
</tr>
<tr>
<td>Net income before equity accounted earnings</td>
<td>(44)</td>
<td>22 550</td>
</tr>
<tr>
<td>Share of profit from associates and joint ventures</td>
<td>(43)</td>
<td>191</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>(50)</td>
<td>22 741</td>
</tr>
<tr>
<td>Direct and indirect taxation</td>
<td>(50)</td>
<td>4 901</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>(41)</td>
<td>17 840</td>
</tr>
<tr>
<td>Attributable to other equity instrument holders</td>
<td>(8)</td>
<td>(803)</td>
</tr>
<tr>
<td>Attributable to non-controlling interests</td>
<td>(14)</td>
<td>2 875</td>
</tr>
<tr>
<td>Attributable to shareholders -- banking activities</td>
<td>(48)</td>
<td>14 162</td>
</tr>
<tr>
<td>Headline adjustable items -- banking activities</td>
<td>(10)</td>
<td>1 553</td>
</tr>
<tr>
<td>Headline earnings -- banking activities</td>
<td>(42)</td>
<td>15 715</td>
</tr>
<tr>
<td>Headline earnings -- banking interests</td>
<td>(100)</td>
<td>881</td>
</tr>
<tr>
<td>Headline earnings -- Liberty1</td>
<td>(100)</td>
<td>661</td>
</tr>
<tr>
<td>Standard Bank Group headline earnings</td>
<td>(43)</td>
<td>15 945</td>
</tr>
</tbody>
</table>

1. The disposal of KICG Agere transaction was completed during June 2020, resulting in headline earnings attributable to the group for 2020.

For further detail on the group results, including definitions and details of major items reported in the results, please refer to the Standard Bank Group analysis of financial results on page 88, and financial results.

Our resilient balance sheet
The balance sheet or statement of financial position shows the position of the group’s assets, liabilities and equity, and reflects what the group owns, owes and the equity attributable to shareholders. Material line items have been discussed below.

As at 31 December 2020

<table>
<thead>
<tr>
<th>Change</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with central banks</td>
<td>16</td>
<td>87 505</td>
</tr>
<tr>
<td>Derivative and trading assets</td>
<td>27</td>
<td>364 003</td>
</tr>
<tr>
<td>Pledged assets</td>
<td>(42)</td>
<td>10 382</td>
</tr>
<tr>
<td>Financial investments</td>
<td>24</td>
<td>275 066</td>
</tr>
<tr>
<td>Disposal group assets classified as held for sale</td>
<td>(99)</td>
<td>1 271 255</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>8</td>
<td>23 077</td>
</tr>
<tr>
<td>Other assets</td>
<td>28</td>
<td>3 077</td>
</tr>
<tr>
<td>Interest in associates and joint ventures</td>
<td>(3)</td>
<td>19 009</td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>(16)</td>
<td>17 764</td>
</tr>
<tr>
<td>Total assets -- banking activities</td>
<td>13</td>
<td>2 080 771</td>
</tr>
<tr>
<td>Total assets -- other banking activities</td>
<td>(8)</td>
<td>3 522</td>
</tr>
<tr>
<td>Total assets -- Liberty2</td>
<td>3</td>
<td>448 647</td>
</tr>
<tr>
<td>Standard Bank Group -- total assets</td>
<td>11</td>
<td>5 232 940</td>
</tr>
</tbody>
</table>

Equity and liabilities

Equity

Equity attributable to ordinary shareholders | 4 | 161 848 | 155 664 |
| Preference share capital and ordinary AT1 capital issued | 14 | 12 582 | 10 989 |
| Equity attributable to non-controlling interests | 13 | 11 118 | 9 868 |
| Total equity -- banking activities | 5 | 185 494 | 176 521 |
| Total equity -- other banking interests | (10) | 26 256 | 29 122 |
| Total equity -- Liberty | 3 | 215 272 | 209 484 |

Liabilities

Derivative and trading liabilities | 22 | 1 812 322 | 1 448 441 |
| Deposits and debt funding | 14 | 1 642 401 | 1 446 080 |
| Deposits from banks | 9 | 132 174 | 121 119 |
| Deposits and current accounts from corporations | 14 | 1 510 227 | 1 324 961 |
| Subordinated debt | 14 | 23 225 | 23 319 |
| Provisions and other liabilities | 14 | 48 329 | 42 291 |
| Total liabilities -- banking activities | 14 | 1 895 277 | 1 660 131 |
| Total liabilities -- Liberty4 | 4 | 422 391 | 405 974 |
| Standard Bank Group -- total liabilities | 12 | 2 317 668 | 2 066 105 |
| Total equity and liabilities -- banking activities | 13 | 2 080 771 | 1 836 652 |
| Total equity and liabilities -- Liberty | 3 | 448 647 | 435 096 |
| Standard Bank Group -- total equity and liabilities | 11 | 5 232 940 | 2 275 589 |

1. Includes adjustments on consolidation of Liberty into the group.

AT1 capital issued

What it is: the group’s Basel III compliant AT1 capital bonds that qualify as Tier 1 capital. The capital rates are perpetual, non-cumulative with an issuer call option and contain certain regulatory prescribed write-off features.

Drivers: regulatory capital requirements, and growth in RWA.

What it is: all changes in foreign exchange rates, and regulatory capital requirements.

Deposits and debt funding and subordinated debt

What it is: provides the group with the funding to lend to clients, fulfilling the group’s role in connecting providers of capital and savings. The balance sheet shows deposits and debt funding, which is presented on a consolidated basis.

Content analysis

Net interest income
What it is: the interest received on lending products that we offer to our clients and investment in debt instruments, less the interest paid on the deposits that our clients place with us and debt funding sourced from other lenders.

Drivers: number of clients, product offerings and pricing, and level of economic and client activity, foreign exchange, pricing in commodities and equity capital markets, competition, and market volatility.

Non-interest revenue
What it is: comprises non fee and commission revenue, trading revenue and other revenue.

Drivers: number of clients, transactional banking volumes and pricing, capital market activity, trading volumes and market volatility, property-related revenue, and income from bancassurance and unlisted investments.

Credit impairment charges
What it is: losses incurred due to the inability of our clients to repay their debt obligations.

Drivers: probability of our clients defaulting, and the loss given default, probability of default, and the loss given default.

Operating expenses
What it is: costs that are incurred to generate future and current revenues.

Drivers: inflation, headcount investments in branch and IT infrastructure which results in amortisation, general costs to operate (including those related to innovation and work efficiency programmes), and operational losses.

Non-trading and capital related items
What it is: items typically excluded from headline earnings, for example, gains and losses on the disposal of businesses and holdings, tax write-offs, impairments of goodwill and intangible assets.

Drivers: write-off features.

Direct and indirect taxation
What it is: includes both direct income taxes (and related deferred tax in terms of IFRS) and indirect taxes, including VAT, excise, sin tax and value added tax.

Drivers: corporate tax rates in the countries in which we operate, progression of tax rates, and regulatory capital requirements.

Direct and indirect taxation
What it is: includes both direct income taxes (and related deferred tax in terms of IFRS) and indirect taxes, including VAT, excise, sin tax and value added tax.

Drivers: corporate tax rates in the countries in which we operate, progression of tax rates, and regulatory capital requirements.

For further detail on the group results, including definitions and details of major items reported in the results, please refer to the Standard Bank Group analysis of financial results on page 88, and financial results.
MAINTAINING OUR ROBUST BALANCE SHEET

Loans and advances
Gross loans and advances to customers grew 4% from 31 December 2019 to 31 December 2020. PBB grew 7% boosted by a recovery in demand in the latter half of 2020. CIB grew 1% year-on-year as strong growth in 1H20 subsided by year end as clients managed their debt levels down. Provisions held increased 42% year-on-year and 8% relative to 30 June 2020.

Within PBB South Africa, lockdowns severely constrained origination in the second quarter of 2020. By the beginning of 2H20, restrictions had been partially lifted and registration offices had re-opened. Disbursements recovered as the backlog was cleared and new applications were processed. Mortgage disbursements reached record levels; fuelled by low interest rates. Personal uninsured and business lending showed moderate growth. The latter includes R71 billion of drawn exposures relating to the South African Covid-19 loan guarantee scheme (loans contracted under the scheme totalled R74 billion). Affordability criteria have been tightened and new business growth continues to be closely monitored. Low business confidence continues to impact business lending demand.

By 31 December 2020, Covid-19 client relief provided by PBB South Africa had reduced to R19 billion; representing 3% of the PBB South Africa portfolio. Mortgages and Card represented 69% and 23% of the remaining active client relief portfolio respectively. In keeping with the group’s promise to deepen client relationships and support them through the crisis, payment holiday extensions were provided to select clients.

PBB Africa Regions gross loans and advances grew 8% to R64 billion, supported by continued focus on client ecosystem origination, digital client onboarding and digital disbursements. By 31 December 2020, the PBB Africa Regions Covid-19 client relief provided had reduced to R2 billion; representing 2% of the PBB Africa Regions portfolio.

PBB provisions held against loans and advances increased 38% year-on-year, with most of the increase in South Africa. In PBB Africa Regions, increases were driven principally by provisions raised in Ghana, Kenya, Namibia, Tanzania and Uganda.

Against a fiercely competitive backdrop, particularly in South Africa, CIB continued to win mandates and originate client loans in 2020. Cumulative Covid-19 relief provided to clients, in the form of increased liquidity facilities, loan restructurings, covenant relaxations and payment holidays, equated to R24.8 billion. Provisions increased 52% year-on-year following a deterioration of corporate risk grades and higher stage 3 loans. Stage 3 provisions increased as additional clients rolled into stage 3, particularly in the oil & gas and power & infrastructure sectors, and as the outlook for pre-existing stage 3 exposures deteriorated. The stage 3 ratio and stage 3 coverage ratio increased relative to 31 December 2019 and 30 June 2020.

COMPOSITION OF LOANS TO CUSTOMERS (%)

Funding and liquidity
Longer term funding was increased by R52.8 billion through the issuance of negotiable certificate of deposits, senior debt and syndicated loans. The group continues to benefit from increased liquidity in the market, contributing to the strong liquidity ratios being reported. R7.0 billion tier II capital and R1.5 billion AT1 capital was issued during 2020, the proceeds of which were invested in SBSA on the same terms and conditions.

Deposits from customers grew 14% year-on-year to R1.5 trillion. Customers remained cautious and lockdowns restricted activity resulting in a build up of deposits. Foreign currency balances also increased as the back of a weaker rand. PBB customer deposits grew 15%, with strong growth in savings and investment products as well as call deposits. Strong current and savings account inflows in PBB Africa Regions continued. Our offshore operations in the Isle of Man and Jersey continued to provide the group with access to hard currency funding. Deposits increased to GBP5.6 billion as at 31 December 2020 (GBP5.2 billion as at 31 December 2019). CIB customer deposits grew 14%, driven by call and cash management deposits.

COMPOSITION OF GROSS DEPOSITS FROM CUSTOMERS (%)

Capital management
The deterioration in the environment fed into sovereign ratings and client risk grades and in turn, into higher RWA. Despite an 12% increase in RWA, the group maintained strong capital adequacy ratios. As at 31 December 2020, the IFRS 9 Financial Instruments (IFRS 9) phased-in CET 1 ratio was 13.3% (FY19: 14.0%) and total capital adequacy ratio was 16.1% (FY19: 16.7%).

The CET 1 ratio, including the full IFRS 9 transitional impact, was 13.2%. From 1 January 2021, there will be no transitional impact. Despite the volatile and constrained liquidity environment, the group maintained sufficient liquidity to meet risk appetite limits. Proactive engagement across treasury, risk and business ensured that our clients’ liquidity needs were appropriately planned for and timeously met. The group’s Basel III liquidity coverage and net stable funding ratios remained in excess of regulatory requirements of 80% and 100% respectively.

CAPITAL ADEQUACY
(including unappropriated profit)

<table>
<thead>
<tr>
<th>Year</th>
<th>CET 1</th>
<th>CET 1 capital adequacy ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>13.3</td>
<td>10.5</td>
</tr>
<tr>
<td>2018</td>
<td>14.0</td>
<td>11.0</td>
</tr>
<tr>
<td>2017</td>
<td>16.1</td>
<td>12.8</td>
</tr>
<tr>
<td>2016</td>
<td>16.7</td>
<td>13.3</td>
</tr>
<tr>
<td>2015</td>
<td>16.7</td>
<td>13.3</td>
</tr>
</tbody>
</table>

1 Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.
INSIGHT ON CREDIT IMPAIRMENTS

The deteriorating economic and trading environment, coupled with accounting and regulatory requirements relating to forward-looking expectations and Covid-19 client relief provided, drove an increase in balance sheet provisions held against loans and advances of 42% year-on-year and 8% relative to 30 June 2020. We remain comfortable with the provisions raised and these continue to be reviewed and updated to ensure that we have sufficiently provided for expected credit losses, in accordance with IFRS 9.

The graph below shows the loans and advances for PBB and CIB, classified into the stages as required by IFRS 9. Loans classified as stage 3 increased from 3.9% of total gross loans and advances as at 31 December 2019 to 4.6% as at 30 June 2020 and 5.5% as at 31 December 2020. Stage 1 and stage 2 provisions increased 32% year-on-year but were flat relative to levels recorded as at 30 June 2020. Stage 3 provisions increased 47% year-on-year, and 13% relative to 30 June 2020. Stage 3 coverage (balance sheet impairments for non-performing specifically impaired loans as a percentage of specifically impaired loans) was 48%, 46% and 46% respectively.

