



Standard Bank Group's

**ENVIRONMENTAL,
SOCIAL AND GOVERNANCE
REPORT 2017**



Standard Bank Group's

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2017

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NAVIGATIONAL ICONS




The following icons are applied throughout the report to improve usability and show the integration between the relevant elements of the report.

ESG  Environmental, social & governance report
(online only)
<http://sustainability.standardbank.com/esg/>

RTS  Report to Society
<http://sustainability.standardbank.com/>

RTS  Report to Society PDF download
<http://sustainability.standardbank.com/downloads/>

TR  Transformation report
<http://sustainability.standardbank.com/downloads/>

AIR  Annual integrated report
GOV  Governance and remuneration report
RISK  Risk & capital management report
<http://annualreport2017.standardbank.com/>

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DOING THE RIGHT BUSINESS, THE RIGHT WAY

The Standard Bank Group (SBG) recognises that our sustainability and success are inextricably linked to the prosperity and wellbeing of the societies and environment in which we operate. We are clear that our core business activities must contribute to this supported by sound Environmental, Social and Governance (ESG) policies and outcomes. This understanding defines our purpose: Africa is our home. We drive her growth.

To assess how we're performing against our purpose, we identified these five critical measures of success:



Our SEE Framework helps us assess the social, economic and environmental impacts of our decisions and how best to create shared value for the business and society. It requires us to take a long-term view, and to assess the impacts of decisions, not just for the bank, but for the communities and environment in which we operate. It requires us to develop a more robust and inclusive process to assess trade-offs and costs, including costs to society, the economies and the environments in which we operate. Our ESG report provides an overview of some of these SEE impacts, and the governance processes we follow to ensure that we do the right business, in the right way, enabling us to meet the needs and expectations of our clients, employees, regulators and other stakeholders.

WE ARE A FINANCIAL SERVICES ORGANISATION IN, FOR AND ACROSS AFRICA

Our purpose is to drive Africa's growth. We are committed to being more than a provider of financial products and services – we are a catalyst for economic change in our countries of operation and we make life better for our fellow Africans by doing the right business the right way.

We operate in 20 African countries and are headquartered in Johannesburg. Our primary listing is on the Johannesburg Stock Exchange (JSE) in South Africa, with a secondary listing in Namibia. Subsidiary banks are listed on exchanges in Kenya, Malawi, Nigeria and Uganda.

PERSONAL & BUSINESS BANKING (PBB)

- provides banking and other financial services to individual clients and small and medium sized enterprises.

CORPORATE & INVESTMENT BANKING (CIB)

- offers corporate and investment banking services to clients, including governments, parastatals, larger corporates, multinationals, financial institutions and international counterparties.

WEALTH

- offers insurance, investment, fiduciary, specialised banking and lending, and wealth preservation solutions to high net worth, retail, business and commercial and corporate clients across our operations in sub-Saharan Africa, Isle of Man, Jersey and London.



ONE
Environmental
and social



Environmental
and social

ENVIRONMENTAL AND SOCIAL: INDIRECT IMPACTS AND OPPORTUNITIES

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IMPACT OF OUR FINANCING ACTIVITIES

The greatest impact (both positive and negative) we have as a financial institution is through our financial activities (in-direct impact). We have developed a comprehensive framework within which all Environmental and Social (E&S) risk incurred within SBG are properly identified, managed, monitored and controlled to proactively embed E&S risk management into lending processes and minimise the risk of reputational or financial loss. This is also intended to ensure global consistency of approach, to the maximum extent possible given geographic differences in economic and social priorities, regulatory, compliance and legal frameworks.

SBG **promotes green and social investments** and support clients and stakeholders who want to improve their business processes in an environmentally and socially sound manner. This includes:

- Green investments relating to environmental goods and services that prevent or reduce any form of environmental degradation and conserve and maintain natural resources;
- Investments relating to social good such as education, health care, infrastructure, housing and employment creation;
- Public policies that support the green transformation of the economy (such as feed-in-tariffs for renewable energies);
- Financial system components that protect the environment by utilising financial instruments such as green credit, green bonds, green stock indices, carbon finance, structured green funds and related products.

CODES, STANDARDS AND GUIDELINES

The following codes, standards and guidelines underpin the group's approach to sustainable governance. Liberty has its own environmental and social risk management frameworks.

Banking Association of South Africa

As a member of the **Banking Association of South Africa (BASA)**, we have adopted a Code of Conduct for Managing Environmental and Social Risk which codifies the role of financial institutions in protecting, promoting and fulfilling social, economic and environmental rights in South Africa. The code covers our operations, procurement, lending practices, products and services and sets a benchmark for effective management of these risks.

United Nations Environmental Programme Finance Initiative

As a member of the **United Nations Environmental Programme Finance Initiative (UNEP FI)** we are committed to works in raising awareness and understanding about how the financial sector impacts society, and how a shift in priorities and ways of working is crucial for the sector to remain relevant and legitimate in the future. Standard Bank is the Deputy Chair of the UNEP FI Banking Committee.

International Finance Corporation

We are updating and aligning our systems and processes to be consistent with the **International Finance Corporation (IFC) Performance Standards and World Bank Group Environmental Health and Safety (EHS) Guidelines**.

Equator Principles

We are signatories of the **Equator Principles (EP)**, a global standard for screening social and environmental risk. The EP provides a minimum standard for due diligence and monitoring to support responsible risk decision-making. This requires us to ensure that, when we lend or provide advisory services to clients, actions are taken to evaluate and actively avoid and mitigate any negative social or environmental impacts. Standard Bank is the longest serving Chair of the Equator Principles Association and the first African bank to be elected to this position. Currently 92 Equator Principles Financial Institutions (EPFIs) in 37 countries have adopted the EPs.

External Assurance

We undertake independent **external assurance** of our approach and outcomes for our projects financed (both advisory and project-related lending).

United Nations Universal Declaration of Human Rights

Human rights are the basic and universal rights that underpin each person's inherent freedom, dignity, and equality as outlined in the **United Nations Universal Declaration of Human Rights** and the International Labour Organisation Declaration on Fundamental Principles and Rights at Work. We have used these universal benchmarks as our starting point for defining human rights and have based our SBG's human rights statement on the UN Universal Declaration of Human Rights.

Broad-Based Black Economic Empowerment

Transformation and Broad-Based Black Economic Empowerment (B-BBEE). Standard Bank was recently certified as a Level 1 BEE Company, under the newly revised Financial Sector Code. Standard bank realises the need for transformation on the continent and continual development of a company culture that accommodates diversity and inclusion. This includes transparent engagement within the Group, from Board members to general staff, on issues that impact on our ability to accelerate transformation. Ensuring that our core business makes a substantial contribution to enabling economic activity and driving economic transformation. Partnering with third parties to develop black-owned businesses as suppliers to Standard Bank.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM (ESMS)

The **Group Environmental & Social Risk and Finance (GESRF)** team is responsible for ensuring that all environmental, social and related risks are correctly identified, evaluated and managed, and for ensuring that green, social and carbon financing opportunities are identified and acted upon.

Our E&S risk assessment processes have been developed based on international best practice and are proactively embedded into lending practices. This enhances predictability and accountability in investment decision making and monitoring, assists clients in managing their E&S impacts and risks and, in so doing, improves their performance and guards against unforeseen risk. Our assessment processes are being broadened and systematically expanded across all business units within the Group. This extends beyond large corporates to all commercial transactions. The expansion of these management measures recognises that E&S issues and opportunities form a key component of SBG's value drivers.

Our new, broader, ESMS will enable us to, better assess, mitigate, document and monitor impacts and risks associated with financing and investments globally. It has played a role in ensuring that E&S risks and opportunities are appropriately screened, managed and monitored throughout the transaction life cycle. As well as highlighted the need to develop new business areas by targeting environmental/green/climate and social finance opportunities or sectors.

PROGRESS AND OUTCOMES IN 2017

Governance

- An E&S risk Governance Standard was developed to establish an overall E&S management framework for the consistent identification, measurement and management of E&S risks and opportunities across the Group
- The E&S Risk Policy was updated in line with the SBG Standard, to define the E&S risk framework and its implementation
- An Exceptions list was developed (which includes global exclusions and regional/thematic restrictions)



Systems

- A universal E&S process and framework was developed to reflect the new SBG E&S Risk Governance Standard & Policy
- An updated E&S Screening Tool is being piloted within CIB (replacing previous version and is more aligned to IFC E&S Performance Standards)
- The development of E&S process diagrams and guidance notes for use by the deal team, credit manager, and delegated authorities
- Internal transaction templates are being updated to accommodate E&S system changes and align with the Universal E&S process (i.e. New Business Approval Committee (NBAC), Credit and Mandate Approval Committee (MAC) – this will allow for electronic tracking of E&S risk metrics, which is currently manually tracked)

Training and Awareness

- Three levels of training were established (Level 1 outlining general E&S awareness, Level 2 focusing on the application of the universal E&S process, relevant systems and tools, and Level 3 which is a more detailed E&S training with a specific target audience)
- Train-the-trainer programmes were implemented

