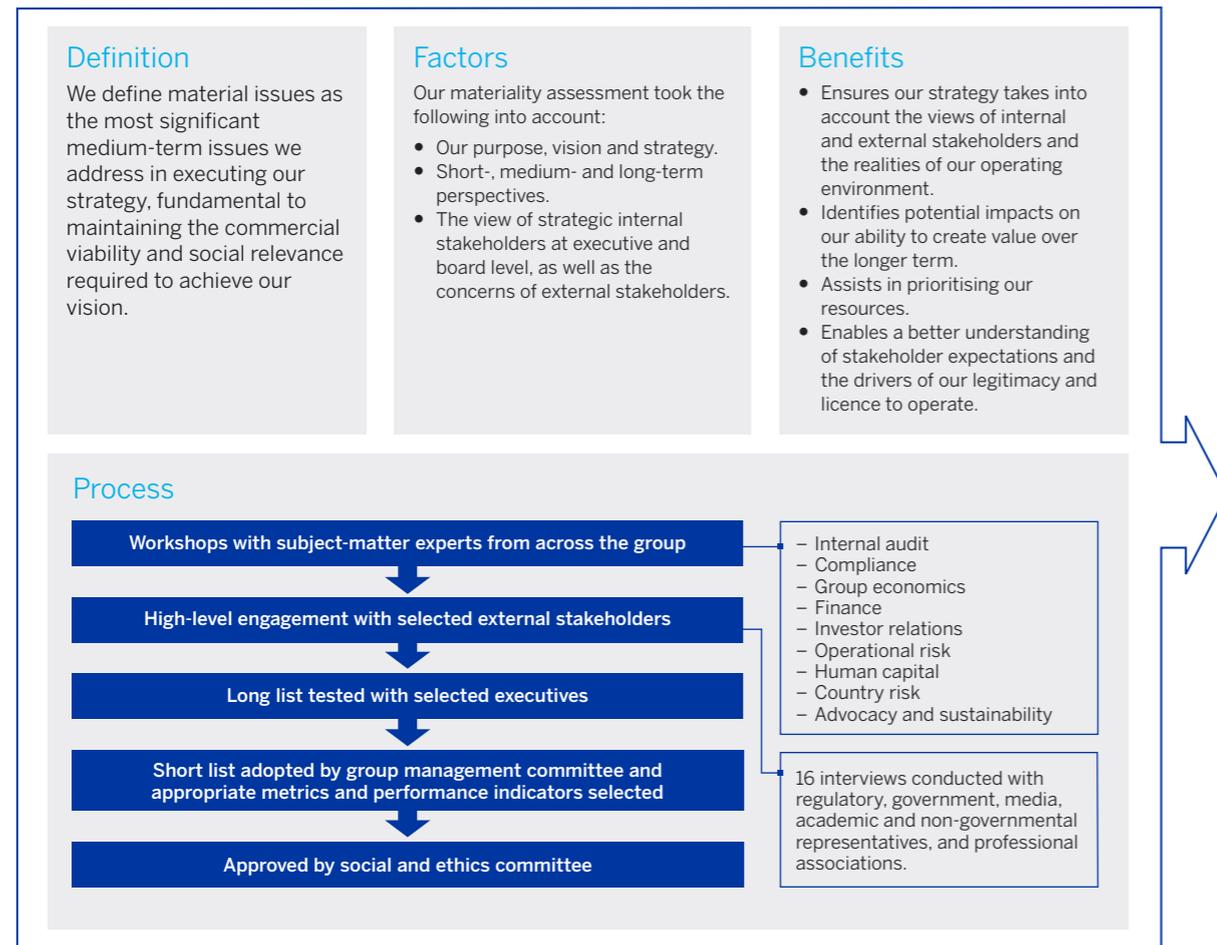


Our material issues

Our material issues are those issues that we believe could seriously affect our commercial viability and our social relevance. These include factors influencing economic growth and political and social stability, and those which impact on how our stakeholders perceive the group and its role in society. Effectively managing our material issues is critical to achieving our strategic objectives and meeting our stakeholders' expectations.

Following engagement with certain internal and external stakeholders, we have revised our material issues into the six issues listed alongside. The materiality determination process complemented our day-to-day stakeholder engagements, going beyond these engagements to place particular emphasis on aspects that are likely to influence the social, economic and physical environments in which we operate.

We view the materiality determination process as a business tool that facilitates integrated thinking, and as such the pragmatic approach developed in 2015 serves as a basis for future materiality assessments. This process has to date been largely South Africa-centric. In line with our vision, we will continue to extend this process to our operations in the rest of Africa.