An additional R500 million post-model judgemental credit adjustment on the total loans and advances to customers portfolio was raised at 30 June 2020 and remains unchanged at 31 December 2020.

GROSS LOANS AND PROVISIONS

<table>
<thead>
<tr>
<th>GROUP</th>
<th>December 2020</th>
<th>June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBB</td>
<td>1,216</td>
<td>1,390</td>
</tr>
<tr>
<td>CIB</td>
<td>1,329</td>
<td>1,359</td>
</tr>
</tbody>
</table>

12-month expected credit loss (ECL) is recognised for exposures for which there has been no default event and the credit risk has not significantly increased since initial recognition.

A lifetime ECL is recognised for exposures for which there has been a significant increase in credit risk (SICR) since initial recognition.

A lifetime ECL is recognised for exposures that are either in default or where default is imminent.

Covid-19 specific considerations

The incorporation of forward-looking information into credit impairments begins with the group Economics Research team determining the macroeconomic outlook for each country and formulating a group view of commodities over a planning horizon of at least three years. The macroeconomic outlooks outline a range of variables, including GDP, central bank policy interest rates, inflation, exchange rates and treasury bill rates for each of the three outlooks, being bear, base and bull cases and typically include consideration of the country’s economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.

Covid-19 had a profound impact globally and there remains much uncertainty as to the future economic path and recovery. The group has recognised a post-model judgemental credit adjustment to factor in the impact of this uncertainty surrounding the future macroeconomic environment, and the fact that the pandemic has impacted clients across all geographies and client segments. The post-model adjustment encompasses the risk that is inherent in the current macroeconomic environment. The credit adjustment is based on reasonable and supportable information available at the reporting date and is held within central and other.

All exposures were assessed to determine whether they had deteriorated since initial recognition and therefore requiring a transfer into stage 2 (where SICR was triggered) or stage 3 (where default or imminent default was triggered).

PBB

- From a South Africa perspective, in accordance with SARB D3, where a restructure is considered due to Covid-19 related factors, the group determines whether the exposure is expected to remain in an up-to-date status subsequent to the relief period. These restructured exposures are classified as Covid-19 related restructurings and the determination of temporary or permanent distress is assessed monthly. Temporary distressed accounts are classified as stage 1 or stage 2 based on their risk profile and permanently distressed accounts are classified as stage 3.

- Following risk profile assessments, exposures were transferred from stage 1 to stage 2 and stage 3 where deemed relevant in terms of IFRS 9 requirements, this was not necessarily specific to payment holidays or other relief measures.

- During the second half of 2020, stage 2 and stage 3 exposures decreased, this was as a result of positive collection trends and improved performance of payment holiday accounts.

- Credit impairment charges increased to R15.9 billion (2019: R6.4 billion), 2.5 times that of 2019. Lockdowns disrupted businesses and impacted client liquidity positions. The temporary payment relief granted provided some respite, but the delayed economic recovery was evidenced in customer repayment profiles and the requirement for client relief extensions. This, combined with the deterioration in macroeconomic assumptions, drove higher provisioning and credit impairement charges. CLR on loans to customers increased to 229 bps (2019: 96 bps).

CIB

- Review of ratings were performed for each client to obtain an understanding of the impact of Covid-19. This process entailed credit analysts completing a credit scorecard and incorporating forward-looking information. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting provision for the individual client. Risk appetite was adjusted to reflect changes in clients’ operating environment and to manage concentrations in certain sectors.

- Credit impairment charges were 2.6 times that of 2019, reflective of the economic conditions and market stress. CIB’s CLR on loans to customers was 80 bps (2019: 40 bps). The difficult operating environment, together with disruptions in operations and trade, negatively impacted the hospitality, automotive and mining sectors.
Regional performance

Balance sheet (in CCY)

Overall, Africa Regions experienced strong deposit growth driven by ongoing growth of the client franchise and a flight to quality in a difficult environment. Growth in customer loans and advances was driven by increased term loans disbursements across the portfolio. There was also strong growth in financial investments and interbank placements, as access liquidity was invested in bonds and government securities, mainly in West and East Africa region. NIM compressed due to the declining interest rates in several markets.

West Africa (in CCY)

Loans and advances growth driven by the introduction of a minimum loan-to-deposit ratio in Nigeria and increased medium-term lending in Angola and Uganda. Revenue growth was underpinned by strong balance sheet growth, offsetting lower interest rates, and an increase in transactional and trading volumes in Ghana with fair value gains on treasury bills and increased interbank foreign exchange volumes in Nigeria. Angola’s revenue growth was underpinned by strong trading revenue related to the kwanz & devaluation and increased foreign exchange volumes, as well as NII growth following strong balance sheet growth, particularly financial investments. Credit impairment charges increased due to the non-recovery of prior year recoveries in Nigeria, increased growth in exposures in Ghana and the impact of the downgrade in Angola. Operating expenses increased due to the introduction of depositor insurance in Ghana and the impact of AOA devaluation on US dollar-denominated costs in Angola as well as higher IT costs.

Angola

Currency impact

The kwanz & depreciated by 36.58% against the US dollar.

GDP result

GDP contracted by 3.9% (2019: -0.9%).

GHANA

Currency impact

The cedi weakened by 2.8% against the US dollar.

GDP result

GDP contracted by 4% (2019: -0.9%).

NIGERIA

Currency impact

The naira weakened by 8.8% against the US dollar.

GDP result

GDP contracted by 4.3% (2019: +2.2%).

South & Central Africa (in CCY)

Zimbabwe’s earnings were impacted by hyperinflation following a significant deprecation of the Zimbabwean dollar (ZWL) as well as the introduction of a formal foreign exchange auction trading system for ZWL loan and deposit market shares in Botswana, Mozambique and Zimbabwe increased; however, revenue remained under pressure as interest rates declined, higher foreign currency hedging requirements were implemented, and foreign trading was impacted by regulatory directives issued. Fee and commission revenue growth was significantly lower as foreign denominated fees in Zimbabwe as well as client account growth and upward pricing adjustments in Zambia. Trading revenue increased in Mozambique due to improved foreign exchange volumes and mark-to-market revenue following the deprecation of the MZN as well as improved volumes and margins in Zambia following the 2MvW volatility. Credit impairment charges declined following an improvement in internal risk grading on Mozambican government bonds and treasury bills as well as recoveries on accounts previously written off in Botswana and Malawi. This was partly offset by higher impairment charges in Zimbabwe and Zambia following the sovereign rating downgrade. Operating expenses increased, driven by higher IT and licence costs and cost of living adjustments and the impact of the foreign devaluation on US dollar-denominated costs in Zimbabwe.

MOZAMBIQUE

Currency impact

The metical depreciated by 19.9% against the US dollar.

GDP result

GDP contracted by 0.5% (2019: 2.3%).

South Africa

Headline earnings declined by 72% to R4.7 billion, relative to 2019, illustrating the impact of Covid-19. NII decreased due to lower average interest rates, partly offset by strong disbursement growth and higher deposit balances. NII also decreased over the period following lower transactional volumes. Credit impairment charges were 3 times higher than the prior year, reflective of the distressed financial status of clients.

Currency impact

Nel increased by 14% against the US dollar in 2019.

GDP result

GDP contracted by 7% (2019: 0.2%).

East Africa (in CCY)

Nel decreased as balance sheet growth was offset by the impact of lower interest rates. Fee and commission revenue reflects lower transactional volumes due to Covid-19 lockdown restrictions, as well as reduced fees following regulatory imposed fee caps and waivers, while market volatility and increased client volumes resulted in robust trading revenue growth, particularly in Kenya and Uganda. Credit impairment charges increased as a result of a deterioration in client risk profiles and forward-looking assumptions. Operating expenses decreased mainly due to lower headcount in Kenya and lower provisions for incentives in alignment with operating performance.

UGANDA

Currency impact

The Ugandan shilling strengthened by 0.2% against the US dollar.

GDP result

GDP contracted by 0.3% (2019: +6.7%).

KENYA

Currency impact

The Kenyan shilling depreciated by 7.8% against the US dollar.

GDP result

GDP contracted by 1.9% (2019: 5.4%).
Our work to find and implement innovative ways and solutions to address economic, social and environmental challenges in our markets, and to help our clients and employees achieve growth, prosperity and fulfilment, enables us to contribute to Africa’s advancement and earn the trust of our stakeholders.

**What success looks like**
We drive Africa’s growth and create shared value, delivering positive outcomes across all our SEE impact areas.

**How we manage our SEE impact**
Our focus is to leverage our business activities to drive Africa’s growth, and at the same time make a positive impact on society, the economy and the environment. Our selected impact areas align to our core business and are informed by the needs of Africa’s people, businesses and economies, as well as the UN SDGs. The African Union’s Agenda 2063 and South Africa’s National Development Plan and its Nationally Determined Contribution to the Paris Agreement.

**SDGs**
- Financial inclusion
- Job creation and enterprise growth
- Infrastructure
- Climate change and sustainable finance
- Education
- Health

**Financial inclusion**
We enable more people and businesses to access financial products and services, enabling them to manage day-to-day transactions conveniently and cost-effectively, save and plan for the future, deal with unexpected emergencies and, for entrepreneurs, to achieve business growth. These benefits, in turn, support economic development and reduce inequality.

**SDGs**
- We facilitate trade and investment flows between African countries, and with key global markets, including China, through the provision of innovative trade finance and cross-border financial solutions.

**Climate change and sustainable finance**
We work with our clients and Africa’s governments to develop appropriate solutions that help them to mitigate and adapt to the effects of climate change. We develop innovative financial solutions that support the green economy, reduce carbon emissions, increase resilience to climate change impacts and enhance socioeconomic development.

**Education**
We support access to inclusive quality education, promote lifelong learning and invest in initiatives that help Africa gain the skills needed to compete in the global economy and harness the opportunities of the Fourth Industrial Revolution.

**Health**
We contribute to better health outcomes for Africa’s people by financing healthcare providers, infrastructure and equipment, providing business development support to healthcare practitioners, and investing in the health, safety and wellbeing of our people and communities.

**How we measure our SEE impact**
We track and measure progress through our inclusion in global ESG indices.

**SDGs**
- RobecoSAM Corporate Sustainability Assessment score
- FTSE4Good Sustainability Index
- MSCI ESG rating
- CDP climate score
- Sustainalytics ESG risk rating
- Corporate Knights Global 100 most sustainable corporations (first in Africa)

**Detailed disclosure**
- Read a summary on page 103.
- RTS: Read more online.

**How we manage our SEE impact**
We work with our clients to understand their challenges, priorities and aspirations so that we can provide them with appropriate financial solutions that support their growth and expansion and digital solutions that meet their unique needs. This includes targeted support for SMEs.

**SDGs**
- Detailed disclosure
- Read a summary on page 104.
- RTS: Read more online.

**Infrastructure**
We finance large-scale infrastructure projects, enabling inclusive and sustainable industrialisation and addressing Africa’s infrastructure gaps. We partner with our clients to ensure environmental and social risks are appropriately managed and minimised.

**SDGs**
- Detailed disclosure
- Read a summary on page 103.
- RTS: Read more online.

**Our impact**
We facilitate trade and investment flows between African countries, and with key global markets, including China, through the provision of innovative trade finance and cross-border financial solutions.

**SDGs**
- Detailed disclosure
- Read a summary on page 105.
- RTS: Read more online.

**Our impact**
We work with our clients and Africa’s governments to develop appropriate solutions that help them to mitigate and adapt to the effects of climate change. We develop innovative financial solutions that support the green economy, reduce carbon emissions, increase resilience to climate change impacts and enhance socioeconomic development.

**SDGs**
- Detailed disclosure
- Read a summary on page 106.
- RTS: Read more online.

**Our impact**
We contribute to better health outcomes for Africa’s people by financing healthcare providers, infrastructure and equipment, providing business development support to healthcare practitioners, and investing in the health, safety and wellbeing of our people and communities.

**SDGs**
- Detailed disclosure
- Read a summary on page 109.
- RTS: Read more online.

**Our impact**
We track and measure progress through our inclusion in global ESG indices.

**SDGs**
- Detailed disclosure
- Read a summary on page 108.
- RTS: Read more online.
Progress made in 2020

Financial inclusion
A key focus for the group is to implement accessible and affordable digital financial solutions for our clients, for under-banked and unbanked individuals – enabling them to transact efficiently, safely and conveniently without a bank account – and for entrepreneurs and small businesses to support their business formalisation and growth.