Figure 1: Environmental and Social Management System

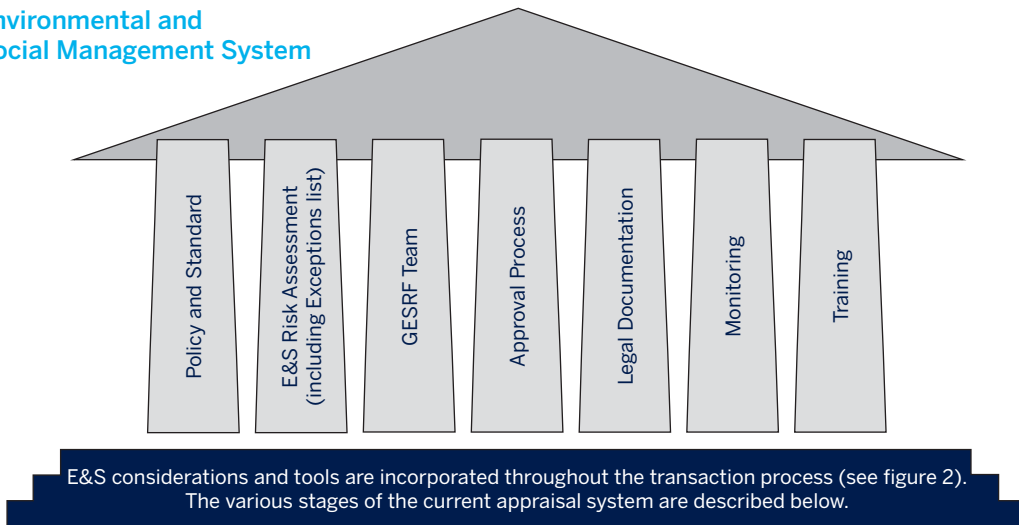
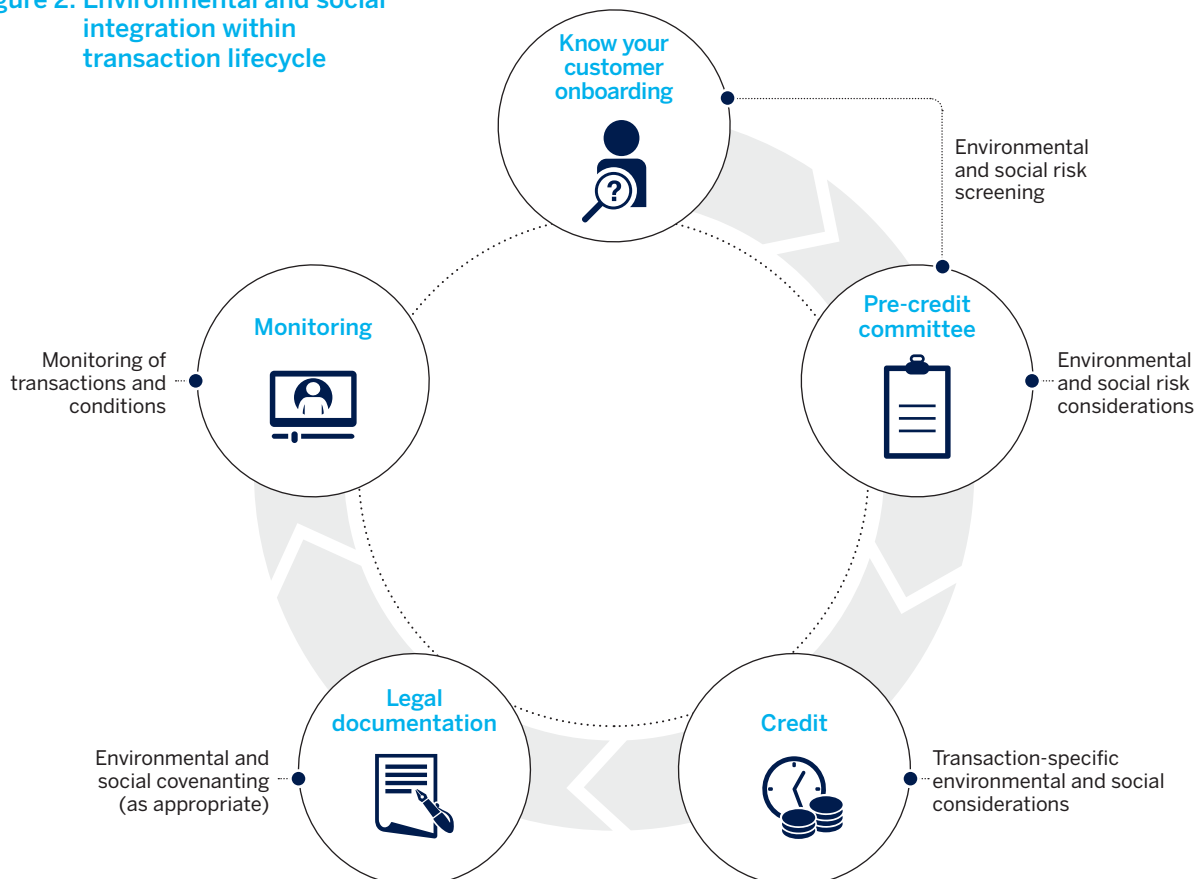


Figure 2: Environmental and social integration within transaction lifecycle



THE ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT PROCESS

Environmental and social (E&S) risk screening is applied to all commercial transactions, irrespective of whether they are project or non-project related. The screening, which is done using the E&S Screening Tool, provides an initial indication of possible environmental, financial, credit, reputational, regulatory and operational risks. The pre-credit committees are responsible for ensuring that these E&S risks are correctly identified within the application phase. The upfront screening outcome provides an indication of whether to proceed with a transaction or not, or whether further assessment is required. The type of finance, tenor, the sector that the client operates in and the use of funds are considered. The E&S screening includes elements of both client and transactional risk. The client risk assessment (CRA) identifies E&S risks associated with a client's and their ability to manage E&S issues. The transaction risk assessment (TRA) focuses on the sector and nature of the transaction or project's E&S impacts, and both result in a categorisation of A- high, B- medium and C- low:



Category A- High Risk

Projects with potential significant adverse environmental and social risks/ impacts that are diverse, irreversible or unprecedented.



Category B- Medium Risk

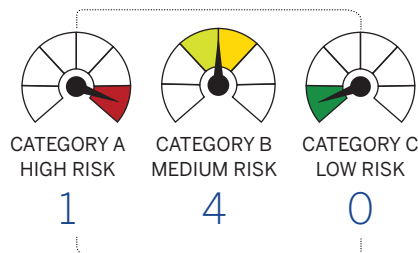
Projects with potential limited adverse environmental and social risks/ impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.



Category C- Low Risk

Projects with minimal or no adverse environmental and social risks/ impacts.

Total number of Equator Principle projects that reached financial close within 2017



Total number of projects financed

5

The E&S Assessment process has been designed to ensure that the level of due diligence is commensurate with the potential level of E&S risk associated with the underlying transaction. A due diligence may be undertaken for high risk (and certain medium risk) transactions depending on the level and scale of E&S risk identified. This process may entail sector or issue specific due diligence questions, direct client engagement, site visits and risk mitigation plans. GESRF will determine if a full due diligence process, utilising independent external consultants, is required.

The scale and scope of due diligence is undertaken on a transaction-specific process and is advised by the E&S Risk and Finance team on a case-by-case basis. For example:

- A general corporate loan facility where the intended use of proceeds is unknown, would require broad due diligence, as any risk exposure for Standard Bank would arise from the nature of the client's business activities across all operations (rather than project specific impacts). The focus will therefore be on client-risk due diligence.
- A more detailed Equator Principles due diligence process is applied to all new project finance loans, across all industry sectors. A high degree of due diligence is required to ensure potentially significant E&S risks are appropriately identified, assessed and managed. Both the E&S risks of the project and the client are assessed.

The due diligence outcome assists in highlighting any aspects requiring mitigation or management such as further baseline studies and provides recommendations that will need to be implemented to ensure transactions comply with the required international and national standards.

ESG 22 For additional project detail breakdown see our Metrics section in this report



MONITORING

All relevant transactions financed are monitored to ensure that the E&S commitments (set as part of the loan agreement) are adhered to. If required, independent external professionals can be used to monitor the implementation and progress of remedial action for the tenure of the loan. In addition, where necessary, GESRF undertake site visits to ensure that E&S performance is being managed appropriately. The frequency and duration of monitoring depend on the type of transaction being financed and the level of perceived risk.

In cases where clients do not comply with environmental and social requirements, we work with them to achieve the necessary standards. Should there be no progress towards meeting requirements within agreed timeframes, we would consider several avenues, including re-evaluation of the loan. During 2017, no active deals were terminated due to non-compliance, however some were not approved due to environmental and/or social reasons.

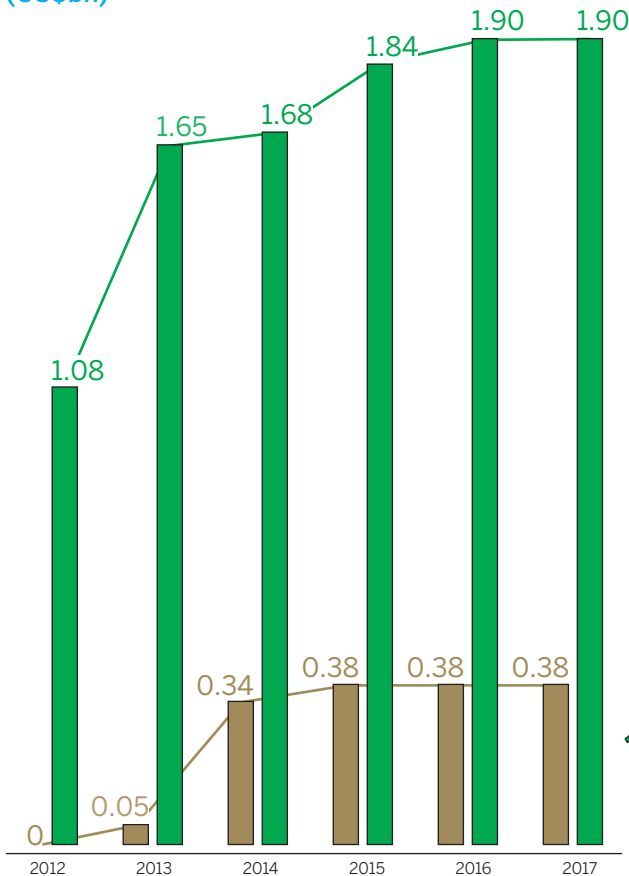
The GESRF team endeavours to conduct portfolio-wide reviews of companies engaged in certain industries. These reviews occur where SBG has significant financial exposure or opportunity and there are certain activities which present an increased level of E&S risk.