Our material issues are explained in more detail on the following page including what we will do to realise the opportunities presented by our strategy in relation to each material issue.

The report to society provides an analysis of the issues material to the group's sustainability and to its stakeholders.

Acting on our material issues

MATERIAL ISSUE	What we will do to realise the opportunities presented by our strategy	For more information
<p>1 WITHSTANDING ECONOMIC HEADWINDS</p> <p>Africa's prospects for sustainable, long-term and inclusive economic growth</p> <p>Africa is our home and we are committed to the expansion and deepening of our business across the continent. We work with our clients and regulators to support economic growth and diversification, thereby counter-balancing the slowdown in emerging markets which is largely driven by the decline in commodity prices.</p>	<ul style="list-style-type: none"> Maintain profitability within our risk appetite while navigating challenging economic and regulatory environments, meeting client expectations and competing effectively. Ensure robust monitoring of strategy implementation and harmonise strategies across our geographic footprint. Maintain a forward-looking view of potential socio-political instability and put appropriate business continuity measures in place. 	<p> Group chief executives' report on page 32.</p> <p> Risk report on page 64.</p>
<p>2 UNDERSTANDING OUR CLIENTS</p> <p>Putting our clients at the centre of everything we do</p> <p>Our clients are the reason we are in business. To provide them with the products and services they need, we must understand the environments in which they live and work, their immediate needs, and their long-term plans in respect of their careers, their businesses, their personal lives and their families. For corporate clients, we focus on understanding their operating environments and the associated opportunities and challenges.</p>	<ul style="list-style-type: none"> Instil a culture that values excellent client experiences, ethical and fair conduct and market integrity. Constantly leverage new technologies to meet changing client expectations and enter partnerships to drive innovation. Ensure appropriate technical capability and skill to prevent our clients from being exploited. 	<p> Business unit reviews starting on page 36.</p> <p> Human capital report on page 58.</p>
<p>3 MOTIVATING OUR PEOPLE</p> <p>The commitment, motivation and capability of our people, and their ability to live our values</p> <p>Our ability to meet our objectives, deliver value to our clients, comply with our regulatory obligations and create shareholder value depends on our people. We strive to work with people who share our passion for Africa, who see the opportunities inherent in the diversity of the continent and its people, and who are committed to putting the client at the centre of everything we do.</p>	<ul style="list-style-type: none"> Ensure that we have a diverse workforce with the right skills and capabilities to successfully execute our strategy. Maintain an ethical and risk-aware culture that upholds our principles and values. Capacitate our people to perform in a world of rapidly changing client expectations, technology and ways of working. 	<p> Business unit reviews starting on page 36.</p> <p> Human capital report on page 58.</p> <p> Remuneration overview on page 103.</p>

MATERIAL ISSUE	What we will do to realise the opportunities presented by our strategy	For more information
<p>4 EMBRACING INNOVATION</p> <p>Continual innovation to improve the value we provide</p> <p>In a world of constant technological evolution, we need to be at the forefront of new ideas and leverage technology to provide exceptional client experiences and gain competitive advantage. Innovation extends beyond our products and services to how we operate by way of our internal processes and systems. These must all fulfil the ultimate objective of placing our clients at the centre of everything we do.</p>	<ul style="list-style-type: none"> Deliver new products and services to market quickly without compromising system stability. Develop a culture that encourages innovation and challenges established processes, with a view to delivering excellent client experiences that differentiate us in a commoditised and low-cost competitive environment. Build resilience to change among our people. Ensure third parties keep client information secure, where it is necessary to share such information to develop innovative solutions. Find ways to address social challenges through innovation. 	<p> Business unit reviews starting on page 36.</p> <p> Information technology report on page 54.</p>
<p>5 MANAGING REGULATORY CHANGE</p> <p>Meeting the expectations of our regulators and serving the best interests of our clients</p> <p>The regulatory frameworks governing financial services providers continue to evolve at a national and global level, and the supervisory powers of certain regulatory bodies have been increased significantly. We work closely with all our regulators to ensure that we effectively manage these developments, while minimising as far as possible any negative impacts on our clients, employees and areas of business.</p>	<ul style="list-style-type: none"> Adhere to associated regulations and comply with privacy controls when sharing data with third parties. Maintain and enhance our ability to comply with changing regulation across jurisdictions and comply with capital requirements at all times, in a way that does not compromise client experience. Instil a compliance mindset across the group. 	<p> Chairman's statement on page 6.</p> <p> Group chief executives' report on page 32.</p> <p> Risk report on page 64.</p>
<p>6 LEVERAGING OUR INVESTMENTS IN INFORMATION TECHNOLOGY</p> <p>The security, stability, functionality and efficiency of our IT services</p> <p>IT enables us to serve our clients in a way that is more convenient and that makes their financial transactions more reliable and secure. In addition to being an enabler of our strategy, IT is also a competitive advantage. We use our understanding of our clients to provide them with value-added, uninterrupted IT products and services. While urbanisation in Africa is rising, many of the continent's people still live in remote areas, where IT can be used to overcome challenges in delivering services.</p>	<ul style="list-style-type: none"> Balance client expectation for innovation against maintaining system stability. Constantly monitor and anticipate criminal exploitation of our systems and cyber-attacks on cloud services, and deploy prevention and mitigation measures. Ensure that our systems maintain the privacy of client information and put additional measures in place to protect our data stores. 	<p> Group chief executives' report on page 32.</p> <p> Business unit reviews starting on page 36.</p> <p> Information technology report on page 54.</p>