<table>
<thead>
<tr>
<th>Key 2020 Highlights</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3 million</td>
<td>active clients using our digital financial solutions in South Africa.</td>
<td></td>
</tr>
<tr>
<td>22 747</td>
<td>(2019: 21 187) of our affordable housing clients in South Africa with payment holidays. Despite these measures, 3.3% (7 560) went into default and we are working with them to keep them keep their homes. The group paid out R1.1 billion, excluding Liberty, in claims in the first half of 2020 and provided over R50 million in fee waivers and moratoriums. In South Africa, we engaged with clients struggling to make their loan repayments and assisted 497 clients with loan and payment structures worth R2.9 billion. Other relief measures in South Africa included rebates on car insurance premiums totaling R32 million, 10% excess waiver for home loans of R1 million or less and for vehicles with a sum insured of R150 000 or less, additional leeway on missed funeral cover payments to ensure clients retained their cover, waived credit life premiums on all student loans for three months (delivering a total client saving of R4.1 million), and expanded the restructure cover of some credit insurance policies to include loss of income. Similar relief measures were implemented for clients in Africa Regions and we reduced fees on electronic and digital channels. With more businesses moving online during the pandemic, we launched a cyber insurance product in South Africa.</td>
<td></td>
</tr>
<tr>
<td>45 million</td>
<td>individuals and entrepreneurs/SMEs reached through WalletWise consumer education programme.</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>USD38 million raised in Airtel Malawi’s initial public offering (IPO) facilitated by Standard Bank. To date, this is the largest IPO on the Malawi Stock Exchange since its inception in 1994.</td>
<td></td>
</tr>
<tr>
<td>34 035</td>
<td>(2019: 35 741) funeral claims paid in South Africa, valued at R550 million (a year-on-year increase of 20% in the amount of funeral claims paid).</td>
<td></td>
</tr>
</tbody>
</table>

Trade-offs

- Proactively introducing relief measures to support our clients during Covid-19, assisting individual financial wellbeing, the sustainability of businesses and the preservation of jobs, while ensuring the soundness of our financial capabilities.
- Implementing new solutions that improve access to finance for small businesses and entrepreneurs to enhance their growth and potential to create jobs, while managing the default risk which is generally higher for this client segment.
- Balancing the challenges posed by climate change, and the need to facilitate access to affordable energy to support economic growth and poverty alleviation.
- Finding ways to restructure debt for sectors impacted by climate change in a way that maintains the integrity of our loan book and the viability of our clients’ businesses.
- Ensuring our decisions uphold human rights, adhere to applicable laws and regulations and consider the most optimal strategies to mitigate environmental impacts, may not result in short-term profits but align with our purpose to achieve overall growth for all our stakeholders in the longer term.

Supporting clients during Covid-19 through several initiatives: assisted 23% (21 187) of our affordable housing clients in South Africa with payment holidays. Despite these measures, 3.3% (7 560) went into default and we are working with them to keep them keep their homes. The group paid out R1.1 billion, excluding Liberty, in claims in the first half of 2020 and provided over R50 million in fee waivers and moratoriums. In South Africa, we engaged with clients struggling to make their loan repayments and assisted 497 clients with loan and payment restructuring worth R2.9 billion. Other relief measures in South Africa included rebates on car insurance premiums totaling R32 million, 10% excess waiver for home loans of R1 million or less and for vehicles with a sum insured of R150 000 or less, additional leeway on missed funeral cover payments to ensure clients retained their cover, waived credit life premiums on all student loans for three months (delivering a total client saving of R4.1 million), and expanded the restructure cover of some credit insurance policies to include loss of income. Similar relief measures were implemented for clients in Africa Regions and we reduced fees on electronic and digital channels. With more businesses moving online during the pandemic, we launched a cyber insurance product in South Africa.

Inclusive insurance and investment: launched Flexible Funeral in South Africa, allowing clients to select their funeral cover and benefits based on affordability. By the end of 2020, 260 000 policies have been sold. We are participating in the AWF initiative, launched in 2020, in collaboration with the UN Economic Commission for Africa and its partners, to raise USD1 billion over ten years for women-owned and managed asset management firms.

Consumer education: all participating SMEs in the WalletWise programme received tablets and data to enable their online training. Nearly 10 000 individuals participated in the 110 Financial Fitness Academies held, receiving financial management advice. In Botswana, four financial literacy programmes were hosted, targeting the youth and journalists.

Infrastructural solutions to fund infrastructure projects and provide lending facilities to entities operating within key infrastructure subsectors, in turn, indirectly contributing to the economic growth, job creation, human development and improved living standards that infrastructure supports. Covid-19 required governments to divert public funds to fight the pandemic, creating severe budgetary constraints and impacting our deal closure on a number of large-scale development projects.

Telecommunication: as the lead transaction advisor, sole bookrunner, transfer secretary and receiving bank for Airtel Malawi’s landmark IPO. The proceeds will be used to invest in infrastructure, communication networks and product initiatives, supporting Malawi’s transition to digitisation and enhancing its international competitiveness.

Transport: provided asset finance and working capital solutions to enable the purchase of equipment to upgrade the roads in rural areas of Malawi, improving local access to agriculture markets. We also provided financial services to a Chinese power and infrastructure company undertaking major road projects in Kenya.
Job creation and enterprise growth

The hard lockdowns to curb the spread of Covid-19 meant that many of our business clients were unable to operate or their supply chains were disrupted, followed by the slowing down of economic activity, impacting productivity. Our relief measures include payment holidays, waiver of electronic processing transaction fees, term extensions, loan restructures and reduced banking fees. Clients also had access to online support, advice and tools to help them respond to these impacts.

Supporting industry initiatives during Covid-19: In South Africa we contracted SME loans worth R17.4 billion under the SME Guarantee Loan Scheme and facilitated the payments of SASSA grants and the government’s special grant through the Instant Money. The R250 million assigned to SBSA by the South African Future Trust was allocated within six weeks to employees of qualifying SMEs, who were at risk of losing their jobs or income. We partnered with the Small Enterprise Finance Agency to help spaza shops in South Africa purchase stock through government funding at discounted prices, to address food shortages in townships and rural communities. In Ghana, we partnered with Investing for Growth Limited, enabling it to open a new plant and develop its supply chain. With our support, the cooperative enhanced the number of farmers in its supply chain.

Covid-19 relief loan: SBSA signed a USD385 million three-year loan agreement with the IFC. The proceeds are being used to provide relief and ongoing support for eligible SMEs and corporates in South Africa impacted by Covid-19, including the healthcare industry.

Enterprise development: continued to operate our incubators in Botswana, Mozambique, Zambia and Zimbabwe, as well as our enterprise development programmes and youth bootcamps in Lesotho. Nigeria and South Africa, providing SMEs and entrepreneurs with capacity building, business development support, mentoring and coaching, training and access to market opportunities and finance, among other benefits. We launched a Targeted Enterprise Development Fund in South Africa disbursing loans totalling R5.8 million (at 0% interest and 0% initiation fee) to support SME job preservation.

Supporting business growth: collaborated with Glencore Operations South Africa to enable small businesses in their supply chain access funding at a favourable rate. One beneficiary is a 100% black women-owned mining services company which used the loan to purchase equipment and vehicles valued at over R50 million. In Kenya, we provided the farmer-owned Muru Central Dairy Cooperatives Union with various financial solutions, enabling it to increase its production capacity and the number of farmers in its supply chain. With our support, the cooperative has expanded its operations and strengthens its value chain.

Partnering with small-scale farmers: enhanced the OneFarm Agri platform in Uganda, which connects smallholders to an ecosystem of startups and enterprise services, refining the model and data-intelligent selection criteria and expanding the client base from 200 to 500. In Mozambique, we are working to address fragmented value chains, providing access to finance and support farmers with new technology, in Eswatini we partnered with the Women Farmer Foundation to fund production tunnels (benefitting 1,000 women) and in Nigeria we have disbursed R2.2 billion to agri-businesses for the Central Bank of Nigeria Intervention Fund programme.

Agriculture Flagship

Partnering with the UN Women Climate Smart Agriculture Flagship Programme.

OneFarm Agri platform in Uganda, which connects smallholders to an ecosystem of startups and enterprise services, refining the model and data-intelligent selection criteria and expanding the client base from 200 to 500. In Mozambique, we are working to address fragmented value chains, providing access to finance and support farmers with new technology, in Eswatini we partnered with the Women Farmer Foundation to fund production tunnels (benefitting 1,000 women) and in Nigeria we have disbursed R2.2 billion to agri-businesses for the Central Bank of Nigeria Intervention Fund programme.

Facilitating investment in Africa: we facilitated the following investments in 2020:

- Assisted the African Export-Import Bank to gain access to international markets, solving its immediate liquidity requirements with a R2 billion bilateral amortising term facility to provide funding to corporates in Southern Africa.
- Acted as sole advisor to Africa Oil, helping it acquire a 50% equity stake in Petrobras Oil and Gas BV. The USD1.5 billion deal supports Nigeria’s oil and gas sector, a major contributor to the country’s economy, and will contribute to job creation and infrastructure development.
- Acted as joint lead managers for the Republic of Ghana’s USD3 billion Eurobond placement, the longest bond issued by a sub-Saharan issuer at the time of the issuance, with tenors of six, 14 and 40 years. The bond will be used to facilitate energy infrastructure projects and manage the budget deficit for 2020.

Implemented digital matchmaking to connect our clients to trade opportunities, and supported African importers to source and validate quality goods, including PPE, from pre-screened Chinese suppliers through ACIS.

Facilitating intra and inter-African trade: continued to leverage our trade solutions, including the Trade by Standard Bank platform (connects clients to vetted buyers and suppliers in over 60 countries), ACIS (enables African importers to source and validate quality goods, safely and efficiently, from pre-screened Chinese suppliers) and Trade Suite (a single point of contact for South African importers, meeting their import requirements from order to delivery).

Digitising trade services: we are working with the AfCFTA Secretariat and other banks to support the digitisation of trade, and testing digital trade services with regulators in Ghana, South Africa and Uganda, including the use of AI, blockchain, cloud computing and data analytics. These solutions improve turnaround times and reduce paper consumption and the risk of errors.

Supporting industry initiatives during Covid-19: In South Africa we contracted SME loans worth R17.4 billion under the SME Guarantee Loan Scheme and facilitated the payments of SASSA grants and the government’s special grant through the Instant Money. The R250 million assigned to SBSA by the South African Future Trust was allocated within six weeks to employees of qualifying SMEs, who were at risk of losing their jobs or income. We partnered with the Small Enterprise Finance Agency to help spaza shops in South Africa purchase stock through government funding at discounted prices, to address food shortages in townships and rural communities. In Ghana, we partnered with Investing for Growth Limited, enabling it to open a new plant and develop its supply chain. With our support, the cooperative enhanced the number of farmers in its supply chain.

Covid-19 relief loan: SBSA signed a USD385 million three-year loan agreement with the IFC. The proceeds are being used to provide relief and ongoing support for eligible SMEs and corporates in South Africa impacted by Covid-19, including the healthcare industry.

Enterprise development: continued to operate our incubators in Botswana, Mozambique, Zambia and Zimbabwe, as well as our enterprise development programmes and youth bootcamps in Lesotho. Nigeria and South Africa, providing SMEs and entrepreneurs with capacity building, business development support, mentoring and coaching, training and access to market opportunities and finance, among other benefits. We launched a Targeted Enterprise Development Fund in South Africa disbursing loans totalling R5.8 million (at 0% interest and 0% initiation fee) to support SME job preservation.

Supporting business growth: collaborated with Glencore Operations South Africa to enable small businesses in their supply chain access funding at a favourable rate. One beneficiary is a 100% black women-owned mining services company which used the loan to purchase equipment and vehicles valued at over R50 million. In Kenya, we provided the farmer-owned Muru Central Dairy Cooperatives Union with various financial solutions, enabling it to increase its production capacity and the number of farmers in its supply chain. With our support, the cooperative has expanded its operations and strengthens its value chain.

Partnering with small-scale farmers: enhanced the OneFarm Agri platform in Uganda, which connects smallholders to an ecosystem of startups and enterprise services, refining the model and data-intelligent selection criteria and expanding the client base from 200 to 500. In Mozambique, we are working to address fragmented value chains, providing access to finance and support farmers with new technology, in Eswatini we partnered with the Women Farmer Foundation to fund production tunnels (benefiting 1,000 women) and in Nigeria we have disbursed R2.2 billion to agri-businesses for the Central Bank of Nigeria Intervention Fund programme.

Agriculture Flagship

Partnering with the UN Women Climate Smart Agriculture Flagship Programme.

OneFarm Agri platform in Uganda, which connects smallholders to an ecosystem of startups and enterprise services, refining the model and data-intelligent selection criteria and expanding the client base from 200 to 500. In Mozambique, we are working to address fragmented value chains, providing access to finance and support farmers with new technology, in Eswatini we partnered with the Women Farmer Foundation to fund production tunnels (benefiting 1,000 women) and in Nigeria we have disbursed R2.2 billion to agri-businesses for the Central Bank of Nigeria Intervention Fund programme.

Facilitating investment in Africa: we facilitated the following investments in 2020:

- Assisted the African Export-Import Bank to gain access to international markets, solving its immediate liquidity requirements with a R2 billion bilateral amortising term facility to provide funding to corporates in Southern Africa.
- Acted as sole advisor to Africa Oil, helping it acquire a 50% equity stake in Petrobras Oil and Gas BV. The USD1.5 billion deal supports Nigeria’s oil and gas sector, a major contributor to the country’s economy, and will contribute to job creation and infrastructure development.
- Acted as joint lead managers for the Republic of Ghana’s USD3 billion Eurobond placement, the longest bond issued by a sub-Saharan issuer at the time of the issuance, with tenors of six, 14 and 40 years. The bond will be used to facilitate energy infrastructure projects and manage the budget deficit for 2020.