THEMATIC RISKS

Climate Change

To mitigate or adapt to climate change (such as rising sea levels, extreme weather events, changes in weather patterns or ambient temperatures), the impact of climate change on the assets and operations underlying a transaction must be considered. The negative impact of human development on climate change (such as greenhouse gas emissions) should be reduced, mitigated, and positive impact opportunities (such as green energy) encouraged.

Energy finance (US\$bn)



Access to affordable energy is crucial to economic development. However, the financing of thermal coal projects may present both credit and reputational risks for financial institutions in addressing this energy demand. Standard Bank is committed to balancing the challenges posed by climate change and Africa's urgent energy needs and we are in the process of developing lending parameters in this regard.

We have steadily grown our financing of renewable energy, while our fossil fuel investments have slowed down. From 2012 to 2017, 83% of our power project financing was directed towards renewable energy, while lending to fossil fuel power projects represented only 17% of our investments in energy production in Africa.

The Equator Principles, applied to all new project finance transactions, requires the assessment of indirect emissions stemming from project lending activities. Where combined annual Scope 1 and Scope 2 emissions are expected to be more than 100 000 tons of carbon dioxide (tCO₂), an analysis must be undertaken to evaluate less greenhouse gas (GHG)-intensive alternatives. The alternatives analysis requires the evaluation of technically and financially feasible and cost-effective options to reduce project-related GHG emissions during the design, construction and operation of the project

Water provision, quality and efficiency

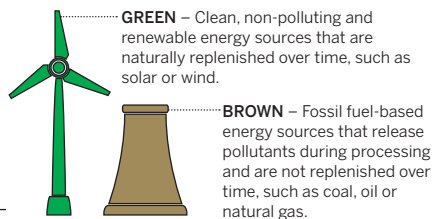
Where possible adaptation measures to reduce reliance, and encourage efficient use of water especially for development located in areas affected by periods of drought, areas of low rainfall, or where climate change is anticipated to reduce rainfall and/or increase dry periods is considered. The promotion of water efficient technologies, and re-use and recycling of water is encouraged. The assessment of transactions to encourage developments that do not adversely pollute ground and surface water resources and where this can occur, to ensure adequate engineering measures prevent or minimise pollution of ground and surface water.

From a finance perspective we are working on the installation of desalination plants in Cape Town, to service contracts with the City of Cape Town. These plants will be set up in containers and can be relocated to new sites as needed.

Biodiversity Conservation and sustainable management of living natural resources

Biodiversity considerations are included as part of our environmental and social assessment process and are also addressed in detailed due diligence. Assessment considerations are in line with the International Finance Corporation's (IFC's) Performance Standards, including factors such as ecosystems, critical habitats, legally protected areas and invasive alien species. Where applicable, rehabilitation is monitored and assessed in accordance with the rehabilitation and restoration requirements set out in the legally binding action plan.

Remediation of land may be addressed concurrently with project development. Where rehabilitation and restoration are part of corrective action, we use external specialists to verify the adequacy of the restoration.





Community health, safety and security


Community health, safety, and security are also assessed as part of the due diligence process. Community engagement and impact assessments take place on all projects involving large-scale physical development or expansion.

In such projects, the environmental consultant or client publicly discloses the results of the impact assessment during the public consultation processes. Where a community has a grievance, it may engage with the appointed community representative, chief leader or community liaison officer through an agreed grievance mechanism.

The client is obliged to report material grievances to us. The number and type of grievances raised are also assessed and reported on by the independent consultants if the project is subject to ongoing monitoring.

Human rights

Human rights issues, including discrimination, child labour, forced or compulsory labour and the rights of indigenous people are included in the environmental and social assessment process. Compliance with the IFC's Performance Standards is included in project financing contracts, which cover labour and working conditions with reference to human rights. Where human rights have been identified as a high-risk issue, this is specifically assessed and included (where necessary) within the loan contract. No incidents of discrimination or violations of human or indigenous rights were reported during 2017.

ESG  Please see human rights statement on page 19

COMMUNICATING OUR ESG PERFORMANCE

We support responsible investment through regular completion of ESG index questionnaires. Our support of ESG indices enables adequate provision of information to investors regarding ESG policies, processes and performance, thereby enhancing investor decision-making.

Standard Bank has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. Other assessment platforms include Rebecosam, Sustainalytics and the Dow Jones Index.

INCLUSIVE BANKING

Standard Bank's core business supports the broadening of economic opportunity and job creation by providing financial services appropriate to the needs of individual businesses, enabling them to grow, expand into new markets, invest in innovation and improve productivity and create jobs. We endeavour to provide financial solutions that cater for diverse customer needs, enabling individuals to grow their savings, buy homes, invest in their futures, and insure the things that matter to them.

We have been working to innovate for accessible banking by providing affordable and value-adding alternatives to cash. Cash remains the preferred form of transacting in many African economies – but it carries inherent security risks, and it's not always accessible. The use of cash also makes it difficult for banks to assess a person's credit-worthiness resulting in the extension of loans to these customers being considered high risk. We're working with Fintechs and innovators to find ways to make card payments more affordable and more importantly, more accessible to the market and promote financial inclusion.

In the affordable housing market, we finance quality affordable housing units priced mainly between R350 000 and R670 000, with the average bond worth about R370 000. Standard Bank South Africa's affordable housing book – i.e. the money we've lent to households earning between R3 501 and R23 500 – is valued at about R25 billion. As the largest lender to this sector, we have assisted almost 100 000 families in this income group purchase a home. Customers in this sector often struggle to provide a deposit, and most of our affordable housing loans are for the full price of the home. We are currently the biggest affordable housing mortgage lender in South Africa, holding a 35% share of the market.

We also provide a borrower education course which provides first-time home buyers with information on the processes involved when buying a home and the obligations of the parties involved in a housing transaction, and helps homeowners make sense of key terms. The course is delivered through face-to-face training and online.

TR  For more information on our inclusive banking journey, please view our Transformation Report at <http://sustainability.standardbank.com/downloads/>





EXAMPLES OF SEE IMPACTS IN PROJECTS FINANCED IN 2017


Project name	Industry	Project description	Social, economic, environmental impact
Bram Fischer international Airport Private Hospital	Healthcare	The design, build and operations of an independently-owned, 110 bed private hospital located in Bloemfontein, the Free State Province of South Africa developed by the Busamed Group. The hospital is a specialist facility with a focus on surgical and medical services.	<p>Social – Improved Healthcare</p> <ul style="list-style-type: none"> Bram Fischer marks the 4th Greenfields project financing arranged by Standard Bank with the Busamed Group. Juxtaposed against this is a pressing need in many African countries, South Africa included, of new healthcare infrastructure facilities to provide world class healthcare primarily to the private sector and to alleviate the burden on the public sector to provide these facilities. <p>Social – Black Economic Empowerment</p> <ul style="list-style-type: none"> A complexity in the South African context is the prerogative to build black economic empowerment in the private healthcare sector, which is dominated by the “Big 3” healthcare groups – Mediclinic, Netcare, and Life Healthcare. <p>Economic – Driving economic and financial investments</p> <ul style="list-style-type: none"> The deal also adds to the momentum of growing participation by the commercial bank market as well as NBFIs, unlocking financing for new market entrants into the sector in South Africa and the wider region.
Edenvision Medical Holdings Ltd hospital financing	Healthcare	The design, build and operations of an independently-owned, 130 bed private hospital in KwaZulu-Natal Province	<p>Social – Improved Healthcare</p> <ul style="list-style-type: none"> Opportunity to provide a world class facility to take advantage of the excess demand for private healthcare in the area Ability to project finance a sector which historically has been balance sheet financed against the leading healthcare groups; <p>Social – Job creation</p> <ul style="list-style-type: none"> Creation of 224 permanent new jobs at the Hospital; <p>Socio-economic – Community development</p> <ul style="list-style-type: none"> Upliftment in the Greater Edendale area; Development in geographical areas identified in the government’s Integrated Sustainable Rural Development and Urban renewal projects.
Burgan Cape Terminals (RF) Pty Ltd	Infrastructure/ Oil & Gas	A storage terminal consisting of 12 steel tanks with a combined storage capacity of 118,000m ³ (with an annual throughput capacity of 1,600,000m ³ per year) as well as a truck loading facility. The terminal is designed to receive refined product from off-takers by ship or by pipeline and to supply product by ship or through the truck loading facility as required by off-takers – in this case oil majors Engen, Shell and Vittol.	<p>Economic Investment – Driving Economic Investment, facilitating trade in Africa</p> <ul style="list-style-type: none"> Financing of storage terminals in South Africa and Africa are in early stages, with no precedence on market risk and regulatory structuring; The project is SA’s first third party owned import and storage terminal and likely to be followed by more. Improved security of supply and flexibility of fuel to the Western Cape (in the case of a harbour incident, refinery incident or damage to the existing oil pipeline linking the refinery to the harbour) <p>Social – Job creation</p> <ul style="list-style-type: none"> Approximately 110 to 130 contract jobs (low, medium and high skilled) associated with construction Approximately 19 permanent operational phase employment opportunities (and additional opportunities associated with the outsourcing of functions such as jetty operator services)



ADDITIONAL ONLINE RESOURCES

RTS  Report to Society
[http://sustainability.
standardbank.com/](http://sustainability.standardbank.com/)

AIR  Annual integrated report
[http://annualreport2017.
standardbank.com/](http://annualreport2017.standardbank.com/)

RISK  Risk & capital management report
[http://annualreport2017.
standardbank.com/](http://annualreport2017.standardbank.com/)



TWO
Environmental
and social



Environmental
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ENVIRONMENTAL AND SOCIAL: DIRECT IMPACTS AND OPPORTUNITIES

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- 16 Absenteeism and Employee Wellness
- 16 Occupational Health and Safety





OUR CARBON FOOTPRINT

Climate change, coupled with the related issue of water scarcity, has emerged as a leading risk for business and society. SBG is working toward better understanding our environmental impacts and the impacts of climate change on our business. In 2017, we held high-level dialogues with external speakers on water scarcity and climate change as part of continued engagement on these risks.