Responding to our stakeholders

Our stakeholders are those individuals or organisations who have an interest in our success or failure and whose opinions and actions can impact on our ability to execute our strategy and conduct our business activities. Below we outline the top issues raised by our key stakeholders and our responses.

 For more information on how we create lasting value for our stakeholders see the report to society.

CUSTOMERS AND CLIENTS

Delivering what matters to our customers and clients: as part of our programme to identify what really matters to our customers, executive management visited branches and call centres during the year, to understand the issues customers face. A result of this process was to enable our clients to change electronic payment limits on our internet and mobile banking platforms. CIB's client engagement model, introduced in 2013, is proving effective at deepening our understanding of clients' needs and providing appropriate solutions. Our focus on building a culture of treating customers fairly and knowing our customers, together with our ongoing focus on innovation, will help to accelerate raised service levels.

For our small and medium enterprise (SME) clients, virtual business centres were introduced in 11 countries in 2015, providing faster transaction turnaround times through the use of eSignatures and biometrics. Towards the end of 2014, we introduced a specialised enterprise development customer proposition which provides financing solutions to mainly black-owned companies that have gained access to preferential procurement opportunities from corporates or public sector entities.

Improving system efficiency in the rest of Africa: the new version of Finacle core banking is more agile, enhances cybercrime risk mitigation and provides for a better user experience. All our rest of Africa franchises will be migrated to the new platform by the end of 2017, except for Angola, Kenya and Mozambique. These operations will continue on their existing system which is able to support our new digital channels.

Combating financial crime: ongoing research and strategic partnerships enable us to be agile and proactive in our approach to financial crime management. In South Africa, we are working with the South African Reserve Bank (SARB), the Payments Association of South Africa (PASA) and other banks to authenticate the process of implementing debit orders and address debit order abuse.

SHAREHOLDERS AND INVESTMENT ANALYSTS

Resilience of the Africa-focused strategy: aggregate headline earnings for our rest of Africa operations increased 12% (2014: 41%) despite the impact of challenging market conditions.

Increasing IT costs and systems stability: we continue to invest in upgrading and modernising our core banking infrastructure across the group, with a balance sheet carrying value of R19.7 billion (2014: R17.1 billion). We have also invested in technology solutions and strengthened our risk management capability to minimise outages and service interruptions.

Slow improvement in ROE: we are actively working to improve our ROE, which in 2015 improved to 15.3% (2014: 12.9%). This is within our 15% to 18% medium-term target.

GOVERNMENT AND REGULATORS

Introduction of the Twin Peaks system of financial sector regulation in South Africa: in 2015 we submitted commentary to National Treasury on specific elements of Twin Peaks, including the supervision of the national payments system, financial crisis management and the risk-based approach to conduct supervision.

Responsible lending in South Africa: we engage with the Department of Trade and Industry (dti) and the National Credit Regulator to enhance our understanding of their expectations for providing credit responsibly. We share data based on our experience to inform policy-making. We participate in initiatives under Banking Association of South Africa (BASA) to address over-indebtedness and abusive lending practices.

Compliance training: all employees are required to complete mandatory regulatory and business compliance training. Training is standardised across the group, with jurisdictional content managed locally, as appropriate. In response to specific matters such as the deferred prosecution agreement in the United Kingdom (UK), additional training is implemented.