Implemented digital matchmaking to connect our clients to trade opportunities, and supported African importers to source and validate quality goods, including PPE, from pre-screened Chinese suppliers through ACIS.

Facilitating intra and inter-African trade: continued to leverage our trade solutions, including the Trade by Standard Bank platform (connects clients to vetted buyers and suppliers in over 60 countries), ACIS (enables African importers to source and validate quality goods, safely and efficiently, from pre-screened Chinese suppliers) and Trade Suite (a single point of contact for South African importers, meeting their import requirements from order to delivery).

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USD2.8 billion allocated to funding the construction of new power projects in Africa since 2012, with 86% being renewable energy projects. More than 189 small-scale commercial solar projects funded in South Africa since 2018, amounting to over 32 megawatt peak installed capacity.

Sustainable bond framework: published our sustainable bond framework under which the net proceeds of the green, social or sustainable bonds issued will be used to fund projects aligned to our SEE impact areas.

Strengthening governance: adopted a fossil fuel finance policy, which sets parameters lending in this area, and complements the coal-fired power finance policy and thermal coal mining finance policy adopted in 2019, all available online.

Sustainability-linked loans: issued sustainability-linked loans, structured to incentivise borrowers to improve their sustainability or transformation profiles. These included a R2 billion sustainability-linked loan for the Vodacom Group, the first real estate sustainability-linked loan (R1.6 billion) in South Africa for Equites Property Fund, the first B-BBEE performance incentive linked loan (globally) for Isanti Glass and a sustainability-linked facility for Maersk in the shipping sector (USD130 million).

Climate change and sustainable finance
Developing sustainable finance solutions, including green and social bonds, impact investing and ESG-linked products and services, to drive sustainable and inclusive economic development in Africa is a key priority for the group, and received substantial attention from the board and executive management during the year. We are progressively managing and shaping our portfolio in a manner that is consistent with achieving a low-carbon and climate-resilient economy needed to limit global warming to below 2 degrees, by supporting a just transition away from non-renewable energy sources.

USD200 million green bond issued, Africa’s largest green bond and South Africa’s first offshore green bond. The capital raised will be used to finance eligible renewable energy, energy and water efficiency and green building projects.

Covid-19 loan: SBSA signed a USD185 million three-year loan agreement with the International Finance Corporation. The proceeds are being used to provide relief and ongoing support for eligible SMEs and corporates in South Africa impacted by Covid-19, including the healthcare industry.

Sustainable investing: Standard Bank Isle of Man Limited and Standard Bank Jersey Limited launched the ESG Deposit Issue 1, where return on the US dollar deposit is linked to the market performance of the S&P 500 ESG index over a 5.5 year term.

Energy: developed the PowerPulse platform, which connects business and industrial-scale energy users to solar photovoltaic engineering, procurement and construction partners. The platform launched in South Africa in 2021 and expanded to additional African countries thereafter.

Direct environmental impact: Standard Bank Group supports the expansion of affordable renewable energy solutions across Africa. Since 2012, we have financed the construction of new power projects to the value of USD2.77 billion in Africa. 86% of this funding (USD2.38 billion) was for renewable energy. We have not financed any new coal-fired power stations since 2009. We did not finance any large-scale energy projects (green or brown) during 2020.

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**KEY 2020 HIGHLIGHTS**

**Education**

- **R80 million** (South Africa) and USD1.1 million (Africa Regions) invested in education programmes (2019 total: R92 million).
- **Over 500** employees in South Africa registered for virtual volunteering, including mentoring and tutoring school children, proofreading training materials, reading to children and providing financial education.
- **Over R47 million** raised through the Feenix crowd sourcing platform over the past three years, supporting around 1,300 university students in South Africa.

**Employee development:** see page 73 of the employee engagement section.

**Student financing:** since 2016, we have been managing the Medical Student Loan Guarantee Fund on behalf of The Discovery Foundation. The Fund provides study loans for students who would otherwise not be able to access finance. We have disbursed R474 million to 302 medical students at the universities of Pretoria and Witwatersrand. A similar initiative in partnership with the University of Stellenbosch has assisted 116 medical students with loans totalling R16.5 million. Student loans were also provided to learners for the purchase of laptops, tablets and software during the pandemic.

**Digital literacy:** partnered with Microsoft and Pioneering Solutions Studio to deliver a learning programme on basic computer skills, cybersecurity and MS office, reaching 11,600 South Africans with 47% having completed the course by November 2020.

**Corporate social investment (CSI):** we helped our CSI partners, adapt their programmes to online and radio services and extend their services to include the provision of sanitation, PPE and food. In partnership with Microsoft, Philanthropies, we provided 17 non-governmental organisations in South Africa with free Microsoft software and trained their employees on how to use the software and teach using online platforms. Our other initiatives assisted learners and tertiary students impacted by school and university closures. In South Africa, we introduced the OneFarm Share, a digital mechanism that collates food requests from registered charity organisations and matches these to perishable produce from farmers and food producers unable to sell to their traditional markets due to unpredictable demand. The food is made available to beneficiary organisations at a reduced cost or as a donation. In response to the urgent need for food relief arising from the pandemic, we introduced the Feenix crowd sourcing platform and allocated an additional R27 million in charitable donations to relevant NGOs and government initiatives, over and above our annual CSI budget of 0.6% of net profit after tax, calculated as part of our socioeconomic development spend.

**Health**

The focus of our health interventions in 2020 naturally centred around managing the Covid-19 pandemic – introducing interventions to protect our employees and clients during this unprecedented time, providing financial solutions for healthcare providers and manufacturers of medical equipment and sanitisers, and responding to the needs of communities.

**Healthcare**

- **Around 50% of employees** participated in a groupwide survey to understand how they were coping with the new working environment. Of those working from home, 95% felt they had adapted well. Working longer hours and balancing work and home demands were key challenges.
- **R27 million** (South Africa) and USD2.7 million (Africa Regions) spent on health interventions, with specific focus on providing vulnerable communities and the healthcare sector with assistance during Covid-19.

**Student financing**

- Disbursed R47.4 million to 302 medical students at the universities of Pretoria and Witwatersrand. A similar initiative in partnership with the University of Stellenbosch has assisted 116 medical students with loans totalling R16.5 million. Student loans were also provided to learners for the purchase of laptops, tablets and software during the pandemic.

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**Addressing food shortages:** in response to the urgent need for food relief arising from the pandemic, we introduced the OneFarm Share, a digital mechanism that collates food requests from registered charity organisations and matches these to perishable produce from farmers and food producers unable to sell to their traditional markets due to unpredictable demand. The food is made available to beneficiary organisations at a reduced cost or as a donation. In its first three weeks, the initiative distributed over 40 tonnes of produce across KwaZulu-Natal. The initiative will be expanded to other provinces in 2021. The value chain is verified, accredited and audited, with complete transparency on how donations are distributed.

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1 Over and above SBSA's annual CSI budget, calculated at 0.6% of NPAT.
Describes our approach to good governance outcomes, and how we reward our leaders, to continue to create and protect sustainable shared value.
Governing value creation

Our governance structures are well-defined and embedded to support the group’s ability to create and protect value in the short, medium and long term.

- Promoting transparency, accountability and empathy in managing our stakeholder relationships and ensuring that our clients are treated fairly and consistently.
- Delivering a positive impact on society, the economy and the environment through our business activities.
- Adhering to the highest applicable regulatory and governance standards.
- Instilling an ethical and risk-aware culture that recognises that the trust our stakeholders have in us is the foundation of our legitimacy and the basis on which we are able to compete, collaborate and change.

Our governance philosophy and framework

Our ability to anticipate and respond effectively to change underpins our governance philosophy and supports the acceleration of our strategy, including how the board provides counsel and oversight. Our philosophy supports the digital enablement of governance, allowing the group to adequately introduce new operating models, understand the opportunities and risks associated with accelerating the strategy and managing constraints to effectively allocate our resources in an ever-changing world to deliver and protect sustainable shared value.

King IV forms the cornerstone of our governance approach. Our application of its principles is embedded throughout our governance framework and this allows us to achieve good governance outcomes of ethical culture, good performance, effective control and legitimacy.

Details on how the group applied the 16 principles of the King Code are in the full governance report available online.

Our board-approved governance framework is embedded in all the group’s operations and is designed to provide clear direction for responsive decision-making and support responsible behaviour. We implement our framework principles to:

- Ensure that we pursue strategic opportunities within the board-approved risk appetite, supporting a prudent balance of risk and return.
- Provide effective control to avoid financial loss or reputational damage due to misconduct or unethical behaviour.
- Embed the principle of doing the right business, the right way to ensure ethical business practices are embedded within and across our markets.
- Support our legitimacy as a responsible corporate citizen that enhances the resources and relationships we rely on today for the future benefit of the group, our stakeholders and society.
ACHIEVING GOVERNANCE OUTCOMES THAT DRIVE SUSTAINABLE SHARED VALUE

The challenges presented by Covid-19 underscored the importance of corporate governance and how the board executes its duties. The embedded practices ensured that the board maintained its commitment to achieving high standards of corporate governance, through transparency, good performance, effective controls, integrity and a sound ethical culture across the group’s operations.

STAKEHOLDER RELATIONSHIPS

Stakeholder engagement is governed by the group’s stakeholder engagement principles and is overseen by the group social and ethics committee. These principles provide a guideline for the group’s interactions across geographical areas and recognise the need to accommodate local contexts.

LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

Our board is responsible for the ethical and effective leadership of the group. The chairman and the board set the ethical tone for the group. Our purpose, values and ethics are the basis on which we institutionalise an ethical culture across the group and in the delivery of our strategy. Our code of ethics provides our people with practical guidance on how to behave, outlines acceptable conduct and empowers them to make faster, more confident decisions within clearly-defined parameters. The board and committee effectiveness assessments and executive management performance evaluations measure conduct against the group’s values and code of ethics.

Our overarching governance framework supports the institutionalisation of an ethical culture which in its focus on the governance of the conduct of individuals, in our markets and in society, provides the cornerstones for the group’s legitimacy. This enables the board to oversee and monitor how the consequences of the group’s activities affect its status as a responsible corporate citizen that understands the expectations of our stakeholders and acts to balance their interests, thereby ensuring positive outcomes in each of our strategic value drivers.

Our ethics framework

Our ability to achieve our purpose depends on our legitimacy and reputation as a trusted partner to our clients, is underpinned by the ethics and values which shape our organisational culture and the conduct of our people. Our approach to ethics is based on three pillars: personal conduct, market conduct and societal conduct. The board and executive leadership are responsible for ensuring an appropriate focus on ethics, conduct and positive client outcomes. We continue to review our approach to ethics to ensure that it remains relevant and evolves as we transform the group.

Offering effective counsel

During the year, the board held 11 meetings. Key matters discussed by the board in addition to standard board agenda items included:

- Considered the group’s response to the Covid-19 crisis, noting regular feedback from executives and the crisis management team, including items on page 116.
- Considered and supported the group’s updated organisational structure, its new capability model, as well as the group chief executive officer’s constitution of the GLC and its intended focus on clients.
- Attended the two-day annual board strategy summit which outlined the group’s short- to long-term plans, the revised approach to strategic resource planning, the group’s position in a competitive landscape and achieving its strategic priorities while keeping the client at the centre of operations.
- Considered and approved the board and board committees’ compositions to ensure that they are appropriate and in line with the group’s strategy and future plans.
- Considered the group’s going concern, liquidity and solvency assessment for the interim and year end periods.
- Considered business plans and feedback during the business line performance reviews from business line chief executives, including in-country subsidiaries.
- Considered and approved the internal capital adequacy targets and risk appetite levels in line with the provisions of SARB Directive 2/2020.
- Approved the declaration of preference dividends and supported the non-declaration of ordinary dividends during 2020 in line with the SARB Prudential Authority Directive 2020.
- Noted quarterly feedback from the group chief information officer on the number of IT incidents and status of the group’s IT resilience.
- Received regular feedback from the chairman of the board committees.
- Received feedback on the group’s engagement with key stakeholders, including clients, employees, investors and shareholders, and regulators.
- Considered the new people promise: to support our people.
- Considered the results from the annual ‘Are you a Fan’ employee survey.

The matters discussed above demonstrate how the board and its subcommittees influence and monitor the strategic direction of the group.
Effective oversight during the pandemic

2020 has undoubtedly been an extraordinary year. As South Africa entered a national lockdown in March, the board transitioned smoothly and seamlessly to virtual meetings. The group chief executive officer and his team kept the board well informed about the group’s response to Covid-19 even as they accelerated the group strategy, all the while focusing on supporting our clients during a period of intense uncertainty and fear, prioritising our employees’ safety and wellbeing, and helping our local communities. The board met more frequently this year to devote the time needed to address these challenges and ensure continued effective board oversight, partnering with management to find solutions and taking of time-critical decisions in the group’s response to the pandemic.

The board and its committees considered the impact of the ongoing pandemic on the group. Some of the actions taken by the board are highlighted below.

### CLIENT FOCUS

Client support has been a critical focus for the board throughout this period. The board considered updates from business on their approach to assist and support clients during the pandemic and in ensuring the health and safety of those accessing branches. While ensuring that the conduct of the group was appropriate, the board also paid keen attention to client satisfaction results and was pleased to note that feedback on the group’s support during 2020 had been positive.