We have invested significantly in reducing our direct carbon footprint through energy and water monitoring and savings measures at our head offices and branches, particularly in South Africa, where our direct footprint is largest. Over the past few years, all our newly constructed buildings have been aligned with the Green Building Council of South Africa's (GBCSA) robust sustainability rules. Our energy management system aligns with ISO 50001, an international standard designed to help organisations conserve resources, tackle climate change and be more economically efficient.

In South Africa we're working on our lower rated facilities to implement energy efficiency initiatives. In 2017, we reduced Standard Bank's energy consumption by 21.7% against the 2014 baseline, exceeding the target we'd set for 2020. Our parking facility at No. 1 Simmonds, Johannesburg, has been certified as carbon-neutral. It uses renewable energy which produces more carbon-free electricity than it consumes.

We're currently investigating moving to a Science-Based Target (SBT), to play our part in reducing GHG emissions in line with the rate of de-carbonisation required to keep global temperature rises below 2°C. We're also conducting a water usage review across our South African operations, to improve water efficiency and ensure zero wastage.

Our Global Leadership Centre in Johannesburg is the first commercial facility in Africa to be awarded an ISO 50001 Energy Management certification, and in 2017 won an Insight award from the Clean Energy Ministerial, a global forum to promote policies and programmes that advance clean energy technology.

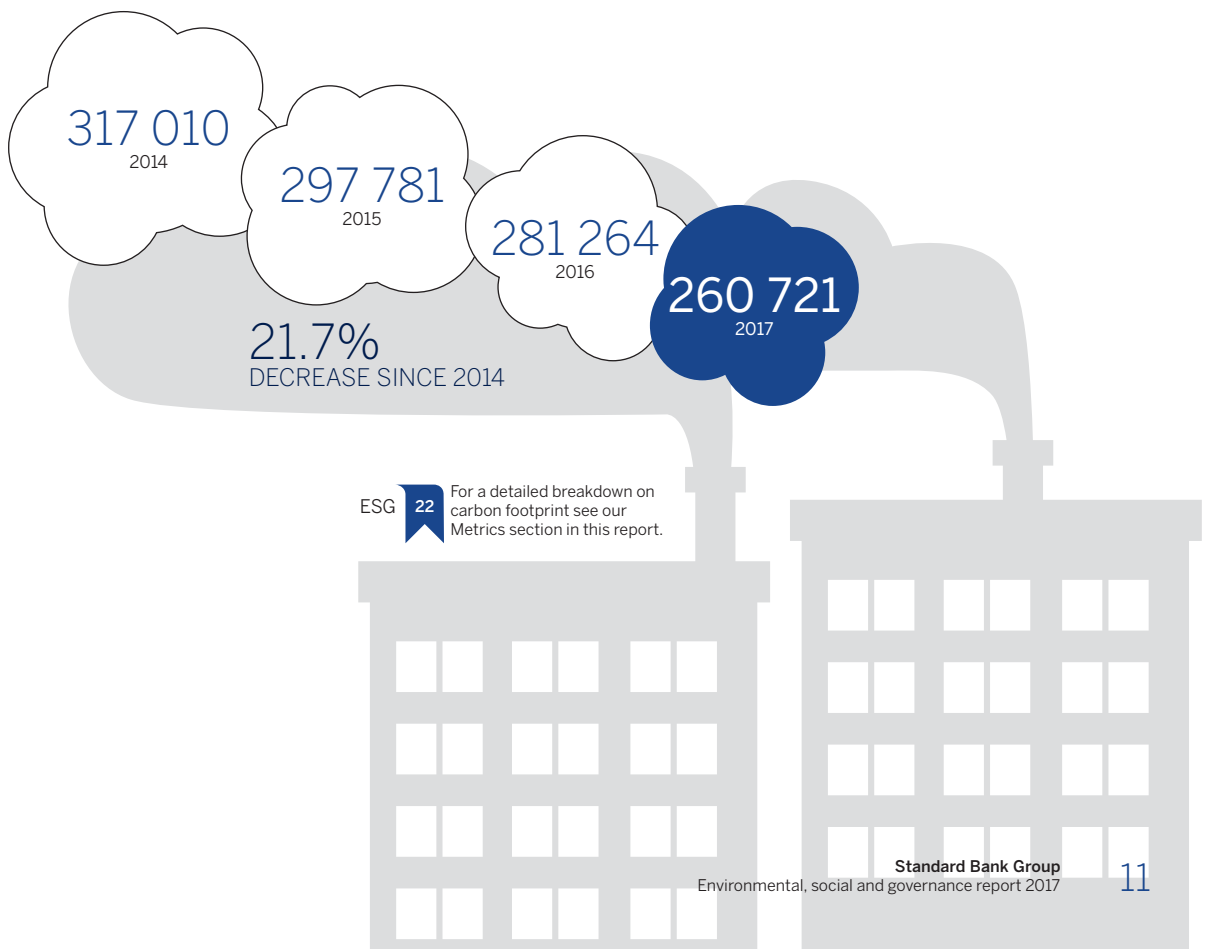
Over the past two years, Stanbic Malawi has installed energy and generation metering across our offices, to provide a much better understanding of our energy usage. Our new facilities in Windhoek in Namibia, and Maputo in Mozambique are energy and water wise – seeking solutions that provide energy security and sustainability without putting a strain on the country's water systems.

We're also conscious of the need to improve energy security and efficiency across our branch network. In South Africa, 12 of our branches have been awarded a 4-green star interior rating, and we're working to introduce more efficient energy and water solutions across all our newly built facilities.

In 2017, the global Association of Energy Engineers (AEE) recognized Standard Bank for outstanding accomplishments in developing, organising, managing and implementing its corporate energy management programme, making us the first African recipient of the award. This global focused association represents 18 000 professional members in more than 100 countries and responsible for the accreditation of 30 000 certified professionals recognized the Standard Bank Group as the first African organisation to receive this prestigious award in their 40-year history. AEE awarded us with the 2017 Africa Energy Manager of the Year, and Young Energy Professional of the Year. Standard Bank South Africa was also awarded an Energy Management Insight Award from the Cleaner Energy Ministerial Working Group in 2017. We also play a strong advocacy role with representation on the boards of the Southern African Energy Efficiency Confederation and the Green Building Council of South Africa.

At an operational level, we're implementing a more systemic approach to risk reporting on environmental legal requirements and accepted best practice, which will be rolled out to our Africa Regions in 2018.

SBG Total Carbon Emissions (tCO₂e)



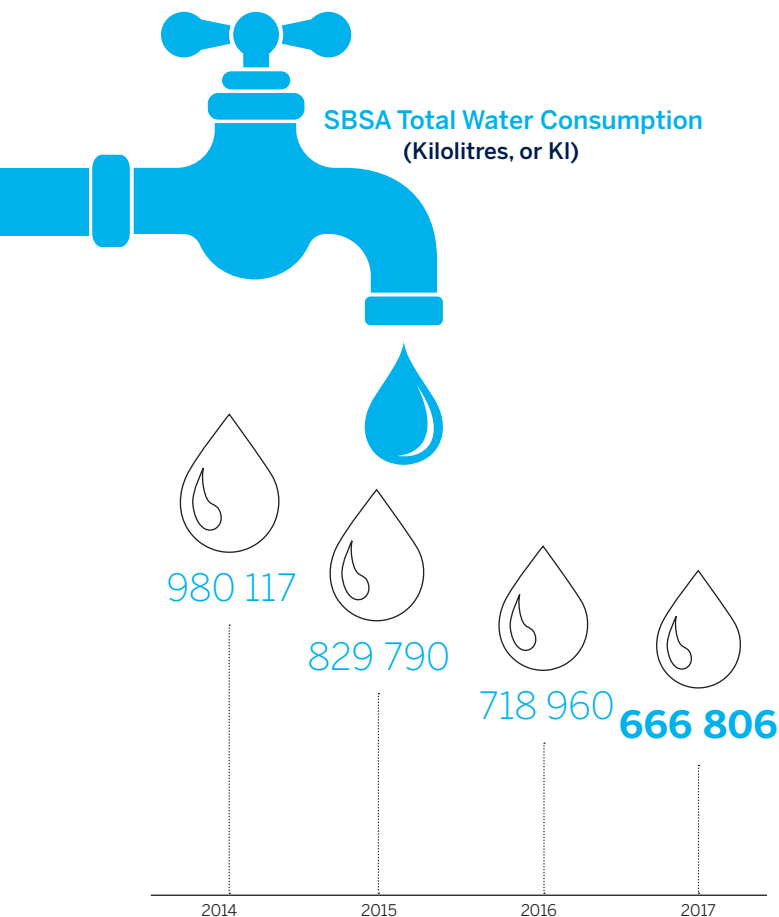
ESG 22 For a detailed breakdown on carbon footprint see our Metrics section in this report.



Water

Water scarcity across Africa has been a significant risk to the business, our clients and our communities, it is also often exacerbated by poor water management and inadequate water infrastructure. Over the last two years, these infrastructural deficiencies were compounded by severe drought, particularly affecting east and southern Africa. While rainfall returned over much of the region during 2017, some areas, including South Africa's Western and Eastern Cape provinces, continue to battle severe water shortages.

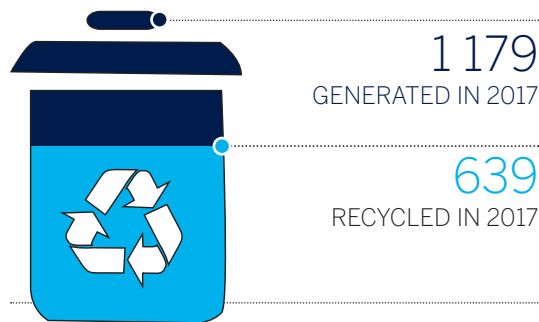
Since mid-2017, we've been working with our building management teams and employees to substantially reduce water consumption in our Cape Town offices. We've managed to reduce consumption by half in two of our major office buildings in the city. Measures have included water saving awareness campaigns in all our buildings, cutting the number of litres used for flushing toilets by a third, installing waterless hand sanitizers in all bathrooms, and installing water tanks which will provide emergency drinking and flushing water. We're considering the use of technological solutions, such as air to water generators, and switching from water-cooled to air-cooled air-conditioning. We're also engaging with our catering and cleaning service providers, to find ways to minimize their water use.



