

A woman with blue braids is smiling while talking on a mobile phone. She is wearing a white lace top and yellow polka-dot pants. She is sitting at a desk with a laptop and a clipboard. The background is a blurred office or home workspace.

## Our accountability

We're focused on nurturing entrepreneurs and small businesses, given their meaningful contribution to job creation and growth across our continent. One of our key initiatives is our partnership with Lionesses of Africa, a digital platform that connects more than 300 000 women entrepreneurs from 49 African countries. We sponsor the monthly Lioness Lean In Breakfast series, which features inspirational women speakers, and the Lionesses' daily electronic newsletter. We also run a structured three-month Women's Accelerator Programme sponsored by Liberty. In 2016, we sponsored the first Lionesses of Africa Conference where women entrepreneurs shared their start-up stories, tackled key challenges and inspired the next generation of women entrepreneurs.

96 Corporate governance overview  
106 Remuneration overview

# Corporate governance overview

We believe that corporate governance can contribute to value creation through enhanced accountability, more effective risk management, clear performance management, greater transparency and effective leadership. Ultimately, this is about holistic decision making that takes into account long-term, as well as shorter-term outcomes.



### Our board

The board of directors (board) is ultimately responsible for corporate governance across the group, and for providing ethical and effective leadership towards the achievement of the group's strategy. It dedicates time to oversee group culture and ensures that the group is managed within the agreed risk appetite. All directors meaningfully contribute to leading the group and dedicate sufficient time to fulfil their duties. The board monitors and holds the executive accountable for the group's operational and financial performance, and management is open and transparent with the board, bringing all significant matters to its attention.

The board is constituted in terms of the company's Memorandum of Incorporation (MOI) and in line with the provisions of the King Code of Governance Principles (King III). The majority of board members are independent non-executive directors who bring diverse perspectives to board deliberations and constructively challenge management. The board is effective and is considered to be of an appropriate size for the group.

The role of chairman is distinct and separate from that of the group chief executives and there is a clear division of responsibilities. In-depth interactions between the board and management strengthen the group's decision making and ensure an appropriate balance of power. A clear division of responsibilities at board level ensures that no one director has unfettered powers in decision making.

### Our succession plans

The board ensures that it has robust succession plans that recognise the businesses' current and future needs, taking into account the group's strategy. In 2014, a board succession programme was implemented to ensure that, as existing directors approach retirement age, new directors are appointed before their departure. This ensures seamless transition and that the board constantly comprises directors who between them have sufficient breadth of understanding of the group's businesses to effectively challenge the group's executives. The programme serves the board well and has resulted in the appointment of five new non-executive directors since the group's last annual general meeting (AGM). In line with the company's MOI, these directors will retire at the next AGM and offer themselves for re-election by shareholders of the company. The details of the newly appointed directors are set out on page 27.

### Process and policy

The board has a formal and transparent process and policy for the appointment of directors. While the board as a whole considers appointments, the authority to oversee nominations and carry out interview processes is delegated to the directors' affairs committee (DAC). Together with a candidate's experience, availability and likely fit, the DAC also considers their integrity, as well as other directorships and commitments to ensure that they will have sufficient time to discharge their role effectively. Race and gender diversity are also considered in this assessment. In addition, candidates must meet the fit and proper test, as required by the Banks Act.

To assess the board's effectiveness and that of its committees, we conduct an external board evaluation every three years and internal assessments in the intervening years. Due to the appointment of the new non-executive directors, we have decided to postpone our next internal assessment to 2017. This will enable the new directors to participate in the assessment following their induction and after having had suitable time at the board table.



Non-executive director tenure		2016
■ <3 years		60%
■ 3 – 6 years		15%
■ 6 – 9 years		5%
■ >9 years		20%


### King III

The board is satisfied with the group's application of the principles of King III. Details of the instances of non-application which occurred throughout the reporting year can be found on page 25 of the governance and remuneration report. The full King III application register can be found on our website [www.standardbank.com/reporting](http://www.standardbank.com/reporting).

### King IV


The board is wholly supportive of the revised King Code and work is underway to assess our adherence in relation to the specific practices and disclosure requirements attendant to the principles, ahead of the formal adoption in 2018.

## Our board of directors

 The full governance report, including details of the board committee terms of reference and the curriculum vitae of the board directors, can be found in the governance and remuneration report available online.

