

Challenges in executing our strategy

In a turbulent global economic environment, Africa continues to offer opportunities for growth. The unique risks in each of the countries we operate in require a forward-looking approach, that enables us to identify and realise the opportunities they present.

The following challenges provide a broad forward-looking view of what we need to manage as we execute our strategy over the medium term, and are reflective of the issues deliberated on by management across our businesses. To realise our vision we need to be proactive in how we plan for and manage these challenges, allowing us to leverage the associated opportunities.

Maintaining awareness of these challenges in our deliberations ensures that the way we do things is informed by robust decision-making and ultimately results in improved service to our clients, balanced by our obligations to our other stakeholders.

Challenges

Increasing competition in Africa

Global and regional banks are expanding their presence on the continent, and the increase in non-traditional competitors is being driven by advances in technology and, in some cases, their ability to operate outside the ambit of financial services regulation. In this context, we need to defend and grow our position by providing the best client experience at the lowest possible cost. Our legacy and position as an integrated financial services group differentiates us in an industry increasingly characterised by growing fragmentation and disintermediation.

Changing regulatory landscape

The volume of new financial services regulations continues to grow. The diverse ways in which new regulations are promulgated within countries can lead to uncertainty. Countries must adhere to international regulations for them to continue participating in the global economy. Ensuring an efficient client experience while adhering to regulatory demands is an ongoing consideration. Our client focus aligns to the spirit of these regulations, which is ultimately to protect consumers.

Operational challenges

Maintaining business resilience in an environment characterised by power and water supply constraints and a heightened potential for adverse socio-political events due to economic challenges, requires a constant forward-looking approach. In addition, the industry-wide trend to outsource material business activities requires greater oversight of third parties to prevent potential negative impacts on our operational activities and to ensure client information used by third parties is secure.

 What we will do to realise the opportunities presented by our strategy is answered in relation to our material issues on [page 20](#).

 The group's risk and capital management report provides comprehensive information on the group's specific risk types, how they are managed and the associated governance structures that oversee the management of these risks.

Technological development

New technologies present us with profound opportunities to compete more effectively by meeting changing customer expectations. They also introduce significant new challenges. Building a digital financial services group needs to be managed in a way that does not compromise system stability and client experience. Furthermore, the value of information as an asset makes it a potential target for cyber-attacks, in addition to theft of funds. Globally, cyber-attacks are increasing in number and sophistication, as is the exploitation of systems and people. In addition, criminal activity can be heightened by the introduction of new channels.

Client expectations

The capabilities of new technologies – and the speed with which they are being adopted – mean that consumers increasingly expect highly tailored yet affordable products and services that are available whenever they choose. The emergence of new services from non-traditional competitors, the ease with which clients can change to a different bank and the speed at which negative experiences can be shared through social media require a greater focus on client experience.

People and culture

Achieving our objective of placing our clients at the centre of everything we do ultimately depends on our people's ability to provide great client experiences, whether directly through their interactions with clients, through the products and services we develop or through the management of compliance processes that could impact on the perceived quality of service. Building a digital financial services group requires us to employ and develop new skills, and for our people to adapt to new ways of working. In light of the challenges in executing our strategy, and to maintain trust, we need to ensure a culture that values client fairness and market integrity in everything we do.

Managing associated risks

Aligning risk management to our client focus

Understanding our clients forms a key part of managing risk on the continent and will benefit from our client focus. A key initiative in this regard is bringing risk management closer to the functions where risks arise, identifying risks early and, in our client-facing functions, gaining deeper insight into our clients.

Other projects include aligning the collection of financial and risk data to improve our view of the size and potential consequences of exposures, and implementing measures to better understand the complex interrelationships between different risk types.

These initiatives are supported by our investments in technology, and will allow us to tailor our products and services in a way that better manages our risk exposures and reduces related capital requirements.

Building a risk-aware culture

Building a resilient and consistent risk-aware culture is essential in effectively managing the challenges that may arise in executing our strategy. Our three lines of defence model supports building a risk-aware culture by ensuring accountability, responsibility and sufficient coverage of the risk landscape.

Acting ethically and fairly in everything we do

Conduct risk is the risk that the group itself poses to our clients, and to the effective functioning of financial markets, through behaviour that is not ethical or fair. The way we execute our day-to-day activities – including how we design and market products, how we communicate with clients and how we meet their expectations – prescribes the culture we wish to build, and therefore determines our ability to keep the promises we make to our clients and place them at the centre of everything we do.

 The risk report on [page 64](#) provides more detail on the group's approach to risk management.