Waste

We have over the years managed reduce our waste by implementing an operational waste management plan and providing separation bins and recycling waste storage areas. Our onsite recycling facilities have proved very effective in ensuring continuous recycling and good levels of waste sorting at source. Given the nature of our business, we use paper for a variety of business activities. Standard Bank recycles used paper from our locations around the continent. In SBSA we recycled 371 tons of paper in 2017. In 2016, we saw an overall decrease in paper consumption thus a significant decrease in tonnes of paper recycled.

Waste (metric tonnes)

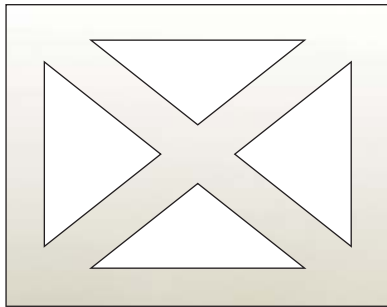


Total Paper Recycled (tonnes)



Natural Capital – Biodiversity

We understand the link between preserving the natural environment for future generations and our own sustainability. The value of Natural capital at Standard Bank has seen the establishment of the Mogale's Gate Biodiversity Centre (MGBC) in 1993, a non-commercial nature reserve near South Africa's Magaliesburg region. The nature reserve continues to drive the conservation of biodiversity and the maintenance of ecosystem services to achieve maximum natural capital for SBSA. Education is also a vital element as school children, university students and staff learn more on our dependence on the environment, and the importance of managing it sustainably. This has furthered our efforts to understand the role of natural capital in contributing to economic value and has enabled the gathering of valuable research data.



HELPING AGRICULTURE CLIENTS BETTER UNDERSTAND BIODIVERSITY IMPACTS FROM FARMING.

A study was conducted in 2015 to determine the natural capital value of the MGBC. The value of wildlife and stored carbon was found to be approximately USD3 million, while the value provided by water flows, climate regulation and grazing is about USD1.65 million. Considering all the natural capital flows and management costs, the centre's worth to society is estimated between USD15.5 million and USD41 million.

In 2011, a study was also conducted to assess the predation impact of large black backed jackal populations residing on Mogale's Gate Biodiversity Centre with respect to the ungulate populations (with special reference to the blesbok, springbok, red hartebeest and black wildebeest species).

Historically, attempts were made to restrict the jackal population on MGBC by lethal management, due to the perception that the abnormally high jackal population (supported by the large amount of food provided at the vulture restaurant), was heavily impacting on ungulate production.

Results clearly illustrated that the importance of retaining jackal social structures and associated behaviours (that would be destroyed by lethal management programs), were paramount to minimising jackal predations on MGBC ungulates (with particular respect to springbok and blesbok lambs), and that the number of predations on ungulates including lambs were not specifically related to or influenced by the high numbers of jackal's present.

The research results suggest that the attempted lethal management of jackals, as was historically practiced on MGBC, was unlikely to reduce the predatory impact of jackals or limit the numbers of jackals.

It is anticipated that the results of the jackal research on MGBC will be published as part of a "Predator Manual" for both livestock and wildlife farmers to assist farmers in management decisions with respect to black-backed jackals.





OUR IMPACT ON SOCIO-ECONOMIC DEVELOPMENT

We understand that to become the leading financial services organisation in, for and across Africa, we must contribute to the long-term prosperity of the communities and countries in which we operate, by facilitating inclusive economic growth and social development.

To do this effectively we must ensure our relevance to social needs and our capacity to help advance national objectives. Our vision commits us to contributing to socio-economic development in a way that is consistent with the nature and size of our operations in the countries we serve.

Broad-Based Black Economic Empowerment (B-BBEE) – South Africa

Broad-Based Black Economic Empowerment (B-BBEE) aims to provide redress for South Africans who were excluded from economic opportunity under apartheid. It targets African, Coloured and Indian South Africans with a specific emphasis on black women and black citizens with disabilities.

Standard Bank was recently certified as a Level 1 B-BBEE Company, under the newly revised Financial Sector Code. We're proud of this improvement in our B-BBEE status, borne out of the multi-pronged strategy we implemented in mid-2017. Standard Bank is committed to demonstrating responsible corporate citizenship by supporting social transformation and job creation. Our commitment to black economic empowerment (BEE) is driven by our need to create an economically sustainable black business sector as the foundation for our growth and profitability. We recognise BEE as a moral and commercial imperative, crucial to secure a more sustainable growth path for the country, and the sustainability of our own business. We set annual BEE targets, which are approved by our Group Social and Ethics Committee. Accredited external auditors conduct independent assessments of our BEE performance against the Financial Services Sector Codes for B-BBEE (FS Codes). We continuously strive to ensure that we meet and exceed our targets and make a positive and meaningful contribution to the social and economic transformation of our country.

We continue to meet our employment equity targets for middle and junior management and general staff. We are committed to making accelerated progress in transforming the demography of our senior and top management levels, where we are behind target. Following the development of our robust new Employment Equity plan in 2016, in 2017 we focussed on setting more ambitious targets for executive and senior management, to be achieved by 2021.

TR  For more information on our transformation journey, please view our Transformation Report at www.sustainability.standardbank.com/downloads

Preferential Procurement

We use preferential procurement to support black-owned and black women-owned businesses, particularly small and medium-sized enterprises (SMEs), to access procurement opportunities within our supply chain. We undertake monthly portfolio reviews to measure our progress against our preferential procurement plan and targets.

Standard Bank runs a year-long Supplier Development Programme, to help potential black-owned and black women-owned suppliers navigate the tender process. A business development service provider, appointed by Standard Bank, assists SMEs in areas like marketing, credit professional services and physical security services, upgrading infrastructure, improving financial management and building capacity. This initiative not only strengthens these businesses, it also helps mitigate supply chain risks and enables our business units to increase their use of black SME providers.

Several other African countries have also put processes in place to transform their economies and promote indigenisation (local ownership). We engage constructively on these developments to balance the legitimate expectations of economic transformation with the reasonable rights of investors. As in South Africa, we are committed to making a positive contribution to transformation through our employee profile, and by contributing to socio-economic development, industry development and job creation. We also comply with legislation that requires local shareholders to hold a percentage of shares.

TR  For more details on preferential procurement please refer to our Transformation Report at www.sustainability.standardbank.com/downloads


Corporate Social Investment

Standard Bank aims to create shared value through our CSI initiatives – addressing social needs in a sustainable manner, while also seeking business opportunities. In South Africa, the Financial Sector Code requires us to spend 0.6% of net-profit after tax on socio-economic development. We focus our investment in education, with the objective of enhancing access to quality education for all, from early childhood development to higher education, and improving educational outcomes. Education spend accounted for just under R85 million, about 80% of our total CSI budget of R106 million, in 2017.

The challenges in school level education are vast, ranging from learners not being able to read or write in any language by the time they reach Grade 4, to educators themselves not having adequate content knowledge to impart to children. Our approach is to invest larger amounts of money in fewer projects, so that we can assess and demonstrate impact. We engage in long-term partnerships of at least 3 years for the same reason.

Standard Bank is committed to ensuring that our interventions create meaningful and sustainable positive social impact. In 2016, we commissioned the Centre for Social Development in Africa at the University of Johannesburg to conduct independent impact evaluations of three of the programmes we fund. The studies, completed in 2017, demonstrate significant positive impacts in two programmes – Edupeg and Ntataise – both of which we will continue to fund. The third programme was found to be less effective, owing in particular to inconsistent attendance and difficulties tracking performance of the participants. We will exit this programme at the end of 2018.

RTS  For more information on our CSI journey, please view our Report to Society at http://sustainability.standardbank.com/pdf/Standard_bank_RTS2017_our_impacts_three.pdf

ESG  For a detailed breakdown of our CSI spend please see our Metrics page in this report.



OUR PEOPLE

To deliver our strategy we need the right people, in the right roles, with the required skills and capabilities. We work in a fast-paced, highly competitive industry with ever-changing demands as we build a digital bank. Our people must be equipped with the necessary skills to drive a client-focused approach now and into the future.

Our culture is one of continuous professional development and adaptability. Our preference is to promote from within. Our internal careers website provides our people with access to information on potential career opportunities in the group. We are investing in our leadership pipeline across our various business lines and geographies, and successfully promoted several of our people into key leadership positions across the group during the year.

Growing our People

Our people are critical to the successful delivery of our strategy. We are committed to supporting our people to reach their full potential and remain effective and motivated. Recruiting, retaining and motivating great people is at the core of driving business value.

How we grow our people

- We invest in training and development at all levels, enabling us to build a strong succession pipeline of future leaders
- We build skills in the broader economy, supporting the development of potential employees and customers
- We operate wellness programmes aim to promote a healthy workforce, lowering absenteeism and building the resilience and productivity of our employees
- Performance assessment and development reviews enable us to monitor our skills set and identify and address gaps.
- We are committed to inclusion and we celebrate diversity.

Employee Performance Management

In early 2017, over 3 000 employees across Standard Bank participated in a survey evaluating our performance management system. Identified areas for improvement included the need for on-going training, including classroom training; the need for greater transparency and objectivity in feedback and moderation; the need for a clearer link between performance management and reward, and the need for coaching for line managers on how to mentor, motivate and support their staff.

Drawing on the findings, we made several changes to our performance management system during 2017. These include a more developmental approach, which we call Perform to Grow, such as more regular feedback, opportunities for employees to provide feedback on line managers, and more positively framed performance descriptors. We want to make sure our people know what they are doing well and what needs more attention on an ongoing basis. More regular and constructive performance coaching conversations will help drive personal improvement, growth and ultimately business contribution.