The group has a unitary board structure with:

- 14 independent non-executive directors
- 3 non-executive directors
- 3 executive directors
- chairman

- DAC** GROUP DIRECTORS' AFFAIRS COMMITTEE   **GAC** GROUP AUDIT COMMITTEE   **GRCMC** GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE
- IT** GROUP IT COMMITTEE   **LEC** SBSA LARGE EXPOSURE CREDIT COMMITTEE\*   **MAC** GROUP MODEL APPROVAL COMMITTEE
- Rem** GROUP REMUNERATION COMMITTEE   **SEC** GROUP SOCIAL AND ETHICS COMMITTEE    Committee chairman

\* A sub committee of The Standard Bank of South Africa.



**THULANI GCABASHE /59**  
Chairman and independent non-executive director, SBG and SBSA  
Appointed: 2003  
Appointed chairman: 2015

**DAC** **GRCMC** **LEC** **Rem** **SEC** 



**GERALDINE FRASER-MOLEKETI /56**  
Independent non-executive director, SBG and SBSA  
Appointed: 2016

**DAC** **GRCMC** **SEC** 



**SHU GU /49**  
Deputy chairman, SBG and non-executive director, SBG and SBSA  
Appointed: 2014

**DAC** **GRCMC** **IT** 



**GESINA (TRIX) KENNEALY /58**  
Independent non-executive director, SBG and SBSA  
Appointed: 2016

**GAC** **GRCMC** **Rem** 



**JACKO MAREE /61**  
Deputy chairman, SBG and non-executive director, SBG and SBSA  
Appointed: 2016

**LEC** **MAC** **Rem** **SEC** 



**BEN KRUGER /57**  
Group chief executive, SBG and executive director, SBSA  
Appointed: 2013

**IT** **LEC** **MAC** **SEC** 



**ARNO DAEHNKE /49**  
Group financial director, SBG and executive director, SBSA  
Appointed: 2016

**IT** **LEC** **MAC** 



**NOMGANDO MATYUMZA /54**  
Independent non-executive director, SBG and SBSA  
Appointed: 2016

**GRCMC** **MAC** **Rem** 



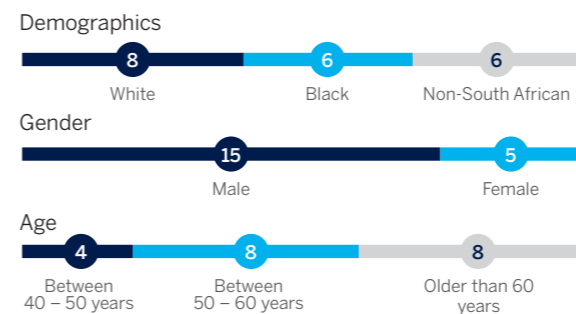
**RICHARD DUNNE /68**  
Independent non-executive director, SBG and SBSA  
Appointed: 2009