Increasing the pace of transformation in South Africa: our banking operations achieved a broad-based black economic empowerment (BBBEE) transformation score of 93.42 in 2015 (2014: 94.25). The decrease of 0.83 in comparison to our 2014 BBBEE score was a result of lower points for ownership (-0.27), management control (-0.38), skills development (-0.18) and access to financial services (-0.12), partly mitigated by an improvement in employment equity (+0.12). We retained full points for preferential procurement, enterprise development, empowerment finance and socioeconomic development. With respect to our 2015 ownership score being lower than 2014, this was due to the repatriation of capital to South Africa, following the disposal of SB Plc in London in February 2015. This meant that the South African component of the group's operations became proportionately larger. When related to a larger South African portion of the group, the original Tutuwa ownership shares generate a reduced ownership score. Under Tutuwa, Standard Bank's BBBEE ownership transaction, a significant number of Tutuwa beneficiaries realised value during 2015 following the expiry of the scheme's 10-year lock in period at the end of 2014. At December 2015, the scheme's remaining participants consisted of 1 881 (2014: 6 188) black managers.

Dividend payouts to remaining Tutuwa Managers' Trusts beneficiaries amounted to approximately R41 million (2014: R164 million).

EMPLOYEES AND THEIR REPRESENTATIVES

Internal career opportunities: over half of the appointments made in 2015 were internal promotions or transfers. Succession planning and talent development for critical roles remain a priority.

Employee wellness: employee surveys indicate that job-related stress levels are increasing. We continue to promote employee health and wellness management and provide access to a range of services, including financial wellness.

Leadership capability: our strategy provides clear guiding principles for prudent management decision-making, and leadership forms a key part of our strategic focus on culture. We continue to provide focused leadership development programmes.

Diversity and inclusion: in October 2015, the group signed the International Labour Organisation Disability Charter and SBSA received the Department of Labour private sector award for Innovation and Special Projects to Further Gender Equality.

Rewarding employee excellence: we continue to use the Beyond Excellence programme in all countries of operation to recognise employee performance and values-based behaviour.

SUPPLIERS

Supplier development and preferential procurement: we actively look for ways to increase our procurement spend with black-owned and black women-owned businesses, particularly SMEs, in South Africa. Monthly reviews are undertaken to measure progress against targets to diversify our procurement portfolios. Our supplier development programme assists potential black-owned suppliers in the tender process. Our top suppliers have good overall BBBEE contribution levels of between one and four. In South Africa, we met the financial sector code's target for preferential procurement, scoring 16 points out of a possible 16.

In every country of operation, we seek to procure goods and services locally where possible. Our total procurement spend in Africa, excluding Liberty, was R26.4 billion (2014: R27.7 billion) benefiting 15 625 (2014: 15 058) suppliers, of which 73% and 27% were situated in South Africa and the rest of Africa respectively.

SBSA WEIGHTED PROCUREMENT SPEND WITH BBBEE SUPPLIERS



CIVIL SOCIETY

Community upliftment: in 2015, our CSI spend across the group was R172.8 million, up 51% compared to 2014. Our CSI programme continues to focus on investment in education across our geographic footprint. In 2015, we also established a strategic partnership with the Global Fund through which we support their efforts to eliminate HIV/Aids, tuberculosis and malaria.

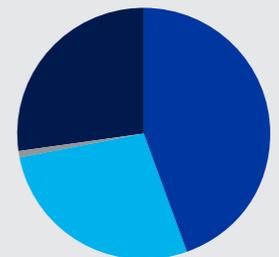
To support the South African Government's drive to revitalise and reindustrialise township economies, we hosted the 'eKasi Rising' dialogue in Soweto with participating representatives from a number of government departments. Topics included improving access to financial services for township businesses, refining our mortgage offering to suit the township market and strengthening the linkages between township and formal urban economies.

Role of business in society: our executives engage with the South African Government on topics such as bolstering investor confidence and re-energising the economy. We are also playing a leading role in discussions on a national minimum wage.

Strengthening democracy in South Africa: as part of our democracy support programme we make annual donations to political parties calculated using the Independent Electoral Commission's formula to allocate party funding. Each party is required to account annually for the use of the funds. In 2015, we allocated R2.2 million (2014: R4.2 million).

Energy efficiency: in 2015, we led initiatives and worked collaboratively with BASA, PASA, the JSE and the SARB to ensure the appropriate level of resilience to load shedding across the financial services industry and key market infrastructure. During the year, we invested R12 million in energy efficiency improvements in South Africa, reducing our energy consumption across the operation by 9.1% compared to 2014, equating to an energy saving of 28 gigawatt hours and a reduced demand on South Africa's electricity grid.

CSI SPEND



2015