We're changing our reward practices, to ensure that we incentivise the right behaviours, support a culture that puts the best interests of the client first, and encourage collaboration by rewarding team and individual successes. We recognize that our people have different needs and preferences at different career stages. We've introduced more flexible benefits offering, with more choices, including for example in relation to long-service awards, sabbaticals, parental leave and unpaid additional vacation leave. The changes were introduced in South Africa in 2017, and will be rolled out in our other countries of operation in 2018, in line with local legislation.

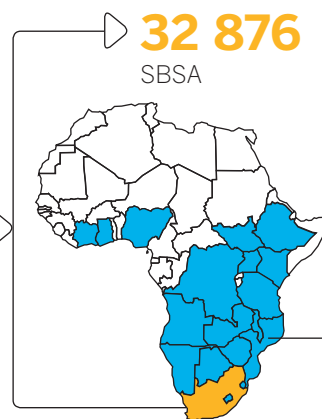
We recognise that our people don't have a good understanding of the full value of their reward and benefits package and we are working to make this simpler and more transparent, including using technology solutions to provide a full benefits view for each individual.

Our Beyond Excellence and Mark of Excellence initiatives ensure that individuals and teams are recognised for exceptional contributions that add value to the business.

ESG 24 For more information on our people please see the Metrics section
 RTS For more information on our people please see the Report to Society 2017 at http://sustainability.standardbank.com/pdf/Standard_bank_RTS2017_our_impacts_four.pdf



48 322
 TOTAL NUMBER OF EMPLOYEES BY REGION (SBG)



32 876
 SBSA

INTERNATIONAL
 615

REST OF AFRICA
 14 831

ESG 24 For more information on our people please see the Metrics section

RTS For more information on our people please see the Report to Society 2017 at http://sustainability.standardbank.com/pdf/Standard_bank_RTS2017_our_impacts_four.pdf



Absenteeism and Employee Wellness

In South Africa, we've been using the cost of total sick leave as a percentage of total payroll as our key measure of absenteeism since 2015. In 2017, this equated to 1.1% (2016: 1.2%) which is below the current South African financial sector norm of 2.3%. (This norm was increased in February 2017 from 1.7% to 2.3%). We started to extend our Sick Absence Management Framework to our other countries of operation during 2017. A programme to manage Short Term Incapacity Leave was designed and implemented across South Africa.

We encourage our employees to take responsibility for their wellbeing by seeking advice and assistance on health, wellness and/or financial challenges. We provide a wide range of health and wellness services, including individual and team counselling services to assist our employees manage personal problems, work stress, change, indebtedness, and illness. We train managers in managing absenteeism and appropriately supporting employees who display symptoms of psychosocial or health challenges. Employees can participate in wellness days, medical assessments for executives and senior managers, and a range of training and upskilling initiatives focusing on building personal resilience and coping skills. In South Africa, we piloted a smoking cessation intervention as well as a series of critical conversations on women and men's health. Pilot programmes also included the development and implementation of line manager and human capital upskilling to manage mental health issues and sexual harassment in the workplace.

During 2017, we have continued to provide financial wellness training and access to financial counselling services for our employees. We have partnered in this with our Credit Customer Assist unit in PBB, which offers support with, amongst others, debt consolidation. Employees continue to have access to financial coaching focusing on budgeting and improving behaviour related to personal money management.

Occupational Health and Safety

All buildings occupied by Standard Bank throughout Africa are covered by the bank's Occupational Health and Safety Programme. Our operations across Africa comply with national occupational health and safety standards and legal requirements, or the bank's minimum standards, whichever is more stringent. Effective OHS practices provide protection against the direct costs of health and safety violations and minimise legal, regulatory and reputational risks, while simultaneously ensuring shareholder value by looking after our biggest asset, our people.

We continuously strive to ensure that a healthy and safe workplace is provided for all employees, contractors, customers and visitors across all geographies, in pursuance of all applicable health and safety legal requirements and best practices. As an employer we understand that our duty of care places an obligation on us as to integrate occupational health and safety management systems as part of our policies and management arrangements at the workplace.

We are working to:

- Ensure uniformity of the OHS management framework across all operations
- Develop fit-for purpose emergency management capabilities
- Empower staff with appropriate knowledge and training that will enable them to effectively execute their health and safety responsibilities
- Ensure that all our service providers and contractors are aware of their health and responsibilities and how their activities may impact the bank's operations
- Achieve a reduction in workplace health and safety incidents
- Some of our Africa regions have appointed Occupational Health and Safety managers whilst others have allocated this responsibility to other departments.

Regular support visits are conducted to ensure alignment across all our operations. The visits contribute towards creating a positive health and safety culture, whilst preventing, minimising and managing health and safety risks, working closely with all the relevant stakeholders.



AN OHS SUCCESS STORY – STANBIC BANK ZIMBABWE

Stanbic Bank Zimbabwe has taken strides to improve employee occupational health and safety to ensure the wellbeing of our people and to enhance customer service.

In July 2016, we employed a full-time specialist OHS Practitioner, mandated to increase awareness of on OHS issues in line with international OHS Standards (OHSAS 18001). An OHS Policy has been approved by the Board and communicated to staff members.

OHS risk assessments were carried out across all functional areas and efforts are currently underway to implement controls to manage specific OHS risks and ensure full legal compliance. The establishment of OHS Committees has boosted participation of employees and management in OHS matters.

Monthly Executive Committee meetings include OHS as a key agenda item. The OHS office provides input in respect of procurement of new equipment, building construction and renovation, and vendor on-boarding. Our robust OHS system is now recognised as a critical component of corporate governance.



ADDITIONAL RESOURCES

- RTS  Report to Society <http://sustainability.standardbank.com/>
- TR  Transformation Report <http://sustainability.standardbank.com/downloads/>
- AIR  Annual integrated report <http://annualreport2017.standardbank.com/>



THREE
Governance



Governance

GOVERNANCE: OUR COMMITMENT TO GOOD GOVERNANCE

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OUR COMMITMENT TO GOOD GOVERNANCE

Standard Bank is committed to doing the right business the right way, ensuring that our clients are consistently treated fairly and consistently, that we adhere to global and national regulatory and governance standards, and that our decisions and actions are informed by our Group values and ethics.

Our Group Conduct Risk Framework, finalised early in 2017, uses a culture-led strategy to achieve the culture, ethics and conduct we expect to see from our employees. We've put in place effective governance structures with clear responsibility and oversight to promote fair and effective customer outcomes. The Board and senior management play a prominent role in supporting awareness and embedding conduct standards.

Our executives, senior management and compliance teams work together to reinforce a compliance culture across the Group. This encompasses our approach to business risk conduct, dealing with client risk and personal conduct risk. Group Compliance assists in ensuring that the Group continuously manages its regulatory, supervisory and conduct risk. Group Internal Audit provides independent, objective assurance and advice to improve risk management, control and governance processes. The combined assurance model includes Group Internal Audit, Group Compliance Monitoring and Integrated Operational Risk, who together ensure a co-ordinated approach to providing assurance on whether top risks are effectively managed in the Group. Group Governance and Group Compliance ensure that we meet our regulatory requirements in terms of Banks Act requirements, company law, financial sector regulation and corporate governance. We have significantly expanded our compliance structure over the past year, and have worked closely with middle management to emphasise their role in driving a culture of compliance at all levels across the Group.

Ethics is embedded in our compliance training and into all relevant governance standards and policies. The Group's Code of Ethics amplifies and seeks to give additional guidance on practically living our eight values. Introduction to the Group's Values and Code of Ethics is included in induction of new employees. Training on the Code of Ethics is mandatory for all employees. Each area in the bank is required to complete a monthly conduct dashboard, which is submitted to the Group Management Committee.

All Group employees must complete compulsory compliance training, which is available online and can be accessed via a computer or mobile device. Training uses case studies and course assessments and provides immediate feedback. We also hold regular 'Compliance Conversations' with a wider audience across Standard Bank, including topics such as anti-bribery and corruption, anti-money laundering and combating the financing of terrorism, conflicts of interest and risk based approaches to compliance documented in compliance policies.

We track fines and penalties issued against the Group to assist us to identify problem areas that need attention and to implement appropriate remedial action. We've introduced a number of automated solutions across our countries of operation to improve efficiency in money laundering control and declaring outside business interests.

MONEY LAUNDERING AND TERRORIST FINANCING CONTROL

We have implemented a Money Laundering and Terrorist Financing (ML/TF) Control Policy, which has been approved by the Group Risk and Capital Management Committee, and is updated on an annual basis.

The policy is designed to comply with applicable statutory and regulatory obligations across the Group, ensuring that:

- The risks arising from money laundering and terrorist financing (ML/TF) are well understood, mitigated and proactively managed
- The reputation and integrity of the Group is protected by taking all reasonable steps to prevent its use for ML/TF
- A framework is established that will enable the recognition, investigation and reporting of suspicious activity and all reportable transactions to competent authorities.

All Standard Bank entities and subsidiaries are required to implement the policy, and this is a requirement of permission to establish a subsidiary in another jurisdiction, granted by the South African Reserve Bank in terms of section 52 of the Banks Act, Act No. 94 of 1990.

In the event that customisation of the policy is required to fit in-country requirements, this is done in conjunction with Group Compliance. Once the policy has been customised, it must be approved by the in-country governance committee.

We have also embarked on various initiatives to support existing Anti-Money Laundering (AML) controls. Our Money Laundering Surveillance Unit has established a dedicated team to track adverse media articles and other adverse information linked to Standard Bank clients. The team will identify adverse information risks introduced to the bank by its clients and timeously escalate these risks to business.

We've increased our staff numbers, specifically in the anti-money laundering, Sanctions and Exchange Control monitoring teams. Our Group anti-money laundering function is establishing an Anti-Money Laundering Academy to deliver current and on-going AML/CFT training, piloted in 2017. The Academy's digital platform ensures its accessibility across the Group. Our senior Group compliance team members support the Compliance Institute of South Africa in the development of the compliance profession.