**IT** **GAC** **GRCMC** 









**KGOMOTSO MOROKA /62**  
Independent non-executive director, SBG and SBSA  
Appointed: 2003

**DAC** **GRCMC** **SEC** 



Director nationalities

	2016
 South African	14
 Australian	1
 British	1
 Chinese	2
 Kenyan	1
 Nigerian	1



**MARTIN ODUOR-OTIENO /60**  
Independent non-executive director, SBG and SBSA  
Appointed: 2016

**GAC** **MAC** **SEC** 



**SIM TSHABALALA /49**  
Group chief executive, SBG and chief executive, SBSA  
Appointed: 2013

**IT** **LEC** **MAC** **SEC** 



**ANDRÉ PARKER /65**  
Independent non-executive director, SBG and SBSA  
Appointed: 2014

**DAC** **LEC** **IT** **Rem** 



**SWAZI TSHABALALA /51**  
Independent non-executive director, SBG and SBSA  
Appointed: 2014

**GAC** **GRCMC** **MAC** 



**ATEDO PETERSIDE con /61**  
Independent non-executive director, SBG and SBSA  
Appointed: 2014

**GAC** **IT** **Rem** 



**JOHN VICE /64**  
Independent non-executive director, SBG and SBSA  
Appointed: 2016

**GAC** **GRCMC** **IT** 



**MYLES RUCK /61**  
Independent non-executive director, SBG and SBSA  
Appointed: 2002

**DAC** **GRCMC** **LEC** 



**WENBIN WANG /41**  
Non-executive director, SBG and SBSA  
Appointed: 2014

**DAC** **GRCMC** **IT** 



**PETER SULLIVAN /68**  
Independent non-executive director, SBG and SBSA  
Appointed: 2013

**GAC** **GRCMC** **IT** **Rem** 



**TED WOODS /70**  
Independent non-executive director, SBG and SBSA  
Appointed: 2007

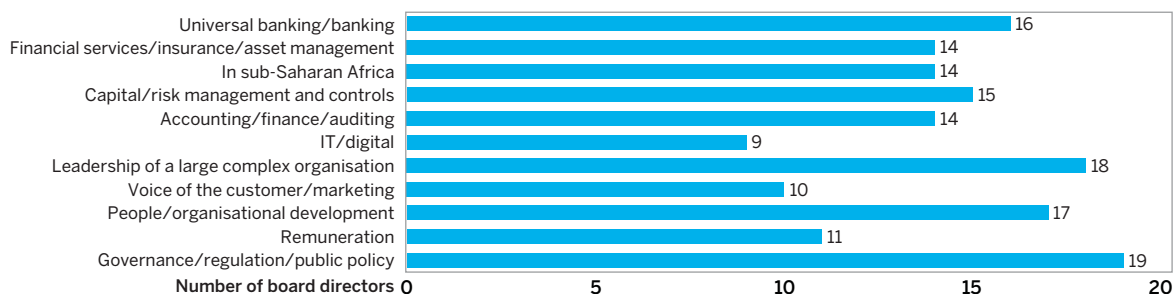
**GAC** **GRCMC** **Rem** 

SBG: Standard Bank Group.  
SBSA: The Standard Bank of South Africa.

## Board skills and experience

The collective background of the board members provides for a balanced mix of attributes and skills that enable the board to fulfil its duties and responsibilities. The board's breadth of experience is set out in the graph below and includes experience in relevant sectors and business knowledge, with several directors having chief executive experience.

### Board experience



The table below sets out the director's attendance at board meetings during 2016, and attendance at committee meetings is disclosed on page 103.

### Board meeting attendance

BOARD MEMBER	2016 BOARD MEETING ATTENDANCE/6 MEETINGS		DATE OF APPOINTMENT TO THE BOARD
	ELIGIBLE TO ATTEND	ATTENDED	
Thulani Gcabashe (chairman)	6	6	1 July 2003, appointed chairman on 28 May 2015
Shu Gu (deputy chairman)	6	5*	10 December 2014
Jacko Maree (deputy chairman)	1	1	21 November 2016
Arno Daehnke	5	5	1 May 2016
Richard Dunne	6	6	3 December 2009
Geraldine Fraser-Moleketi	1	0#	21 November 2016
Trix Kennealy	1	1	21 November 2016
Ben Kruger	6	6	7 March 2013
Nomgando Matyumza	1	1	21 November 2016
Kgomotso Moroka	6	6	1 July 2003
Martin Luke Oduor-Otieno	6	6	1 January 2016
André Parker	6	6	14 March 2014
Atedo Peterside con	6	6	22 August 2014
Myles Ruck	6	6	18 January 2002
Peter Sullivan	6	6	15 January 2013
Sim Tshabalala	6	6	7 March 2013
Swazi Tshabalala	6	6	14 March 2014
John Vice	1	1	21 November 2016
Wenbin Wang	6	6	16 January 2014
Ted Woods	6	6	1 February 2007

\* Shu Gu could not attend the board meeting held on 25 May 2016 owing to an outside engagement which could not be rescheduled. An apology was received.

# Geraldine Fraser-Moleketi was unable to attend the board meeting held on 30 November 2016 owing to commitments which predated her appointment to the board in November 2016. An apology was received.

## Key focus areas for the board in 2016

### STRATEGY AND BUSINESS FOCUS

- Held the annual two-day strategy session and received feedback on the strategy work streams and strategy execution from work stream heads.
- Approved management plans to achieve key metrics relating to the refreshed strategy in the light of the competitive environment.
- Considered global and Chinese economies and their implications for Africa.
- Considered detailed competitor analysis reports.
- Considered the group's IT investments.
- Considered the strategies of the group's key subsidiaries, including Stanbic IBTC (Nigeria) and Liberty.
- Approved the group's four-year strategy plan.
- Approved the 2017 group budget.

### RISK AND OVERSIGHT

- Reviewed quarterly financial performance reports against the agreed budget.
- Received quarterly feedback from the committee chairmen on its activities.
- Considered risk management, group capital and liquidity and group IT reports.
- Approved the group's annual integrated report, annual financial statements, interim and final results announcements and financial results.
- In line with the Companies Act, reviewed the group's solvency, liquidity and going concern status and agreed dividend payments.
- Monitored corporate activities and conducted in-depth performance reviews of key group subsidiaries.
- Considered the potential impact of a South African sovereign rating downgrade.

### GOVERNANCE

- Finalised the appointment of the group financial director, Arno Daehnke, following the retirement of Simon Ridley.
- Approved the appointment of five new non-executive directors in line with the board's succession plans.
- Considered the 2015 board evaluation report and implemented its action plans.
- Approved the board's promotion of gender diversity policy.
- Approved the 2016 corporate governance, risk and capital management process and objectives.
- Considered the King IV report for which disclosure on the application will be effective for the group's 2018 financial year.