The board continues to monitor the overall impact of the group’s activities on clients.

### OUR EMPLOYEES

The board considered employee wellbeing to be paramount throughout the pandemic. The board noted the support provided to employees working on group premises in ensuring that working environments were as safe as possible, with appropriate health and safety protocols implemented, as well as support provided for employees working remotely. The group social and ethics committee monitored the psychological wellbeing of employees and considered employee survey results about how employees were coping throughout the year. It also considered the appropriateness of management’s support in assisting employees to cope with some of the personal challenges the pandemic created.

### RISK AND CONDUCT

The board ensured oversight of the impact of Covid-19 across all risk areas. The group risk and capital management committee noted an overview of global and domestic regulatory interventions in response to the pandemic, including globally available economic and financial mitigants, as well as sovereign response and funding across jurisdictions in which the group operates. It reviewed the impact of the pandemic on the group’s risk appetite, earnings at risk, capital adequacy and the liquidity position of the group based on various scenarios and assumptions and the board resolved to approve a temporary recalibration of internal capital adequacy targets, in line with SARB Directive 2/2020. The outcome of detailed portfolio risk assessments and the various management actions taken as a result were considered by the board.

The group audit committee reviewed and approved changes to the 2020 internal audit plan as part of an in-depth review of internal audit’s risk assessment and audit prioritisation session. The group technology and information committee assessed the vulnerability of the group’s systems, technology and information-related risks associated with employees working from home. The board also considered the effectiveness of the group’s ‘Always On, Always Secure’ strategy.

### FINANCIAL OUTCOME

The board is committed to achieving sustainable returns for the group over the long term. It took this into account together with the soundness of the group and the preservation of its balance sheet in its oversight responsibilities. It reviewed the financial performance of the group, the impact of Covid-19 on the macroeconomic outlook and considered the updated 2020 financial forecasts, together with headline earnings projections, credit impairment charges, ROE, CLR, cost-to-income ratio and capital and liquidity ratios.

While the board fully recognises the importance of paying dividends to shareholders, it also recognises the need to support the real economy by providing funding to households and businesses amid the pandemic and recognises the importance of ensuring the stability of the group in the short, medium and long term. In issuing ordinary dividends, it considered the recommendations outlined in Guidance Note 4/2020 issued by the SARB Prudential Authority on the distribution of dividends to ordinary shareholders. It approved the payment of the group’s 2019 final ordinary dividend and resolved not to pay any 2020 interim ordinary dividends. The board concluded that this was the right and prudent thing to do in order to preserve capital and allow the group to continue to serve the needs of its clients during the pandemic. The board approved a final ordinary dividend for 2020 of 240 cents per share.

### SEE IMPACT

As one of Africa’s largest financial services providers, the group has a large footprint across the continent and it was during these unprecedented times its role as a corporate citizen became even more pronounced. The board recognised the importance of engaging with society and the different actions needed to help them prosper during these times and build a more sustainable future, with increased focus on supporting the economy.

The board considered management updates on the different initiatives undertaken to support the communities in which the group operates. It considered feedback from stakeholder engagements and took the outcomes of these engagements into account when deliberating on board decisions.

The board was pleased to note the positive external feedback received in relation to the group’s support initiatives to communities both through maintaining stable financial services and the different CSI initiatives.
Assessing the effectiveness of the board

The performance of the board and its committee are assessed through:

- **Mandate reviews**: A detailed assessment of the board and each committee’s alignment and compliance with the provisions of their respective mandates is done annually. The group’s external auditors conduct a limited assurance assessment on the review and express an opinion in this regard.

- **Effectiveness evaluation**: The chairman, the board and its committees undergo an effectiveness evaluation annually. The board alternates every other year between an externally facilitated independent evaluation, and an internal evaluation facilitated by the group secretary. Directors also participate in peer reviews.

- **One-on-one discussions**: Evaluation of individual director performance is carried out by the chairman in one-on-one discussions with individual directors.

The annual board evaluation provides an opportunity to identify greater efficiencies, maximising strengths and highlighting areas of further development to enable the board to continuously improve its performance and that of the group.

The 2020 board effectiveness review was externally conducted by an independent service provider, with the following key findings:

- **Overall board performance and that of its committees** was considered effective. The board is a high-performing board, and members expressed appreciation, enjoyment and pride at being part of it. There is a solid relationship of mutual respect and trust between non-executives and executive directors, which enables productive interactions.

- **The chairman has extensive chairing experience and has done much to strengthen boardroom dynamics** and to deepen the relationship with the executives. This has helped enhance focus on matters, quality of conversations and relationships between directors.

- **The board has navigated the logistical complexities of the Covid-19 pandemic well**. The group chief executive officer played a key role in 6% fiercely strengthening the relationship between the board and management, and worked hard to ensure directors were kept abreast of all developments within the group and engagements with stakeholders, especially during the early stages of the pandemic.

- **Sub-committees** were considered an effective element of the overall governance framework and were led by high quality chairmen.

- **Use of independent directors’ expertise** was well balanced.

- **Boardroom diversity** was maintained.

- **There were no material self-dealing transactions**.

- **There were no material related party transactions**.

- **The board’s ability to ensure independence** was well maintained.

- **The board’s power to protect and create value in the long term**.

### Governance and board committees

- **The board delegates** the management of the day-to-day business and affairs of the group to the group chief executive officer, with full power on behalf of and in the name of the board. The GLC provides counsel to the group chief executive officer, acting as a sounding board and ensuring overall coordination across the group, legal entities, and other key stakeholders. Members of the GLC exercise powers in accordance with their delegated authority.

- **Separation of roles and responsibilities**: The roles of chairman and group chief executive officer are separate. The allocation of responsibilities is clearly set out in the board mandate, ensuring that no single director has unfettered powers in the board decision-making process. Executive directors and the group’s prescribed officers attend board meetings, increasing the contact between the board and management.

- **The board has appointed the lead independent director**, whose role is to further strengthen the independence of the board and maintain an additional channel for shareholders to raise any concerns.

### Diversity and independence

The board-approved promotion of gender and diversity policy sets a voluntary target of 33% female representation on the board by the end of 2020, which has been achieved. In line with King IV, the board aims to pursue the race diversity targets included in the management control scorecard as set out in the Amended Financial Services Code of 2017. The board considers these targets in the implementation of its succession plans and is satisfied with the progress made.

An annual assessment of directors’ independence is performed, including a self-assessment by each director and the consideration of each director’s circumstances by the board. Consideration is also given to whether directors’ interests, position, association or relationships, are likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed third-party.

Provision 8.1.2.8 of the directive deems non-executive directors who have served on the board for a period of nine years or more as not independent. In 2019, the group applied for and was granted exemption by the Prudential Authority from the effects of this provision until May 2023 for directors who had served on the board for longer than nine years. The exemption is subject to the annual external independent assessment classifications made. Thulani Gcaba, Mylices Ruck and Kgomotso Moroka have all served for periods longer than nine years. Taking into account the above exemption and following a rigorous annual review, including independent external assessment confirmation, the board confirmed that Thulani Gcaba and Mylices Ruck continue to be independent in character, demonstrated behaviour and contribution to board deliberations and judgement, notwithstanding tenure. For the period under review Kgomotso Moroka, and ICBC’s nominated directors Xueqing Guan and Lubin Wang were not considered independent.

### Board composition and skills

The collective background of the board members provides a balanced mix of skills, demographics, genders, nationalities, experience and tenures to enable it to fulfil its governance role and responsibilities objectively and effectively. The board considers its size and composition to be appropriate.

We apply a skills matrix to ensure our directors have the relevant range of skills and experience in the short term and to identify specific skills required to protect and create value in the long term.

To complement the board’s current skill set, Paul Cook, Priscillah Mabelane and Nonkululeko Myerbezi were appointed to the board.

Hao Hu and Priscillah Mabelane resigned and Peter Sullivan retired from the board during 2020. Xueqiong Guan replaced Hao Hu. André Parker will retire from the board at the conclusion of the 2021 AGM, having reached the mandatory non-executive director retirement age.

#### Board education and training

Continuing board education sessions were scheduled in advance to ensure full board participation.

Ongoing director education ensures that the board has both the awareness of relevant trends and the appropriate skills to offer relevant counsel and provide effective oversight as the group delivers its strategy and transforms to be truly human and truly digital.

#### Topics covered in 2020 included

- **The group’s ESG approach and journey, focusing on emerging policy, regulatory frameworks, key role players and stakeholders.**

- **ESG guidance by the Institute of International Finance.**

- **S&P Global ratings for ESG.**

- **The digital economy and accelerating digitalisation of the financial sector.**
Board committees

Board committees in 2020 included:

**GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE**
Chair: Myles Ruck  
Attendance: 100%

**Purpose**
- To provide independent and objective oversight or risk and capital management across the group.
- Reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework and ensures that associated standards and policies are clear, appropriate and effective.
- Assesses and agrees the nature and extent of the group's risk appetite.

**Key activities performed**
- Oversight of the impact of Covid-19 on the group's risk portfolio; financial and non-financial risk management, capital and liquidity risk management, internal capital adequacy assessment process; regulatory matters; governance; oversight;

**GROUP DIRECTORS' AFFAIRS COMMITTEE**
Chair: Thulani Gcabahe  
Attendance: 98%

**Purpose**
- Determines the appropriate corporate governance structures and practices.
- Ensures the board continuity programme.
- Ensures compliance with all applicable laws, regulations and codes of conduct and practice.
- Assesses and ensures the effectiveness of the board and its committees.

**Key activities performed**
- Succession planning and board composition; corporate governance; board performance review; group subsidiary governance framework;

**GROUP AUDIT COMMITTEE**
Chair: Trix Kennealy  
Attendance: 100%

**Purpose**
- Ensures that social conscience is embedded in the way the group does business.
- Ensures the development of appropriate policies relating to stakeholder and reputation management.
- Guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, regulation, standards and codes.
- Ensures material stakeholder issues receive attention from the board and management.

**Key activities performed**
- Oversight of the impact of Covid-19 on the internal control environment and financial results; internal audit; compliance; tax; financial accounting and external reporting; financial control; non-audit services; interim and annual financial statements; external audit; oversight;

**GROUP SOCIAL AND ETHICS COMMITTEE**
Chair: Kgomotso Moroka  
Attendance: 100%

**Purpose**
- Ensures prudent governance of technology and information and oversees related governance mechanisms to support the group's achievement of its strategic objectives.
- Oversight of the impact of Covid-19 on technology; technology strategy and transformation; cybersecurity and cyber resilience; technology investment; enterprise data management; governance and assurance;

**Key activities performed**
- Stakeholder engagement; transformation; employee engagement; ethics; reporting; corporate citizenship; impact on environment;

**GROUP TECHNOLOGY AND INFORMATION COMMITTEE**
Chair: John Vice  
Attendance: 98%

**Purpose**
- Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
- Performs functions set out in the associate regulations, including inspecting risk evaluation models for approval.
- Reviews model risk governance processes and monitors the group's model universe and model risk appetite;

**Key activities performed**
- Model approvals; model risk oversight; model governance;

**GROUP MODEL APPROVAL COMMITTEE**
Chair: Jacko Maree  
Attendance: 100%

**Purpose**
- Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
- Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
- Performs functions set out in the associate regulations, including inspecting risk evaluation models for approval.
- Reviews model risk governance processes and monitors the group's model universe and model risk appetite;

**Key activities performed**
- Model approvals; model risk oversight; model governance;

**GROUP REMUNERATION COMMITTEE**
Chair: Trix Kennealy  
Attendance: 100%

**Purpose**
- Ensures that social conscience is embedded in the way the group does business.
- Ensures the development of appropriate policies relating to stakeholder and reputation management.
- Guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, regulation, standards and codes.
- Ensures material stakeholder issues receive attention from the board and management.

**Key activities performed**
- Oversight of the impact of Covid-19 on the internal control environment and financial results; internal audit; compliance; tax; financial accounting and external reporting; financial control; non-audit services; interim and annual financial statements; external audit; oversight;

**GROUP DIRECTORS' AFFAIRS COMMITTEE**
Chair: Thulani Gcabahe  
Attendance: 98%

**Purpose**
- Determines the appropriate corporate governance structures and practices.
- Ensures the board continuity programme.
- Ensures compliance with all applicable laws, regulations and codes of conduct and practice.
- Assesses and ensures the effectiveness of the board and its committees.

**Key activities performed**
- Succession planning and board composition; corporate governance; board performance review; group subsidiary governance framework;

**GROUP AUDIT COMMITTEE**
Chair: Trix Kennealy  
Attendance: 100%

**Purpose**
- To provide independent and objective oversight or risk and capital management across the group.
- Reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework and ensures that associated standards and policies are clear, appropriate and effective.
- Assesses and agrees the nature and extent of the group's risk appetite.