Thomson Reuters' KYC as a Service (KYCaaS) global solution, launched in 2014, serves major financial institutions and asset management firms around the world. In 2016, Standard Bank CIB, Barclays Africa CIB and Rand Merchant Bank partnered with Thomson Reuters to adapt and launch the KYCaaS managed service solution to support Know Your Customer (KYC) due diligence in South Africa, for corporate and institutional banking clients. As design partner banks, Standard Bank, Barclays and RMB worked closely with Thomson Reuters to adapt the service to meet South Africa's specific KYC and AML/CFT requirements. Since launching the solution in mid-2016, CIB has been migrating our corporate and institutional clients onto the TR Portal, which streamlines the KYC process while meeting local and global standards.

We're also in the process of introducing robotic capabilities to automate some of the high traffic processing in respect of anti-money laundering controls, and to enable real-time data analytic problem-solving capability, all of which are scheduled for roll-out during 2018.



ANTI-BRIBERY AND CORRUPTION (ABC)

The business of Standard Bank is built on trust and integrity as perceived by our stakeholders, especially our clients, shareholders and regulators.

An important element of trust and integrity is ensuring that we conduct our business in accordance with the values and Code of Ethics that we adopted, in compliance with applicable laws, rules and standards.

Our Anti-Bribery and Corruption Policy is designed to comply with applicable statutory and regulatory obligations, as well as requirements designed to mitigate conduct risk across Standard Bank.

We will not condone any instance of bribery and corruption and are committed to:

- Prohibiting bribery and corruption
- Ensuring that an anti-bribery and corruption culture is established and maintained within Standard Bank
- Conducting business with integrity, transparency, openness and in compliance with applicable laws
- Conducting business in accordance with the values and Code of Ethics adopted by Standard Bank
- Establishing and maintaining reasonable and proportionate measures to predict and prevent bribery and corruption; and to detect, report, monitor and respond appropriately to any bribery and corruption that may occur.

OUR APPROACH TO TAX

We contribute toward the development and growth of economies in which we operate in by paying (direct and indirect) tax revenues to governments, salaries to our employees, payments to suppliers and dividends to our shareholders. We are a major investor, taxpayer, employer and purchaser of local goods and services. We also make a vital contribution to the delivery of governments' policy objectives through our substantial capital expenditure in the various countries that we operate in.

The group has various processes and policies in place to ensure tax compliance and manage tax risk appropriately. The board remains closely involved in tax matters and supports the group tax strategy and governance standard that outlines our approach to tax.

We strive to minimise tax risks and thus maximise the value we can deliver to our shareholders and the communities and governments of the countries in which we operate. We adopt an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse or unexpected financial consequences and protect our reputation. The group tax governance standard aims to facilitate compliance with the group tax strategy and forms part of the overall framework governing the management of tax matters within the group. The standard is further supported by various supplementary policies that address the taxes across the jurisdictions in which we operate. We seek to ensure that all intragroup payments are at an arm's length price.

We are committed to acting with integrity in all tax matters. We foster transparent and constructive relationships with tax authorities and ensure accurate, transparent and timely compliance with tax laws in all countries in which we operate. We are comfortable to talk openly about our tax affairs and tax management, to participate in balanced debates about tax, and to keep an open mind on the future needs of all our stakeholders. We only enter into commercial transactions where the associated approach to taxation is justifiable under any reasonable interpretation of the underlying facts, as well as compliant in law and regulation.

HUMAN RIGHTS

We take any adverse human rights impacts seriously and seek to avoid human rights infringements and being complicit in the human rights. Our Group Human Rights Statement is based on the UN Universal Declaration of Human Rights and applies across all our operations and guides us in doing the right business, the right way. Where local legislation may conflict with Standard Bank's Statement on Human Rights, we will comply with the law while seeking, within our spheres of influence, to raise awareness of human rights and provide an example of good practice through our own conduct, while being mindful of the local context. In South Africa, we are committed to upholding the principles of the Constitution, and the associated Bill of Rights.

We are committed to:

- Providing a work environment for our people that respects their human rights and this commitment is reflected in our people policies and practices.
- Exercising due diligence in deciding on who we do business with and understanding the potential human rights impacts of our business relationships, purchasing, lending and investing.
- Taking appropriate steps where we discover, or are made aware, that we have caused or contributed to actual or perceived human rights abuses. This may include disciplinary action, exiting a business relationship, or constructive engagement with others to promote better practice.
- Contributing to the combating of financial crime and corruption in all its forms, including extortion, bribery, and money laundering.
- Adhering to the Equator Principles in project financing.
- Encouraging our clients, suppliers and business partners to avoid human rights infringements in their businesses, and supporting their adoption of good practices to manage their human rights impacts.
- Requiring our people to report any alleged or suspected human rights violations to the group's chief ethics officer or to make use of the group's whistleblowing hotline.
- Communicating about and reporting on our activities in the human rights arena through our report to society, and engaging with our stakeholders regarding the responsibilities of business in respecting and upholding human rights.
- Regularly reviewing our progress in meeting these commitments under the oversight of the group social and ethics committee.

GOVERNANCE OF ENVIRONMENTAL IMPACTS

South Africa's King IV Code on Corporate Governance incorporates principles that emphasise the link between good governance and responsible practices with regards to the environment. According to Principle 4 of the Code, creating value, the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements.

As a bank with operations across Africa, we are cognisant of the continent's vulnerability to the negative impacts of climate change and are working with our clients to develop appropriate solutions for climate change mitigation and adaptation, especially in the agricultural sector. We're also a major investor in renewable energy technologies across the African continent.



ASSESSING MATERIALITY

The International Integrated Reporting Council (IIRC) defines material issues as those issues that "could substantively affect the organisation's ability to create value in the short, medium or long term". We have identified material issues for reporting in our Integrated Report and our Report to Society.

In 2017 the process we followed to determine our material issues included:

- Desk research, encompassing internal and external research reports and media coverage, to generate a 'long list' of material issues
- Validation of the long list, including cross-checking against the group's 2015 and 2016 material issues, discussion with executives, and cross-checking against issues recorded in stakeholder engagements
- Mapping of issues against our value drivers and ten impact areas as listed in the Report to Society and cross-checked against emerging risks identified by Group Risk
- Discussion with Regional Directors across our regions of operation to ensure a group-wide perspective
- Development of a heat map to refine the issues, using IIRC guidelines
- Refinement of the issues in consultation with the Group Management Committee and Group Social and Ethics Committee.
- Group Social and Ethics Committee sign off on material issues.

STAKEHOLDER ENGAGEMENT

To better understand our stakeholders' expectations of us, and to assess opportunities to improve shared value creation, we understand the need to create effective communication channels and relationships. In 2017 we initiated a process of reviewing our stakeholder engagement model, and developing more targeted and effective channel for engagement with key stakeholders, and put this into practice.

The Stakeholder Engagement Unit within Group Policy, Advocacy and Sustainability (GPAS) monitors and facilitates strategic stakeholder relations through the collation of data for internal reporting and decision making; keeping abreast of and engaging stakeholders on public policy and regulatory developments; engaging stakeholders on matters material to the bank and providing responsive external reports, such as the Report to Society, where we publicly report on our engagement activities, and how the material matters identified have impacted our decision-making.

Standard Bank undertakes proactive engagement with strategic stakeholders, particularly in government, parliament, civil society, and environmental organisations, and facilitates high level engagements between political and government leaders and Group executives. These engagements seek to build and strengthen trust.

INDUSTRY ASSOCIATIONS AND PARTNERSHIP

We participate in several organisations and strategic partnerships to ensure we remain abreast of sustainability issues and good progress at global community level. This includes membership of the following:

Global Equator Principles Steering Committee

We adopted the Equator Principles in 2009, and have chaired the Equator Principles Association since 2015. The principles require us to ensure that our project financing, advisory and project related corporate loans meet consistent international standards from an environmental and social perspective, throughout the lifecycle of a transaction. We are currently implementing a systemic approach to risk reporting on environmental legal requirements and accepted best practice, which will be rolled out to our Africa Regions in 2018.

United Nations Environment Programme Finance Programme (UNEP FI)

We are a member of the UNEP FI which works to raise awareness and understanding about how the financial sector impacts society, and how a shift in priorities and ways of working is crucial for the sector to remain relevant and legitimate in the future. Standard Bank is the Deputy Chair of the UNEP FI Banking Committee.

International Chamber of Commerce: Banking Commission Working Group on Sustainable Trade Finance

The International Chamber of Commerce (ICC) Banking Commission has consolidated its Working Group on Sustainable Trade Finance, with a clear mandate to leverage banks' role in financing sustainable trade and encourage sustainable practices. Key priorities include:

- To provide clarity to banks in the implementation of sustainability policy, standards and guidance for sustainable trade finance operations.
- To promote industry-wide consensus on a definition for sustainable trade finance, to discourage further inaccurate use of the term or "greenwashing".
- To monitor and help drive the development of industry initiatives around environmental and social risks and finance provision.

Standard Bank is a work stream lead, examining voluntary standards and certification by combining existing resources and by exploring practices within banks and consultation with standard-setters.

Banking Association of South Africa (BASA) Sustainable Finance Committee

We use our trade association memberships to engage on ESG impacts. As a member of the Banking Association of South Africa (BASA), we have adopted a Code of Conduct for Managing Environmental and Social Risk. This codifies the role of financial institutions in protecting, promoting and fulfilling social, economic and environmental rights in South Africa. The code covers our operations, procurement, lending practices, products and services and sets a benchmark for effective management of these risks.

As part of our membership of BASA we participate in the BASA Sustainable Finance Committee which seeks to promote the provision of financial capital and risk management products and services in ways that promote or do not harm economic prosperity, the ecology and community well-being.