### STAKEHOLDER ENGAGEMENT

- Engaged with the Registrar of Banks and the supervisory team in line with the South African Reserve Bank's (SARB) annual supervisory programme.
- Reviewed the quarterly stakeholder engagement reports.
- Through the chairman of the group, the remuneration committee chairman and executive directors engaged with various stakeholders and participated in investor roadshows. Feedback from these engagements was considered by the relevant board committees.
- Approved the convening of the 2016 AGM and notice to shareholders.
- Under the leadership of the group chief executive, Sim Tshabalala, participated in the CEO Initiative in partnership with government, business and labour.

## Board committees

Board Committee	Committee purpose
<p><b>GAC</b> Group audit committee</p>	<p>Assists the board in discharging its duties relating to the safe-guarding of assets, evaluation of internal control frameworks and ensuring that financial and non-financial risks are managed.</p> <p>The committee assesses the adequacy and effectiveness of the established accounting, financial, financial reporting, compliance and other internal control systems which are consistent with the nature and complexity of risks inherent in the group's on- and off-balance sheet activities.</p>
<p><b>GRCMC</b> Group risk and capital management committee</p>	<p>Provides independent and objective oversight of risk and capital management across the group.</p> <p>The committee ensures that risk and capital management standards and policies are well-documented and support group strategies by being fit-for-purpose and effective in operation. It supports a climate of discipline and control that will reduce the risk of fraud.</p>
<p><b>DAC</b> Group directors' affairs committee</p>	<p>Responsible for determining the appropriate group corporate governance structures and practices. The committee establishes and maintains the board directorship continuity programme, and it ensures compliance with all applicable laws, regulations and codes of conduct and practices. It also assists the board and board committees with their effectiveness reviews.</p>
<p><b>IT</b> Group IT committee</p>	<p>Assists the board in fulfilling its corporate governance responsibilities with respect to IT.</p>
<p><b>SEC</b> Group social and ethics committee</p>	<p>Ensures the development of appropriate policies that act as the group's social conscience and recognise that stakeholder perceptions affect the group's reputation.</p> <p>The committee guides and monitors the group's social, ethical, economic, environmental, transformation and consumer relationship initiatives in line with relevant legislation, codes and regulation.</p>
<p><b>Rem</b> Group remuneration committee</p>	<p>Assists the board in discharging its responsibilities to ensure fair and responsible remuneration of the group's executive management and employees.</p> <p>The committee is responsible for developing a remuneration philosophy and policy statement to enable a reasonable assessment by stakeholders of reward practices and governance processes.</p>
<p><b>MAC</b> Group model approval committee</p>	<p>Assists the board in discharging its obligations in terms of model risk.</p> <p>The committee's mandate is subject to the provisions of the Banks Act. It performs such functions as may be prescribed by regulation, from time-to-time, including the assessment and approval of risk evaluation models to calculate a regulatory capital charge.</p>

	Group audit committee	Group risk and capital management committee	Group directors' affairs committee	Group IT committee	Group social and ethics committee	Group remuneration committee	Group model approval committee
	8 meetings	4 meetings	4 meetings	4 meetings	4 meetings	4 meetings	3 meetings
Thulani Gcabashe <sup>4</sup>		4/4	4/4 C		4/4	4/4	
Shu Gu <sup>1</sup>		3/4	3/4	3/4			
Jacko Maree <sup>1</sup>					– <sup>3</sup>	– <sup>3</sup>	– C <sup>3</sup>
Arno Daehnke <sup>7</sup>				2/2 <sup>2</sup>			2/2 <sup>2</sup>
Richard Dunne <sup>4</sup>	8/8 C	4/4		4/4			
Geraldine Fraser-Moleketi <sup>4</sup>		– <sup>3</sup>	– <sup>3</sup>		– <sup>3</sup>		
Trix Kennealy <sup>4</sup>	– <sup>3</sup>	– <sup>3</sup>				– <sup>3</sup>	
Ben Kruger <sup>7</sup>				4/4	3/4		3/3
Nomgando Matyumza <sup>4</sup>		– <sup>3</sup>				– <sup>3</sup>	– <sup>3</sup>
Kgomotso Moroka <sup>4</sup>		4/4	4/4		4/4 C		
Martin Oduor-Otieno <sup>4</sup>	3/4 <sup>2</sup>				2/2 <sup>2</sup>		– <sup>3</sup>
André Parker <sup>4</sup>			4/4	4/4		4/4	
Atedo Peterside <sup>4</sup> CON	8/8			4/4		– <sup>3</sup>	
Myles Ruck <sup>4</sup>		4/4 C	4/4				
Peter Sullivan <sup>4</sup>	8/8	4/4		4/4		4/4 C <sup>5</sup>	
Sim Tshabalala <sup>7</sup>				4/4	4/4		2/3
Swazi Tshabalala <sup>4</sup>	7/8	4/4					3/3
John Vice <sup>4</sup>	– <sup>3</sup>	– <sup>3</sup>		– C <sup>3</sup>			
Wenbin Wang <sup>1,6</sup>		4/4	4/4	4/4			
Ted Woods <sup>4</sup>	8/8	4/4				4/4	
Peter Schlebusch				– <sup>3</sup>			1/3
Dave Munro							2/3
Neil Surgey							3/3

