



CHAIRMAN'S STATEMENT

Good governance is about ensuring that an organisation creates and preserves value for all its stakeholders, both right now and into the long-term future.

Thulani Gcabashe
Group chairman

“We are now faced with the fact that tomorrow is today. We are confronted with the fierce urgency of now... This is no time for apathy or complacency. This is a time for vigorous and positive action.” – Dr Martin Luther King

Good governance is about ensuring that an organisation creates and preserves value for all its stakeholders, both right now and into the long-term future.

We must be mindful of the broad and long-term impacts of the group's decisions. This means that we must listen attentively, respectfully and patiently to all our stakeholders. We must ensure that all our stakeholders' current and long-term interests are taken fully into account.

Equally, though, good governance is about insisting on the fierce urgency of now.

↑ 2%
994^c

DIVIDEND PER
ORDINARY SHARE

2018: 970 cents

There are many reasons why the South African economy performed so poorly in 2019. One of them has been the slow response by policymakers and the relevant authorities to crises that confronted the economy. To take only the most notable example, by January 2019 it was clear, and well-articulated, that the operational and financial crises at Eskom were posing a severe risk to the South African economy. It was only late in 2019 that we saw the appointment of a new chief executive who seemed to have the mandate to tackle these problems at their core. As I write this in early 2020, there are hopeful signs that Eskom is being better managed and that policymakers have started to move more quickly to reform the electricity industry.

Rising inequality and worsening poverty for many in South Africa were, tragically, accompanied by incidents of xenophobic and gender-based violence. We utterly condemn both. As an Africa-wide group, whose chief executive is a HeForShe Champion, we do what we can to prevent and to resist both gender-based violence and xenophobia.

Standard Bank Group will continue to advocate for quicker and better policymaking and for faster, more effective execution. But we are also mindful of our responsibility to be the change we seek.

As this report shows, we aim:

- To move quickly to ensure that we are competitive and relevant in the digital age.
- To ensure that our people have the resources and skills they need in the digital economy so that change is welcomed rather than feared or resisted.
- Above all, to support inclusive growth and sustainable development in South Africa and throughout the continent as we serve and support our clients.

Guided by these principles, the board considered a wide range of governance matters during the year. Read more about these in the governance overview starting on page 96. The following examples illustrate our approach in a little more detail.

The board considered whether the reconfiguration of PBB South Africa and the subsequent branch closures were appropriately managed. The board was clear that the changes were necessary both to respond to changes in our clients' preferences and to remain competitive. We satisfied ourselves that everything possible had been done to ensure that our employees were ready for the change, as described in the PBB review starting on page 41.

It would certainly have been possible to undertake this reconfiguration more slowly and to have been less open about the process. The board concluded, however, that the group's responsibilities and values demanded of us that we move quickly and transparently.

Second, we considered how to respond to two resolutions proposed for consideration by minority shareholders at the AGM. We concluded that it was right that these resolutions, on finance for coal-fired power generation and on exposure to climate change risk, should be considered at the AGM. We put these resolutions to our shareholders, in a spirit of respectful and honest engagement and in recognition of the importance of hearing multiple perspectives on such issues. In accordance with our shareholders' decisions, we subsequently developed and published policies governing new investment in coal-fired power station finance and new investment in thermal coal mining finance, both available online.

Thirdly, the group board, as well as the boards of the subsidiary companies, undertook to improve their 'digital savviness' so as to better guide the digital transformation of the business. The undertakings include completing a study module facilitated by MIT (Massachusetts Institute of Technology), as well as executing digital projects where directors have been paired with younger members of staff.

Governance and risk management: key developments in 2019

The board was seriously concerned by the instability in our IT systems during 2019. We are satisfied that the underlying causes were correctly diagnosed. IT system stability recovered in the second half of the year. We will continue to hold the executive closely to account in this vital area.

A second area of concern for the board has been whether the group's capital allocation is optimal, both with respect to our minority holding in ICBCS and our very dynamic Africa Regions portfolio. We are satisfied that the group continues to move in the right direction.

A third concern has been the effectiveness of the group's marketing and communications. Standard Bank Group has an admirable tradition of modesty and restraint. We intend to continue this – but not to the extent of failing to market effectively or to communicate achievements of which we can be justifiably proud.

The board is pleased that the group became a founding signatory of the United Nations Principles for Responsible Banking in September 2019. We welcome the fact that ESG metrics are becoming increasingly important to investors. We will continue to ensure that the group incorporates ESG metrics into our decision-making and reporting in a rigorous, principled and transparent way.

The group will begin to report on climate-related risks in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). However, we will not report prematurely or in a perfunctory way. In accordance with our values, it is important to us that we report on, and manage, climate change risk with integrity and scientific rigour.

Tomorrow has indeed become today – finance is now a thoroughly digital business. During 2019, the board put a lot of time and work into ensuring that we have a sound understanding of how the economy in general – and the financial sector in particular – are changing as we enter the digital age.

While the board will continue to ensure that the group remains securely within the risk parameters we determine, we recognise that it is important to create more room for digital experimentation – within these parameters – to retain and sharpen our competitiveness.

We are equally determined that the group continues to make a socially just transition into being a truly digital financial services organisation. After all, the point of digitisation is to make life better and more fulfilling for our clients, people and other stakeholders. It is very important to us that unfair discrimination does not creep into the group's artificial intelligence (AI) systems.

The need to avoid unconscious bias is one of the many reasons why it is essential that the board is as representative as possible of South African and African society, and also that it contains a diversity of perspectives. The board is delighted to welcome three new members, Maureen Erasmus, Nonkululeko Nyembezi, and Priscillah Mabelane.

Dr Hao Hu stepped down from the board and as deputy chairman in March 2020. In terms of our agreement, ICBC is entitled to nominate a replacement and will do so in due course. Peter Sullivan will retire from the board at the close of the 2020 AGM. His role on the board includes being the chairman of the group remuneration committee (remco) and being lead independent director.

The board approved the appointment of Gesina Maria Beatrix (Trix) Kennealy as the chairman-designate of group remco. Upon the retirement of Peter Sullivan in May 2020, Trix Kennealy will take over as chairman of group remco as well as the board's lead independent director. We thank each of these board members for their contributions to the board.

I remain satisfied that the board is appropriately balanced and contains the skills required to ensure that the group is well-governed, and that the interests of our shareholders, other stakeholders, and the societies in which we do business are well-served. Considered succession planning, to maintain the right composition of skills and to meet our target for gender representation, remains a priority.

37%

WOMEN ON THE BOARD

Ahead of target of 33% by 2021

Appreciation and looking ahead

I express my deep gratitude to each of my fellow directors, and to all Standard Bankers.

As we finalised our reporting in March 2020, it had become clear that many governments were about to adopt sweeping public health measures against the COVID-19 epidemic. While unarguably necessary to protect human lives, these measures will severely disrupt the global, African and South African economies in 2020. Standard Bank Group is a resilient and resourceful organisation, and the board has every confidence that the group will continue to provide essential financial services throughout the pandemic and that it will remain sound, profitable and sustainable throughout this difficult period.

We remain equally confident that the Africa centred strategy of Standard Bank Group is correct. We will continue to hold management to account for the urgent and efficient execution of our strategy and for the fulfilment of our purpose: Africa is our home, we drive her growth.