**Key activities performed**
- Oversight of the impact of Covid-19 on the group's risk portfolio; financial and non-financial risk management, capital and liquidity risk management, internal capital adequacy assessment process; regulatory matters; governance; oversight;

**GROUP SOCIAL AND ETHICS COMMITTEE**
Chair: Kgomotso Moroka  
Attendance: 100%

**Purpose**
- Ensures prudent governance of technology and information and oversees related governance mechanisms to support the group's achievement of its strategic objectives.
- Oversight of the impact of Covid-19 on technology; technology strategy and transformation; cybersecurity and cyber resilience; technology investment; enterprise data management; governance and assurance;

**Key activities performed**
- Stakeholder engagement; transformation; employee engagement; ethics; reporting; corporate citizenship; impact on environment;

**GROUP TECHNOLOGY AND INFORMATION COMMITTEE**
Chair: John Vice  
Attendance: 98%

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- Assists the board in managing model risk according to the advanced internal ratings-based approach for measuring exposure to credit risk stipulated by the Banks Act.
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- Reviews model risk governance processes and monitors the group's model universe and model risk appetite;

**Key activities performed**
- Model approvals; model risk oversight; model governance;
Our leadership
The group board

Our directors have deep experience and diverse skills, enabling the board to provide informed counsel, rigorous oversight and independent interrogation in leading integrated thinking in the group and in guiding the GLC in the design and delivery of the group’s strategy.

Chairman and deputy chairmen

1 Thulani Gcabashe 63
Chairman and independent non-executive director, SBG and SBSA
Key strengths: Business leadership; executive management of a complex business; solid strategic planning experience.
Appointed: 2003
Appointed chairman: 2015

3 Xueqing Guan 57
Senior deputy chairman, SBG and non-executive director, SBG and SBSA
Key strengths: Proven leadership in large international group; extensive board experience; strong strategic management experience in banking.
Appointed: 2020

3 Jacko Maree 65
Deputy chairman, SBG and independent non-executive director, SBG and SBSA
Key strengths: Over 40 years’ experience in banking and leadership; deep insight into the role of a chief executive and the challenges faced; skilled team builder.
Appointed: 2016

Lead independent director

4 Trix Kennealy 61
Lead independent director; SBG and independent non-executive director SBSA
Key strengths: Extensive operational and strategic management experience across a variety of industries and sectors; over 30 years’ experience in corporate governance; broad experience in strategic financial management, including restructuring, acquisitions and integrations.
Appointed: 2016

Non-executive directors

7 Paul Cook 40
Independent non-executive director, SBG and SBSA
Key strengths: Use of digital tools to reach customers, creating disruptive brands, and improve the back-office; venture capital investment, entrepreneurial support and incubation, pan-Africa macro- and micro-trends experience.
Appointed: 2021

Executive directors

5 Sim Tshabalala 53
Group chief executive officer; SBG and executive director, SBSA
Key strengths: Extensive groupwide leadership experience; leading strategy formulation and execution; proven track record of enhancing competitiveness and ensuring sustainability.
Appointed: 2013

6 Arno Daehnke 53
Chief financial and value management officer; SBG and executive director, SBG and SBSA
Key strengths: Detailed understanding of banking regulations; financial management, budgeting and forecasting skills; balance sheet management experience, including capital and liquidity management, at group and subsidiary level.
Appointed: 2016

Non-executive directors provide independent and objective judgement. They constructively challenge and monitor the executive management’s delivery of strategy within the approval framework and risk appetite agreed by the board.

Committees:
- Group directors’ affairs committee
- Group technology and information committee
- Group remuneration committee (remco)
- Group audit committee
- SBSA large exposure credit committee, an SBSA subcommittee
- Group social and ethics committee
- Group risk and capital management committee
- Group model approval committee
- Committee chairman
Non-executive directors (continued)

**Nomgando Matyumza** 58
Independent non-executive director, SBG and SBSA
Key strengths: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.
Appointed: 2016

**Kgomotso Moroka** 56
Non-executive director, SBG and SBSA
Key strengths: Strong business leadership skills; extensive experience in governance, regulation and public policy; significant legal experience.
Appointed: 2003

**Nonkululeko Nyembezi** 51
Independent non-executive director; SBG and SBSA
Key strengths: Leadership across multiple sectors; strategy planning and execution; governance and corporate stewardship.
Appointed: 2020

**Martin Odur-Otieno** 65
Independent non-executive director, SBG and SBSA
Key strengths: Over 18 years’ extensive banking experience; strategy development and execution skills; strong leadership and governance experience.
Appointed: 2016

**André Parker** 59
Independent non-executive director, SBG and SBSA
Key strengths: Extensive experience of running businesses in Africa and Asia; strong brand management experience in fast-moving consumer goods markets; non-executive director experience in South African corporates.
Appointed: 2014

**Atedo Peterside** 60
Independent non-executive director, SBG and SBSA
Key strengths: Strong business and banking experience, as the founder and former chief executive of the Investment Bank and Trust Company Limited (IBTC); seasoned investment banker and economist.
Appointed: 2014

**Martin Odur-Otieno** 64
Independent non-executive director, SBG and SBSA
Key strengths: Over 18 years’ extensive banking experience; strategy development and execution skills; strong leadership and governance experience.
Appointed: 2016

**Myles Ruck** 65
Independent non-executive director, SBG and SBSA
Key strengths: Strong banking experience with a career spanning over 30 years; experience in running a large and complex business; extensive risk management experience.
Appointed: 2002

**John Vice** 68
Independent non-executive director, SBG and SBSA
Key strengths: Extensive experience in auditing, accounting, risk and practice management; experienced IT advisor and consultant in IT strategy, risk, audit and controls; knowledge and experience of running businesses in South Africa and other African countries.
Appointed: 2017

**Lubin Wang** 47
Independent non-executive director, SBG and SBSA
Key strengths: Strong business and banking experience with a career spanning over 30 years; experience in running a large and complex business; extensive risk management experience.
Appointed: 2002

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Independent non-executive director, SBG and SBSA
Key strengths: Strong financial and executive management skills; experience in strategy development and execution; seasoned non-executive director in several sectors.
Appointed: 2016

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Appointed: 2002

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**Committees:**
- Group directors’ affairs committee
- Group technology and information committee
- Remco
- Group audit committee
- SBG large exposure credit committee, an SBBA subcommittee
- Group social and ethics committee
- Group risk and capital management committee
- Group model approval committee
- Committee chairman

**Independence**

<table>
<thead>
<tr>
<th>Independence</th>
<th>Tenure (years)</th>
<th>Age</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>independent</td>
<td>4</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>non-independent</td>
<td>9</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>executives</td>
<td>3</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>

**Tenure (years)**

- 3
- 6 – 9
- >9

**Age**

- between 51 – 59
- >than 60

**Gender**

- 12
- 6

**Race**

- white: 7
- black: 5
- non-South African: 6
The group chief executive officer, supported by the members of the GLC, is accountable for the implementation of strategy and the performance of the group. The skills and experience of committee members underpin the group’s ability to deliver its strategy.

The previous group executive committee was replaced by the GLC. Changes have been made to the structure of the committee and certain members’ responsibilities to enable the transformation of the group, in line with its strategy.
Rewarding value creation

“The implications of the Covid-19 crisis have greatly complicated our deliberations in rewarding the people of Standard Bank Group for the shared value they created for our stakeholders over the last year – under extraordinary duress. In particular, we thought deeply about how to recognise our executives for their balanced contribution, and how best to incentivise them in securing the group’s ability to generate sustainably higher returns into the future, as promised to our shareholders.”

Aligning shareholder and executive interests in an extraordinary year

I am confident that our performance-related pay policy and its implementation has helped the group withstand the challenges of a one in a hundred-year event. Covid-19 and its effects have tested the resolve of group leadership and demanded heightened flexibility. For our part, remco has had to make difficult discretionary decisions that otherwise would not have arisen. The circumstances in which we sought to fulfil our fiduciary duty were different to any other year in living memory, but our underlying philosophy remained the same: to align executive behaviour with long-term shareholder interest. Shareholders have asked that the executives share in the negative impact of the Covid-19 crisis on group performance, and we have heard their request. See page 136 of this report and in the full remuneration report online for more detail.

Measuring and rewarding shared value outcomes

Any measure of success in business must include resilience to change and future relevance. This is truer than ever for the group as Covid-19 accelerates the global forces that are reshaping our competitive landscape and amplifying the expectations of our stakeholders. Of particular importance to the work of remco, stakeholders expect outcomes that not only demonstrate balanced, fair and responsible consideration of their interests, but also seek to harmonise them in securing the group’s ability to generate sustainably higher returns into the future, as promised to our shareholders.

It is of course vital that leadership anticipates the prevailing trends and urgently makes the necessary changes – however difficult – to succeed in the most likely future scenario. In considering the group’s strategy, the reader will discern the theme of transition as we accelerate along our strategic path to offer a wider range of related services to achieve our ambition of being Africa’s leading digital financial services business. Our strategy is centred on transforming client experience and operational excellence, by combining human skill and digital capabilities to secure the group’s competitiveness in a radically changing context, while caring for society and the environment. This will position the group to earn higher revenues and better margins, while driving inclusive and sustainable growth, for and across Africa.

For an overview of the group’s strategy and our objectives over the short, medium and long term, refer to page 32.

Our growth story promises shareholders superior and sustainable returns premised on creating measurable value for our clients (client focus), for our people (employee engagement), and for all stakeholders by protecting the systemic integrity of both the group and the financial system of which we are part (risk and conduct). The group’s strategies in these areas are designed to balance targeted financial outcomes with positive SEE impact that responds to Africa’s most pressing needs, broadly commensurate with the UN SDGs.

In rewarding these value outcomes, remco initially applies a formulaic approach to calculate short-term incentives (STIs) for executive directors and prescribed officers, based on the group’s financial outcome and that of the business line (where applicable). In evaluating progress against the other four strategic value drivers, we then apply disciplined and discretionary judgement by assessing the metrics that the board had previously approved for each of these value drivers in respect of business and individual performance.

Enduring the worst economic conditions in a century

The Covid-19 crisis has been the largest single shock to the world economy and to human society in recent times. The loss of life and human capacity, and of income in both formal and informal sectors, is simply impossible to quantify. The IMF estimates that the global economy contracted by 3.5% and sub-Saharan Africa by 2.6%. South Africa’s economy declined by 7.0% in 2020, according to Stats SA.

In South Africa, the pandemic was more pronounced and stringent lockdowns significantly disrupted social and economic activity. As the economy contracted, already critical high unemployment levels escalated. Despite fiscal and monetary policy actions and temporary social grants and funding support, the added pressure resulted in further downgrades to the country’s sovereign credit ratings.

Elsewhere on the continent, although the public health impact was less severe allowing for more moderate restrictions, the socioeconomic effects were marked and government capacity to provide economic stimulus and relief programmes was limited. Weak sovereign and fiscal positions were exposed, with less diversified economies faring worse than their more diversified peers.

Against this backdrop, the group’s personal, business and corporate clients took heavy strain. In particular, South Africa and our financial results did not emerge unscathed.

Performance against our strategic value drivers

These dynamics severely impacted the group’s financial outcome. However, there was improvement across most of the other metrics associated with the group’s strategic value drivers. This should give shareholders some comfort in the group’s resilience. Excluding the effect of the group’s credit impairment charges, operating income declined by only 6%. This demonstrates the underlying resilience of the group’s client franchises.

Furthermore, the group was able to preserve its liquidity buffers in line with regulatory, prudential and internal stress testing requirements. The group remains in robust good health, with adequate liquidity and capital flexibility to support the recovery, earnings and returns we expect in the years ahead.

The group’s financial performance, and the corresponding erosion of financial value during the year, was therefore not a true reflection of effort. Despite the major impact of uncontrollable exogenous factors, significant achievement was made, for example, our Africa Regions performed well, and our client and employee net promoter scores (NPS and eNPS) mostly improved or remained above target.

Another important consideration for remco is that skilled and respected leaders are in high demand. It is therefore imperative that we retain top talent and reward the behaviours that deepen our resilience and secure our future relevance. This is fundamental both to protecting value, by holding on to our competitive edge, and to creating greater value by effectively delivering on our ambitious strategy, and the uplift in financial and SEE returns it envisages.

Despite the volatility occasioned by the Covid 19 pandemic, our teams stayed focused on serving and protecting the interests of our clients, shareholders, communities, regulators and other stakeholders, while adapting to new ways of remote working. In the midst of the disruption, our executive teams designed and began to implement plans to accelerate the delivery of the group’s strategy. To keep up the momentum, it has been essential to retain and motivate the current leadership team to achieve our intended strategic outcomes with foresight, diligence and urgency.

SBG progress against strategy

The detail on page 38 provides a useful snapshot of the group’s performance against the measures that underpin the executive scorecards, the full details of which are included in the implementation report section of the full remuneration report online.
Our remuneration policy was in place before the onset of Covid-19. However, the unprecedented circumstances of 2020 required us to be agile in our approach. As readers will be aware, the reputational risk to the group’s reputation is inextricably linked. With ‘stakeholder capitalism’ on the agenda, we believe that engaging with shareholders and other stakeholders is more important than ever. We have therefore engaged with our shareholders, and also heard the views raised by them during our engagements. The matters concerns our shareholders have raised. The matters concerns and we have attempted to address the commitment to engage with and act on shareholder feedback, and to improve our remuneration policy.