<sup>1</sup> Non-executive director

<sup>2</sup> Appointed 25 May 2016

<sup>3</sup> Appointed 30 November 2016

<sup>4</sup> Independent non-executive director

<sup>5</sup> Appointed chairman 17 August 2016

<sup>6</sup> Alternate to Shu Gu

<sup>7</sup> Executive director

C Chairman

## Group executive committee

The board has delegated management of the day-to-day business and affairs of the group to the group chief executives, with full power on behalf of and in the name of the group. The group chief executives, who are held jointly and severally accountable for the performance of the group, have in turn established a group executive committee (group exco). The committee provides counsel to the group chief executives, acts as a sounding board and ensures overall coordination across the universal financial services group, legal entities, and other key stakeholders. Ultimate decision making powers remain vested with the group chief executives and all members of the committee exercise powers in accordance with their delegated authority.

In the reporting period, the committee was reconstituted with a view to ensuring consistency and greater alignment with the group architecture. Members of the committee are depicted below.



The curriculum vitae of group exco can be found in the governance and remuneration report available online.



**ARNO DAEHNKE/49**  
Group financial director



**ISABEL LAWRENCE/48**  
Group chief compliance officer



**MARGARET NIENABER/43**  
Chief executive, Wealth



**ZOLA STEPHEN/42**  
Group secretary, SBG and SBSA



**SOLA DAVID-BORHA/56**  
Chief executive, Africa Regions



**FUNEKA MONTJANE/38**  
Chief executive,  
PBB South Africa



**ROD POOLE/55**  
Group head of change and  
business transformation



**NEIL SURGEY/57**  
Group chief risk officer



**KENNY FIHLA/49**  
Deputy chief executive, CIB and  
head of CIB South Africa



**DAVID MUNRO/45**  
Chief executive, CIB



**PETER SCHLEBUSCH/50**  
Chief executive, PBB and head  
of digitisation



**SIM TSHABALALA/49**  
Chief executive, SBG and SBSA



**BEN KRUGER/57**  
Chief executive, SBG



**BRENDA NIEHAUS/56**  
Group chief information officer  
and head of data management



## Remuneration overview

“I am pleased to present my first Standard Bank Group remuneration report for 2016 but firstly I would like to acknowledge my predecessor, Ted Woods, for the great work he has done in raising the quality of the group’s remuneration principles, structures and practices over the past nine years.”

### Message from the chairman of the remuneration committee

*Dear Shareholder*

The Standard Bank remuneration framework is designed to create value for shareholders, clients, our employees and communities while retaining and motivating our most senior leaders.

This is achieved through the following three remuneration programmes for senior executives:

- Fixed remuneration.
- Short-term incentive (STI) annual cash incentive with an annual deferred award over 1.5, 2.5 and 3.5 years.
- Long-term incentive, the PRP, is subject to performance conditions and vests in three years if conditions are met. The three-year vesting period remains under consideration by the committee.

This report reflects the board’s assessment of the group’s performance for the year 2016 and includes consideration of the very difficult trading environment during the past year, as well as any material risk incidents and conduct.

There is no doubt that 2016 was a very challenging year for the group. The threat of a sovereign rating downgrade in South Africa created a high level of uncertainty. Unexpected political outcomes in the United Kingdom (UK), United States of America (US) and Europe, plunging commodity prices especially for the oil producing countries and a fierce drought across sub-Saharan Africa created difficult economic conditions in many countries and exceptional currency volatility. All of this negatively impacted the group’s operating environment and made the achievement of targets more difficult.

Senior management took proactive and decisive action to mitigate these risks and minimise the impact on the group’s performance. As a result, the group delivered a strong performance in the core banking businesses of CIB and PBB, delivering 9% headline earnings growth and an improved ROE up to 16.8% from 16.3% in the prior year.

Conversely, earnings from Liberty, the group’s subsidiary insurance business, fell by 61%. The impact of this was significant on the group’s results.

