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Governance



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## 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/>