Engaging with shareholders to improve remuneration disclosure

The 2020 AGM returned an 88% (2019: 92%) and 88% (2019: 94%) vote of approval on our remuneration policy and its implementation, respectively. We are confident that this in part reflects recognition of our ongoing commitment to engage with and act on shareholder concerns and we have attempted to address the concerns our shareholders have raised. The matters raised by them during our engagements are valuable and echo in our meetings and remuneration response. This year we have streamlined the remuneration report to enhance and simplify our reporting, with clearer delineation between the remuneration policy and implementation report. We look forward to engaging further with our shareholders, and also hearing the views of other stakeholders, on this year’s remuneration disclosure.

Remco obtained independent advice from Bowman Gilliland on a range of remuneration policy and implementation issues during 2020, as well as obtaining independent remuneration benchmark analysis from a range of survey providers.

Future focus for remco

As the group’s system of value measurement evolves and matures in line with changes to the business, remco must adapt accordingly. The group is committed to developing metrics that give substance to our non-financial strategic priorities; metrics that are simple, clear and credible in guiding management and are accountable to our stakeholders.

As this development runs its course, some elements of the balanced scorecard that apply to our PRP will contain a higher degree of subjectivity than would ordinarily be the case. While this may cause some discomfort among shareholders, we will continue to engage transparently, supporting our decisions with reason and evidence.

As readers will be aware, the reputational risk to prioritising short-term profits over long-term blended value are becoming increasingly untenable in our globalised world, in which financial and non-financial risks are inextricably linked. With ‘stakeholder capitalism’ redefining conventional thinking on the purpose of corporations, ESG principles are increasingly informing investment decisions. The work underway to develop meaningful measures of ESG performance, in line with global standards, is important in this regard. Remco will over time seek to codify such measures in the PRP, which will require greater overlap between the mandates of remco and the social and ethics committee.

Furthermore, as the group seeks to differentiate itself through a broader suite of client solutions, innovation becomes ever more important. Commensurate to this, remco must develop its ability to measure return on investment in innovation; this includes sufficient room for development failure so that innovation is not stunted, appropriate investment intensity and guarding against runaway costs. Balancing these considerations will require careful and responsible assessment.

Also, with strategic partnerships being a cornerstone of the group’s strategic ambition to progress towards offering a wider range of related services, measuring the quality of these relationships in combination with managing the significant potential risk to our service levels and reputation, will also be critical to measure and reward effectively.

In closing, I wish to reiterate remco’s philosophy that ethical leadership is non-negotiable. It is clear, given the history of unethical corporate decision-making destroying both value and opportunity, that profits derived from unethical decisions will turn into losses for shareholders and stakeholders. Not only this; unethical decisions also damage the legitimacy of business in general, which we can ill afford in these fractious times. Therefore, we will continue to situate our remuneration policy and its implementation within an ethical leadership culture, understanding that our success is in large part derived from the trust of our stakeholders.

I know my colleagues on remco share my confidence, in the thoughtful work we have done this year to apply our performance-related pay policy; to assist the group to come out of this crisis stronger and more ready for the future than before.
Remuneration policy summary

People are at the heart of our business. To satisfy our clients, meet their needs and accelerate our strategy to achieve higher growth and efficiency, our people must be highly skilled, experienced and engaged. Our responsibility to them is to ensure that they have the resources and advanced capabilities needed to support our ambitions and are recognised and rewarded for their performance and the value they create for our stakeholders.

The remuneration policy sets out our methodology, agreed by Remco, to remunerate our employees and it ensures that value is appropriately shared among our shareholders, senior executives and employees.

Key objectives guiding our remuneration policy

1. Measure and reward for value created for all stakeholders over the short, medium and long term.
2. Be competitive in the global marketplace for skill.
3. Reward our people fairly while avoiding a bonus-centric culture that distorts motivations and may encourage excessive and irresponsible risk-taking.
4. Promote and reward teamwork.

Remuneration scenarios for executive directors and prescribed officers

King IV requires disclosure of the potential consequences on the forward-looking total remuneration for executive directors and prescribed officers on a total single figure basis by applying the remuneration policy under minimum, on-target and stretch performance outcomes. Remco considers the level of remuneration under these scenarios to ensure that remuneration is considered appropriate in terms of the group’s performance and the value created for stakeholders.

The graphs alongside show hypothetical values of total remuneration under the following scenarios:

- **Minimum reward outcome**
  - This outcome depicts a scenario in which only the fixed remuneration of the relevant individual would be paid.

- **On-target reward outcome**
  - This outcome depicts a scenario in which STIs (cash and deferred) and LTIs are paid in addition to fixed remuneration.
  - STIs have been set on the basis of meeting targets (using both financial and non-financial metrics over a multi-year period) for the group, client segment (where applicable) and the individual.

- **Stretch reward outcome**
  - STIs have been set on the basis of exceeding targets (using both financial and non-financial metrics over a multi-year period) for the group, client segment (where applicable) and the individual.

The scenario outcomes are presented as illustrative purposes and should be seen as a range of possible remuneration outcomes rather than an estimate for the 2021 single figure outcomes. The target and stretch outcomes set out in the graphs below are lower than the equivalent outcomes disclosed in the 2019 remuneration report as these scenarios are using the 2020 STIs as a base reference.

**Remuneration policy summary**

**People**

At the heart of our business, we strive to satisfy our clients, meet their needs and accelerate our strategy. Our people must be highly skilled, experienced and engaged. Our responsibility is to ensure they have the resources and advanced capabilities needed to support our ambitions and are recognized and rewarded for their performance and the value they create for our stakeholders.

**Remuneration policy**

Our remuneration policy sets out our methodology, agreed by Remco, to remunerate our employees. It ensures value is appropriately shared among shareholders, senior executives and employees.

**Key objectives**

1. Measure and reward for value created for all stakeholders over the short, medium and long term.
2. Be competitive in the global marketplace for skill.
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**Remuneration scenarios**

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Fair and responsible remuneration

Remco believes that fair and responsible remuneration means ensuring that remuneration is externally competitive, internally equitable and supports the delivery of the group’s short-, medium- and long-term objectives. Our reward process is independently governed to enhance fairness and is applied with the same vogue and principles across the group.

FAIR REMUNERATION DECISIONS ARE:

- Impartial, free from discrimination, free from self-interest, favouritism or prejudice on grounds including race, gender and sexual orientation.
- Rational and objective.
- South Africa: aligned with the Employment Equity Act’s principle of equal pay for work of equal value.
- Horizontal fairness – employees performing the same or similar job requirements at the same or similar level of performance receive the same or similar levels of total remuneration, allowing for variations such as length of service, qualifications, performance and scarcity of relevant skills.
- Vertical fairness – differences in total remuneration between job levels can be explained and justified on a consistent basis, for example, according to factors such as risk and complexity of the job, level of responsibility of decision making and consequence and impact on the organisation.

RESPONSIBLE REMUNERATION DECISIONS ARE:

- Remuneration is funded by, and linked to, the creation of value over the long term, in a way that is transparently reported to internal and external stakeholders.
- Variable remuneration is clearly correlated with the achievement of criteria that measure performance and value creation over the short, medium and long term, aligned to the group’s strategy and strategic value drivers which include non-financial measures.
- All remuneration falls under the ambit of remco.
- Senior executive remuneration is:
  - Approved by remco and recommended to the board.
  - Benchmarked to market.
  - Managed using a rigorous process to review risk and control issues. All share plans contain forfeiture and clawback clauses.
- Senior executives are subject to a minimum shareholding requirement.

The wage gap and minimum salaries

Our remuneration policy is to pay for value delivered while ensuring that remuneration is competitive. The outcome of these two principles is that remuneration differs across levels, roles and geographies, creating a vertical wage gap.

Mindful of income gaps and our commitment to fair and responsible remuneration, our minimum incomes enable employees in the lowest employment band to participate with dignity in the economies of the countries where they reside. Remco keeps abreast of the minimum levels of income in each country of operation, even if no prescribed minimum income exists, and compares these minimum levels against financial service/banking minimums.

Remco is aware of the various pay gap ratios that are in use in other jurisdictions and is aware of the reviews and recommendation by various bodies on pay gap disclosure. When such guidance or regulations have been finalised, remco will make the appropriate disclosures.

Minimum shareholding requirements

Executive directors and prescribed officers are pay-tied to maintain personal shareholdings valued as a multiple of fixed remuneration.

Executive directors and prescribed officers

Three times fixed remuneration

Where the required personal shareholding falls short, the full after-tax value of senior executives’ deferred compensation that vests is applied in acquiring additional shares until the required shareholding is in place. This provision applies to incentive awards granted from March 2012, or from when the senior executive becomes a prescribed officer or executive director. Shareholdings are monitored annually.

Implementation and shareholder alignment

Remco’s inclusive approach to remuneration requires it to listen to the concerns of our shareholders and engage with them on the challenges it faces. The committee chair and the head of reward have met with institutional shareholders with significant holdings twice in 2020.

The impact of Covid-19 on the group’s financial performance and the interests and views of our shareholders were considered when agreeing the reward outcomes for the group, and particularly for the group’s executive directors and prescribed officers. This alignment with shareholder interests is demonstrated in the graphs below, which track HE against the group CEO’s STI awards since 2015 and total shareholder return against the group CEO’s single figure total remuneration for the same period.

Implementation of the remuneration policy in response to Covid-19

The background statement (starting on page 128) provides the context and challenges of one in a hundred-year event. While the remuneration policy has been tested with this challenge, remco has used its discretion to implement temporary amendments to ensure that there are sufficient incentives for leadership to protect shareholder value over the long term and to achieve the best and fairest outcomes for shareholders, executives and other stakeholders.

Holdings

Executive directors and prescribed officers

Three times fixed remuneration

Where the required personal shareholding falls short, the full after-tax value of senior executives’ deferred compensation that vests is applied in acquiring additional shares until the required shareholding in place is. This provision applies to incentive awards granted from March 2012, or from when the senior executive becomes a prescribed officer or executive director. Shareholdings are monitored annually.

Implementation report summary

This section of our remuneration report sets out the reward decisions taken by remco in 2020 pertaining to the group’s executive directors, prescribed officers and the general workforce. Remco is satisfied that it has achieved its mandate and that the group’s remuneration policy remains appropriate, evidenced by its ability to stand the test of Covid-19. The committee is also satisfied that implementation of its remuneration policy has been carefully deliberated to achieve the best and fairest outcomes for our shareholders and executives.

<table>
<thead>
<tr>
<th>Year</th>
<th>HE (indexed)</th>
<th>Short term incentive (indexed)</th>
<th>Total shareholding return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>100</td>
<td>50</td>
<td>150</td>
</tr>
<tr>
<td>2016</td>
<td>150</td>
<td>75</td>
<td>300</td>
</tr>
<tr>
<td>2017</td>
<td>200</td>
<td>100</td>
<td>500</td>
</tr>
<tr>
<td>2018</td>
<td>250</td>
<td>125</td>
<td>750</td>
</tr>
<tr>
<td>2019</td>
<td>300</td>
<td>150</td>
<td>1000</td>
</tr>
<tr>
<td>2020</td>
<td>310</td>
<td>180</td>
<td>1100</td>
</tr>
</tbody>
</table>

Fixed remuneration for group leadership council members

Remco decided not to award fixed remuneration increases unless there has been a change in responsibilities.

Non-executive directors’ fees

Remco decided not to increase fees for non-executive directors to ensure there is alignment with the group leadership council members and shareholders.

March 2020 PRP award performance conditions

Remco noted in the 2019 remuneration report that it would consider the impact that Covid-19 had on its remuneration policy in due course. In the December 2020 SENS announcement, remco confirmed that it would retain the conditional nature of the March 2020 PRP awards but that it would be in the best interests of the group to amend the related performance conditions.

The December 2020 SENS announcement also noted that the performance conditions for the March 2018 and March 2019 awards would not be amended even though the threshold performance conditions have not been met for the March 2018 awards and there is high probability that the March 2019 awards will not vest.

Extension of expiry period for historical share-linked awards

Remco decided to extend the expiry period for a small number of historical share-linked awards that have already vested in the EGS, GSIS and the SARP. The extension is up to 31 March 2023. These share-linked awards that had already been held for up to ten years had become valueless due to an event unrelated to performance just prior to expiry.
Individual performance and remuneration of executive directors and prescribed officers

**Context to awards**

The impact of Covid-19 dominated 2020. It affected all the economies in which the group operates. It affected our businesses, our clients, and our people. Our financial results reflect the economic damage caused by the pandemic, but these results also reflect the strength of the group. They demonstrate our capacity to support our clients and communities during the most difficult 12 months in living memory. They demonstrate the strength of our Africa-wide portfolio and sum up the extent of the damage to the South African economy.

No pre-determined executive performance contract or goals set in January 2020, could have captured everything the GLC were asked to do in 2020. Consequently, the performance of these individuals was based on the group’s 2020 financial results, their own business line results where applicable, the strategic progress they made in 2020 under the other four value drivers, and on how they have contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

In this context, remco determined that 2020 reward for executive directors and prescribed officers had to reflect the impacts of Covid-19 on financial performance. This led to a below target rating on the financial strategic value driver, which has been directly linked to STI awards. This then allowed remco to objectively assess the other four value drivers and the group performance and STI outcomes for prescribed officers had to reflect the non-delivery of the March 2018 PRP award considering market information on pay mix and LTI awards. Any delivery is subject to performance conditions being met as assessed by remco.