Consequently, headline earnings for the group grew by only 4% and ROE fell slightly below expectations, but remained within the lower end of our target range.

While Standard Bank is the majority shareholder in Liberty, the company is separately listed, and has its own board and remuneration committee. The performance of Liberty was disappointing and the committee took this into consideration when assessing executive performance and remuneration.

#### Remuneration outcomes

Despite the difficult trading conditions in 2016, the chief executives (CEs) met or exceeded most expectations in the areas where they have direct responsibility and accountability. The board approved 11 strategy work streams driven by the CEs which crystallised the group strategy to deliver sustained performance for the next five years. Furthermore, it was the opinion of your committee that the CEs had provided strong and inspirational leadership in demanding times. The CEs set a strong positive tone from the top

of the organisation that directly contributed to a rise in employee engagement for the year. Recognising the volatile political and economic uncertainty across our markets, the committee considered this positive tone and the cascading of a strong set of values to be a significant contributing factor to the results achieved.

Taking into account the challenging trading conditions experienced across our markets in 2016, as well as the impact of Liberty's performance on the group's results, the committee debated the remuneration of the CEs at length. Consequently, the committee agreed a 4% increase in total short-term incentive, in line with the growth in headline earnings#. Of this total incentive, 56% will be deferred for up to 3.5 years. Total reward for the CEs, including fixed remuneration, short-term incentive and long-term incentive is, therefore, up 3.33% on the previous year.

Arno Daehnke was appointed as group financial director on 1 May 2016 having previously headed up treasury and capital management for the group. His remuneration is being reported for the first time and the committee considered his achievements and the complexity of his role in comparison to the market in arriving at his total remuneration, which is detailed in this report.

In relation to the business heads, CIB under the astute leadership of David Munro delivered a very strong set of results. Headline earnings grew by 16% year-on-year. The credit loss ratio was 0.30%, an excellent result in a very challenging credit environment. The cost-to-income ratio fell further to 53.2% despite continued investment in strategic IT projects and ROE rose to 20%, up from 18% in the prior period. Based on these results, the committee awarded David a 9.6% increase in short-term incentive of which 55% is deferred for up to 3.5 years. His total remuneration grew by 6.9%.

In PBB, Peter Schlebusch continued to grow the business by expansion into the

Africa Regions, where headline earnings grew at 66%, and Standard Bank International, where headline earnings increased by 21%. The credit loss ratio for PBB fell to 1.25%, an excellent result in a difficult credit environment. The cost-to-income ratio fell further to 60.2% despite continued high levels of investment in the Africa Regions and IT. ROE increased to 18.7%, up from 18.2% in 2015. PBB headline earnings grew by 12%.

The IT investment to change the face of the PBB business is progressing well under Peter's leadership. This transformation is strategically critical and will position PBB at the forefront of banks in Africa as a digital leader. The committee awarded Peter an 8.7% increase in short-term incentive of which 55% is deferred for up to 3.5 years. His total remuneration grew by 6.1%.

The committee judged both these performances to be excellent.

## Remuneration changes

During 2016, the committee sought feedback from key shareholders on the remuneration arrangements for the CEs and group executives. The committee also sought independent external benchmarking for the top 100 executives. This feedback was used to ensure our executive remuneration was appropriate to drive superior long-term performance for the group's key stakeholders, being shareholders, clients, our employees and the communities in which we work, and to reinforce our strategic vision and values.

On the basis of the feedback received the board has approved the following changes for 2017:

The minimum shareholding requirement has been adjusted to a multiple of fixed remuneration in order to simplify the calculation and reduce volatility in line with market practice.

The committee has agreed to cash settlement of mandatory deferrals for a discreet group of executives to fall in

line with market practice. The deferral will remain linked to the group's share price during the deferral period.

Your committee believes a rigorous and challenging process has been established to judge appropriate rewards for our most senior executives. The environment in which your group operates is extremely challenging and volatile and it takes superior, hard-working, intelligent leaders to deliver results that shareholders will value.

More detail on the senior executive remuneration is contained in the remuneration report which I invite you to review.

Yours sincerely,



**Peter Sullivan**  
Chairman, Remco



# Our people ultimately underpin the successful execution of our strategy

## Review of focus areas – 2016 and 2017

We continually review our pay practices to align with shareholder interests and to ensure that the practices support our businesses and changes in our operating environment. We actively seek shareholder views and revise our reporting to improve transparency.

The growth of our businesses across Africa will see a shift in focus to pay practices in those markets going

forward. We seek to remain competitive and relevant there, where often the talent is scarce.