National Business Initiative (NBI)

We are a member of the NBI, a coalition of South African businesses committed to sustainable growth and development through responsible action. We have participated in several forums led by the NBI, including a dialogue relating to Transformation and Social Cohesion led by our Group CEO, Sim Tshabalala.

Institute of Directors of Southern Africa (IoDSA) Sustainability Forum

We are a major sponsor of the IoDSA's Sustainable Development Forum (SDF) which provides necessary and valuable services to its members by researching and disseminating information on developments relating to sustainability issues through regular meetings, workshops and publications.

FREEDOM OF ASSOCIATION

Standard Bank respects the right of freedom of association. The bank practices and subscribes to good labour practices. It is for this reason that the bank recognises the need and actively engages labour unions, for the benefit of our people and the sustainability of the bank.

In South Africa, this includes the South African Society of Banking Officials (SASBO).

We continue to engage with unions:

- To promote fair and equitable employee-relations practices, good governance and a sound working relationship.
- To ensure that all matters having an impact on basic conditions of employment are effectively addressed through collective bargaining.

Unions continue to engage with us:

- To represent their members on matters of mutual interest
- To represent the interest of union members who are Standard Bank Group employees and members of the bargaining unit.
- To consult on salary negotiations and engage on any changes impacting staff in the bargaining unit through a consultative forum and collective bargaining forum.

DEMOCRACY SUPPORT PROGRAMME IN SOUTH AFRICA


Standard Bank has an important role to play in the future of South Africa and the continent at large. Critical to this future is the obligation to ensure that the bank operates in an environment that is not only conducive for commercial success but an environment that is fully cognisant of the broader needs of society.

An important part of this is ensuring that we promote a principle-based policy environment driven by values of constitutionalism, good governance, respect for the rule of law and evidence-based decision-making. Upholding these principles will ensure better societal outcomes and it is the role and responsibility of corporates such as the bank to support outcomes as a corporate leader through strategic investments in upholding a functioning democracy.


Since 2004, Standard Bank funds parties in the National Assembly based on an Independent Electoral Committee (IEC) funding formula. The funding assists in ensuring that recipients are able to formulate policy proposals, conduct research and to prepare for parliamentary debates. Standard Bank meet with the leadership of each party annually for a report-back on how funds were used.



ADDITIONAL ONLINE GOVERNANCE RESOURCES:

RISK  Risk & capital management report
<http://annualreport2017.standardbank.com/>

GOV  Governance and remuneration report
<http://annualreport2017.standardbank.com/>

AIR  Annual integrated report
<http://annualreport2017.standardbank.com/>

METRICS

ENVIRONMENTAL AND SOCIAL

Environmental – Indirect Impacts

E&S Risk additional project detail breakdown

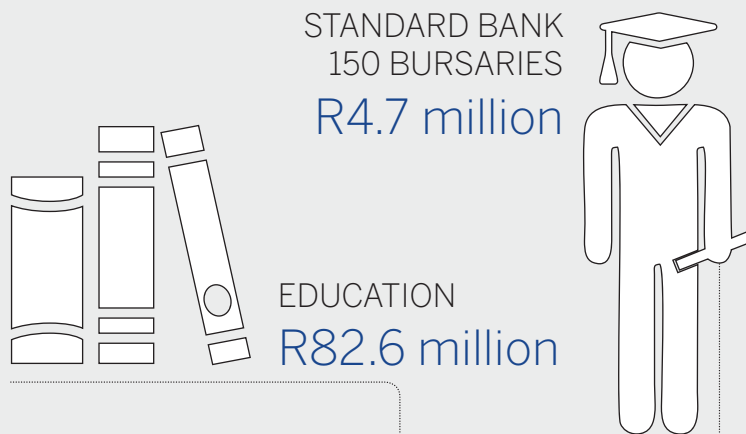
	Projects financed during 2017 (4)			Project related corporate loans in 2017 (1)			Advisory projects completed in 2016 (1)		
	Category								
	A	B	C	A	B	C	A	B	C
Total projects		4		1			1		
Sector									
Oil and Gas		1		1					
Mining									
Power									
Infrastructure/Property Finance		3					1		
Others									
Region									
Americas		4							
Europe, Middle East and Africa				1			1		
Asia Pacific									
Country designation									
Designated									
Non-Designated		4		1			1		
Independent Review									
Yes		3		1					NA
No		1							

Environmental – Direct Impacts

	Total emissions in CO ₂ tons				
	2017	2016	2015	2014	2013
Total emissions in CO ₂ tons	1 660	831	2 178	1 500	985
Scope 1 Fleet vehicles	2 603	3 486	4 414	6 134	7 625
Scope 1 Rental Cars	412	278	190	188	165
Scope 1 Natural gas	3 363	3 984	4 404	4 850	2660
Scope 1 Refrigerants	3 180	3 536	2 934	2 762	NA
Total Scope 1	11 218	12 114	14 120	15 435	11 436
Scope 2 (Purchased electricity)	220 408	233 107	248 429	283 314	303 332
Total Scope 1 and 2	231 626	245 221	262 549	298 749	314 768
Scope 3 Flights	25 762	32 824	31 495	13 424	12 006
Scope 3 Paper	2 664	2 715	3 738	4 837	5 494
Scope 3 waste disposed	669	503	NA	NA	NA
Total Scope 3	29 095	36 043	35 232	18 261	17 500
Total emissions	260 721	281 264	297 781	317 010	332 268

METRICS

Environmental and social continued



CSI Spend

CSI (SBSA) Rm	2017	2016	2015
Education	82.6	59.5	59.5
Standard Bank 150 Bursaries	4.7	7.5	7.5
Provincial Allocation	3.0	2.7	2.6
Staff Matching	2.4	1.6	1.1
Employee Community Involvement	12.8	11.6	6.6
Executive Discretionary Fund	1.1	1.8	7.6
Humanitarian Relief	0.0	0.0	0.0
Arts & Culture	8.8	7.9	7.9
Total administration & Operational Costs	6.6	5.6	4.4

Inclusive banking – Affordable housing

SBG Home loans	2017	2016	2015
Total number of home loan accounts held	510 145	516 920	517 938

SBSA Home loans	2017	2016	2015
Normal home loans exposure vs Affordable housing exposure (ratio)	11.0	10.4	10.6
Total number of affordable housing accounts held	99 158	102 895	103 824
Number of affordable housing loans financed during the year	4 752	7 691	10 615
Total number of pension-backed lending accounts	57 375	44 559	50 068
Number of homes where the bank restructured accounts at year end	2 316	5 662	



510 145
TOTAL NUMBER
OF HOME LOAN
ACCOUNTS
HELD (SBG)



99 158
TOTAL NUMBER OF
AFFORDABLE
HOUSING ACCOUNTS
HELD (SBSA)



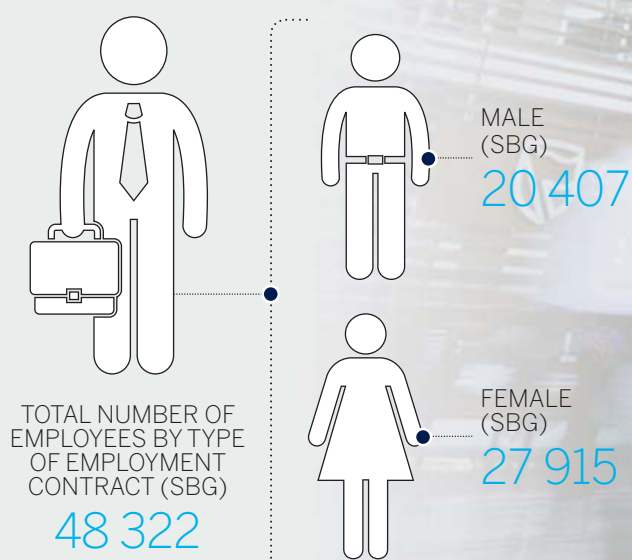
METRICS

Environmental and social continued

Our People

SBG	2017	2016	2015
Total number of employees by type of employment contract	54 047	54 238	56 089
Permanent	48 322	48 622	47 954
Non-permanent	5 725	5 726	8 135
Total number of employees by Gender (Perm)	48 322	48 622	47 954
Male	20 407	20 494	20 274
Female	27 915	28 128	27 680
Total number of employees by region	48 322	48 622	47 954
SBSA	32 876	33 332	33 057
Rest of Africa	14 831	14 693	14 321
Voluntary Turnover rate (%)	5.5	5.6	6.7

SBSA	2017	2016	2015
SBSA Diversity & Inclusion – Black employees (South African citizens) (%)			
Top management	34.1	22.2	20.9
Senior management	43.1	40.7	39.5
Middle management	69.5	68.0	67.0
Junior management	87.5	86.6	85.3
Voluntary Turnover rate (%)			
Voluntary Turnover rates (African)	5.5	5.7	5.9
Voluntary Turnover rates (Black Females)	4.5	4.9	5.7
Black Female Hires as a % of Total Hires	46.1	54.5	59.0
Overall turnover	8.8	9.1	9.9
Voluntary regrettable turnover	2.3	2.1	2.9
Voluntary turnover at executive level	4.3	5.6	7.7



METRICS

Environmental and social continued

Growing our people

Employees completing studies – Internal bursaries (SBG)	2017	2016	2015
Number of staff completing studies (internal bursaries)	934	724	594
Value of studies (bursaries) (Rm)	22.7	14.1	10.7

Online Learning Platform (SBG)	2017	2016	2015
Number of courses offered on Network Next	13 425		
Uptake of courses by grade (%)			Data not available
Junior management	18.6		
Middle management	16.0		
Senior Management	8.9		
Executive	3.4		
Top Management	1.1		

Global Leadership Centre (GLC)	2017	2016	2015
Percentage of black attendees at all GLC courses combined (SBSA)	67.5	67.0	70.0
Percentage black staff promoted after completing a GLC course by year end (SBSA)	6.5		
Number of Africa Regions attendees across all GLC courses (SBG)	1 017		Data not available

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