The table below shows that total remuneration awarded by remco of R44.8 million (of which R18.75 million is at risk and may not deliver any value) is 17% lower than the prior year.

### Remuneration awarded by remco for 2020

<table>
<thead>
<tr>
<th>Change</th>
<th>2019</th>
<th>2020</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>10 222</td>
<td>10 999</td>
<td>8%</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>10 525</td>
<td>5 900</td>
<td>(44%)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>12 725</td>
<td>7 150</td>
<td>7%</td>
</tr>
<tr>
<td>PRP awarded</td>
<td>16 650</td>
<td>17 750</td>
<td></td>
</tr>
<tr>
<td>Total reward</td>
<td>50 122</td>
<td>41 799</td>
<td>(17%)</td>
</tr>
</tbody>
</table>

Sim’s performance has been based on the group’s 2020 financial results, the strategic progress made under the other four value drivers and on how he has contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

**Link between performance and reward**

- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2023. The year-on-year increase in fixed pay of 8% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance. Consequently, STI awards have been reduced by 44%, in line with group HE, which reduced by 43%.
- 55% of the STI award will be deferred in share-linked awards. The remaining 45% will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in the PRP has been increased by R11 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards.
- The graph alongside shows that the group’s single figure total reward of R24.1 million is 52% of on-target projected earnings and 39% of projected stretch earnings.

---

**Performance against:**

- Financial strategic value driver – below target rating
- Non-financial strategic value drivers – overall on-target rating

---

**Sim Tshabalala**

Chief executive officer, Standard Bank Group

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**Menu**

**SINGLE FIGURE TOTAL REWARD FOR 2020 IN RELATION TO MINIMUM, ON-TARGET AND STRETCH PROJECTED EARNINGS**

<table>
<thead>
<tr>
<th>dripping incentives</th>
<th>PRP awarded</th>
<th>Fixed remuneration</th>
<th>Cash incentive</th>
<th>Deferred incentive</th>
<th>Long-term incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 000</td>
<td>42 006</td>
<td>46 032</td>
<td>50%</td>
<td>18 750</td>
<td>24 049</td>
</tr>
</tbody>
</table>

**Menu**

**DEFERRED AWARDS AS PERCENTAGE OF TOTAL VARIABLE REWARD (%)**

<table>
<thead>
<tr>
<th>Deferred up to 3 years</th>
<th>R11 million</th>
<th>Paid in cash</th>
<th>Total variable reward (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>60</td>
<td>40</td>
<td>100%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred up to 3 years</th>
<th>R11 million</th>
<th>Paid in cash</th>
<th>Total variable reward (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>81</td>
<td>74</td>
<td>100%</td>
</tr>
</tbody>
</table>
Dr Arno Daehnke
Group chief financial and value management officer
(previously group financial director)

**Performance against:**
- Financial strategic value driver – below target rating
- Non-financial strategic value drivers – overall on-target rating

Arno’s performance has been based on the group’s 2020 financial results, the strategic progress made under the other four value drivers and on how he has contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

**Link between performance and reward**
- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 1% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020 after remco considered appropriate market data.
- In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. For executive directors, the financial performance is fully anchored around group performance. Consequently, STI awards have been reduced by 44%, in line with group HE, which reduced by 43%.
- 54% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in the PRP has been increased by R2 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R31.2 million (of which R14.0 million is at risk and 50% of projected stretch earnings.
- The graph alongside shows that this year’s single figure total reward of R17.2 million is 56% of on-target projected earnings and 41% of projected stretch earnings.

**Remuneration awarded by remco for 2020**

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>6 409</td>
<td>7 139</td>
<td>11</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>8 150</td>
<td>4 600</td>
<td>(44)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>9 850</td>
<td>5 500</td>
<td>(43)</td>
</tr>
<tr>
<td>PRP award</td>
<td>12 000</td>
<td>14 000</td>
<td>17</td>
</tr>
<tr>
<td>Total reward</td>
<td>36 409</td>
<td>31 239</td>
<td>(14)</td>
</tr>
</tbody>
</table>

**SINGLE FIGURE**

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>6 409</td>
<td>7 139</td>
<td>11</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>8 150</td>
<td>4 600</td>
<td>(44)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>9 850</td>
<td>5 500</td>
<td>(43)</td>
</tr>
<tr>
<td>PRP award</td>
<td>8 804</td>
<td>5 500</td>
<td>(39)</td>
</tr>
<tr>
<td>Total reward</td>
<td>33 213</td>
<td>17 239</td>
<td>(48)</td>
</tr>
</tbody>
</table>

Kenny Fihla
Chief executive officer, Wholesale Clients
(previously Chief executive, CIB)

**Performance against:**
- Financial strategic value driver – below target rating
- Non-financial strategic value drivers – overall on-target rating

Kenny’s performance has been based on the group’s 2020 financial results, the strategic progress made under the other four value drivers and on how he has contributed to ensuring the group has remained sound, sustainable and socially relevant during the pandemic.

**Link between performance and reward**
- In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 6% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.
- In line with all other group leadership council members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% CIB business line and 50% group.
- The 25% reduction in the STI award to R16.3 million takes into account the following metrics:
  - 50% weighting to the group’s HE reduction of 43%.
  - 50% weighting to CIB’s HE reduction of 6%.
- 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.
- The conditional LTI award in PRP has been increased by R0.5 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.
- The table below shows that total remuneration awarded by remco of R36.5 million (of which R12 million is at risk and 50% of projected stretch earnings.
- The graph alongside shows that this year’s single figure total reward of R17.2 million is 56% of on-target projected earnings and 41% of projected stretch earnings.

**Remuneration awarded by remco for 2020**

<table>
<thead>
<tr>
<th>Category</th>
<th>2019</th>
<th>2020</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>7 734</td>
<td>8 227</td>
<td>6</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>10 025</td>
<td>7 400</td>
<td>(25)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>11 725</td>
<td>8 900</td>
<td>(25)</td>
</tr>
<tr>
<td>PRP award</td>
<td>11 150</td>
<td>12 000</td>
<td>8</td>
</tr>
<tr>
<td>Total reward</td>
<td>40 634</td>
<td>36 527</td>
<td>(10)</td>
</tr>
</tbody>
</table>
Zweli Manyathi  
Chief executive officer, Business and Commercial Clients  
(previously Chief executive, PBB)

Performance against:  
• Financial strategic value driver – below target rating  
• Non-financial strategic value drivers – overall on-target rating

Zweli’s performance has been based on the group’s 2020 financial results, PBB’s business line results and the strategic progress made under the other four value drivers.

Link between performance and reward  
• In line with the approach taken for executive directors and prescribed officers, there is no increase to fixed remuneration with effect from March 2021. The year-on-year increase in fixed pay of 4% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.  
• In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% PBB business line and 50% group.  
• The 59% reduction in the STI award to R8.7 million takes into account the group’s HE reduction of 43%, and significant reduction in PBB’s HE.  
• 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.  
• The conditional LTI award in PRP has been increased by R0.85 million from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.

Margaret Nienaber  
Chief executive officer, Client Solutions  
(previously Chief executive, Wealth)

Performance against:  
• Financial strategic value driver – below target rating  
• Non-financial strategic value drivers – overall on-target rating

Margaret’s performance has been based on the group’s 2020 financial results, Wealth’s business line results and the strategic progress made under the other four value drivers.

Link between performance and reward  
• Fixed remuneration has increased by 5% with effect from March 2021 to reflect increased responsibilities following an internal restructuring of the client portfolios. Margaret has been appointed chief executive officer, Client Solutions. She is the only exception to the no increase determination.  
• The year-on-year increase in fixed pay of 11% from 2019 to 2020 is a consequence of adjustments made with effect from 1 March 2020.  
• In line with all other GLC members, STIs are proposed after considering HE and the achievement of strategic value drivers. As a chief executive of a business line, the financial performance is anchored on 50% Wealth business line and 50% group.  
• The 28% reduction in the STI award to R12.55 million takes into account the following metrics - 50% weighting to the group’s HE reduction of 43%; 50% weighting to wealth’s HE reduction of 13%.  
• 55% of the STI award will be deferred in share-linked awards that will vest in three equal tranches in September 2022, 2023 and 2024.  
• The conditional LTI award in PRP has been increased by R500 000 from the prior year to incentivise the execution of future strategy after considering market information on pay mix and LTI awards. Any future delivery is subject to performance conditions being met as assessed by remco.

Remuneration awarded by remco for 2020

**AWARDED**

<table>
<thead>
<tr>
<th>R'000</th>
<th>2019</th>
<th>2020</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>7 520</td>
<td>7 834</td>
<td>314</td>
<td>4%</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>9 900</td>
<td>3 950</td>
<td>(5950)</td>
<td>(59%)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>11 600</td>
<td>4 750</td>
<td>(6850)</td>
<td>(58%)</td>
</tr>
<tr>
<td>PRP awarded</td>
<td>11 150</td>
<td>12 000</td>
<td>850</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total reward</strong></td>
<td>40 170</td>
<td>28 534</td>
<td>(11 636)</td>
<td>(29%)</td>
</tr>
</tbody>
</table>

**SINGLE FIGURE**

<table>
<thead>
<tr>
<th>R'000</th>
<th>2019</th>
<th>2020</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>7 520</td>
<td>7 834</td>
<td>314</td>
<td>4%</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>9 900</td>
<td>3 950</td>
<td>(5950)</td>
<td>(59%)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>11 600</td>
<td>4 750</td>
<td>(6850)</td>
<td>(58%)</td>
</tr>
<tr>
<td>PRP awarded</td>
<td>11 150</td>
<td>12 000</td>
<td>850</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Total reward</strong></td>
<td>37 196</td>
<td>16 534</td>
<td>(20 662)</td>
<td>(56%)</td>
</tr>
</tbody>
</table>

Remuneration awarded by remco for 2020

**AWARDED**

<table>
<thead>
<tr>
<th>R'000</th>
<th>2019</th>
<th>2020</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>6 431</td>
<td>7 160</td>
<td>729</td>
<td>11%</td>
</tr>
<tr>
<td>Cash incentive</td>
<td>7 900</td>
<td>5 675</td>
<td>(2225)</td>
<td>(28%)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>9 600</td>
<td>6 875</td>
<td>(2725)</td>
<td>(28%)</td>
</tr>
<tr>
<td>PRP awarded</td>
<td>10 500</td>
<td>11 000</td>
<td>500</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total reward</strong></td>
<td>34 431</td>
<td>30 710</td>
<td>(3721)</td>
<td>(11%)</td>
</tr>
</tbody>
</table>

**SINGLE FIGURE**

<table>
<thead>
<tr>
<th>R'000</th>
<th>2019</th>
<th>2020</th>
<th>Increase</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed remuneration</td>
<td>6 431</td>
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<tr>
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<td>5 675</td>
<td>(2225)</td>
<td>(28%)</td>
</tr>
<tr>
<td>Deferred incentive</td>
<td>9 600</td>
<td>6 875</td>
<td>(2725)</td>
<td>(28%)</td>
</tr>
<tr>
<td>PRP awarded</td>
<td>10 500</td>
<td>11 000</td>
<td>500</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total reward</strong></td>
<td>36 498</td>
<td>19 710</td>
<td>(16 788)</td>
<td>(46%)</td>
</tr>
</tbody>
</table>
The following average exchange rates were used in the determination of the pro forma constant currency information and were calculated using the average of the monthly exchange rates (determined on the last day of each of the 12 months in the period).

<table>
<thead>
<tr>
<th>Currency</th>
<th>2020 average exchange rate</th>
<th>2019 average exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>16.45</td>
<td>14.44</td>
</tr>
<tr>
<td>Pound sterling</td>
<td>21.08</td>
<td>18.42</td>
</tr>
<tr>
<td>Angolan kwanza</td>
<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Ghanaian cedi</td>
<td>2.86</td>
<td>2.70</td>
</tr>
<tr>
<td>Nigerian naira</td>
<td>0.04</td>
<td>0.04</td>
</tr>
<tr>
<td>Kenyan shilling</td>
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The measurement has been performed for each of the group’s material currencies. The constant currency change percentage is calculated using this adjusted comparative amount.

The following average exchange rates were used in the determination of the pro forma constant currency information and were calculated using the average of the monthly exchange rates (determined on the last day of each of the 12 months in the period).

<table>
<thead>
<tr>
<th>Currency</th>
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<th>2019 average exchange rate</th>
</tr>
</thead>
<tbody>
<tr>
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<td>16.45</td>
<td>14.44</td>
</tr>
<tr>
<td>Pound sterling</td>
<td>21.08</td>
<td>18.42</td>
</tr>
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<td>0.03</td>
<td>0.04</td>
</tr>
<tr>
<td>Ghanaian cedi</td>
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<td>2.70</td>
</tr>
<tr>
<td>Nigerian naira</td>
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BIBLIOGRAPHY CONTINUED ADDITIONAL INFORMATION

A full glossary is available on the group’s website.

Disclaimer

This document contains certain statements that are ‘forward-looking’ with respect to certain of the group’s plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “aim”, “outlook”, “believe”, “plan”, “seek”, “predict” or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the group’s control, including but not limited to, domestic and global economic conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the group and its affiliates operate. The group’s actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.