We set practices that take into account local conditions within a group governance framework. Specific focus areas and achievements for 2016 and focus areas for 2017 are detailed below.

**We work to ensure that our pay framework supports the motivation and reward of performance, while at the same time meeting regulatory requirements and stakeholder expectations.**

### Focus areas and achievements in 2016

- We received input on our remuneration policy from several significant shareholders.
- The remuneration policy was approved at the AGM held in May 2016 with 84.5% of shareholders voting in favour of the policy.
- We engaged with shareholders who did not vote in favour of our policy to understand their concern.
- We completed an extensive benefits project across all our African countries to establish core benefits and remove outdated benefits, and were awarded the South Africa Reward Association Project of the Year 2016 for the work undertaken.
- We assessed the extent of share awards of middle and senior managers and established future guidelines for these awards. These guidelines focused on key issues, transformation and retention.
- We considered the duration of all our deferrals for the most senior executives but decided to keep our current deferral periods, as together with the minimum shareholding requirement and forfeiture clauses, they focus our executives to act in the best interests of shareholders.
- We changed our minimum shareholding for the chief executives, group financial director and prescribed officers to a multiple of fixed remuneration.

### Focus areas for 2017


- The first delivery of our performance reward plan (PRP) will take place at the end of March 2017 in respect of awards made in March 2014.
- We will evaluate our benefits and reward elements to determine what additional choices we can include in these offerings for the benefit of our employees.
- We will focus on ensuring that our reward supports our endeavours in client centricity.



Our full remuneration report can be found in the governance and remuneration report online.

## Remuneration policy

People are at the heart of our business. We need highly skilled and experienced people to drive the growth of our business across Africa, and we need to reward them for their performance and the returns they generate for our shareholders.

 Our human capital report starting on **page 58**, describes how we develop and retain our people.



### Principles that underpin our remuneration policy

Our Remco is firmly committed to disclosing our reward policy, principles and structures to all relevant stakeholders, including our people, unions, regulators and shareholders, for them to make an assessment of our pay practices. The key principles that underpin our reward policy, reward structures and individual reward are as follows:

- We reward sustainable, long-term business results.
- We do not unfairly discriminate against our people based on diversity or physical difference.
- The reward focus is on total reward, being fixed and variable remuneration. We want to be competitive in both elements, but annual incentives are not a function of a guaranteed package.
- We create a balance between the fixed and variable elements of total reward. A deferral policy affects

annual incentives above certain levels. Deferred amounts are indexed to the group's share price and vesting is subject to specific conditions.

- Vesting conditions of deferred awards and long-term incentives allow for forfeiture of unvested awards.
- All elements of pay are influenced by market and internal pay comparisons.
- Pay practices encourage a focus on achieving agreed deliverables and behaviours, rather than hours worked.
- Individual performance appraisals identify talent at all levels in the business, enabling fair and competitive pay. Consequence management, including reward impact, forms part of the review of performance.
- Individual rewards are determined according to group, business unit and individual performance.
- We reward experience, performance relative to others doing similar work and performance against the market.

- We differentiate individual reward in a transparent way and based on quantitative, qualitative and behavioural performance, as well as retention.
- We ensure that key senior executives are significantly invested in the group's share price and performance over time, to align to shareholder interests.
- Pay designs comply with all tax and regulatory requirements.
- Ongoing oversight prevents irresponsible risk taking by individuals and we ensure that risk adjustment forms part of pay design.

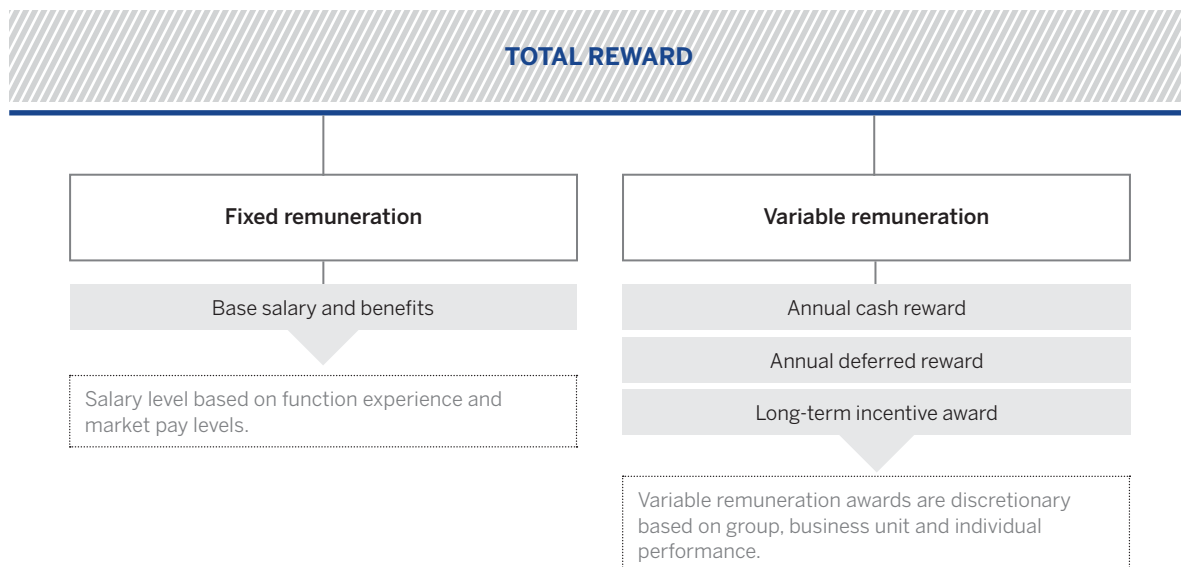
### Remco governance

Effective governance is essential to ensure that the remuneration process is fair and supports the group's strategy.



Refer to the group's governance and remuneration report for details regarding the Remco's mandate and its composition.

## Remuneration structure



Our reward policy and structures are designed to attract, motivate and retain talented people across our group. We consider the total reward and strive for the appropriate mix between fixed and variable pay for all our people, depending on their roles. The diagram above shows the composition of our total reward. The elements of this diagram are explained in the sections that follow.

### Fixed remuneration

The group operates across many different countries. We take local statutory and regulatory requirements into account in how we structure our fixed remuneration. The purpose and key components of our typical reward arrangements are summarised in the following table.

#### ELEMENTS OF FIXED REMUNERATION

ELEMENT	PURPOSE	DETAIL
Base salary	To attract and retain employees.	We seek to remain competitive relative to our peers in the remuneration we offer. Our annual base salary review takes into account available market data, as well as individual and business unit performance. Increases take effect on 1 March each year.
Compulsory benefits	To encourage retirement savings <sup>1</sup> and to cater for unforeseen life events.	Pension and disability plans, death cover <sup>2</sup> and medical insurance take into account in-country practices and requirements <sup>3</sup> .
Optional benefits	To enhance the package available to employees.	These benefits (for example, car allowances) vary and take into account local country practices and requirements.

<sup>1</sup> The majority of the group's defined benefit fund arrangements have been replaced by defined contribution arrangements, except where local legislation requires otherwise or members enjoy ongoing defined benefits under old scheme rules. For more information regarding the group's defined benefit plans, refer to the group's annual financial statements.

<sup>2</sup> Death benefit cover is provided in almost all countries, either through self-insurance from within the pension funds or through external underwriting.

<sup>3</sup> Healthcare is provided in most countries. The level of cover varies according to local market practice. In South Africa, employees recruited from 1 March 2000 do not receive post-employment healthcare benefits. Employees recruited before then receive post-employment healthcare funding through a post-employment healthcare benefit fund.

## Variable remuneration

We provide annual incentives to reward performance. This variable remuneration comprises annual incentive awards, annual deferred awards and long-term incentive awards. All variable remuneration awards are discretionary. Incentive pools are made available for major business units and corporate functions.

ELEMENT	PURPOSE	DETAIL
<b>Annual incentive award comprising:</b> <ul style="list-style-type: none"> <li>Annual cash award</li> <li>Annual deferred award.</li> </ul>	To incentivise the delivery of our objectives, balancing short-term performance and risk taking with sustainable value creation for shareholders.	Individual awards are based on a combination of group, business unit and individual performance (utilising both financial and non-financial metrics over a multi-year period) and include effective risk management and compliance criteria. Awards above R1 million (or local equivalent) are subject to deferral.
<b>Long-term incentive award</b>	To incentivise key senior executives and critical mid-level management to base their decision making on the group's long-term interests.	Awards for senior executives take into account the importance of long-term performance and are fully conditional.

## Annual incentive awards

### How we determine annual incentive awards

Remco determines the group's incentive pools annually and oversees the principles applied in allocating these pools to business units and individual employees.

Pools are derived by evaluating:

- A combination of group and business unit financial and non-financial results against predetermined targets.
- Multi-year financial metrics.
- Achievement towards short- and long-term strategic objectives.
- Capital used.
- Adjustments for risks taken.
- Future development and growth prospects.
- Historical and current pay ratios.

Variable remuneration is not linked to revenue or profit targets in a formulaic way.

Incentive pools for group corporate functions are reviewed by the CEs and discussed by a formal internal review committee. Remco then considers, adjusts and approves these pools.

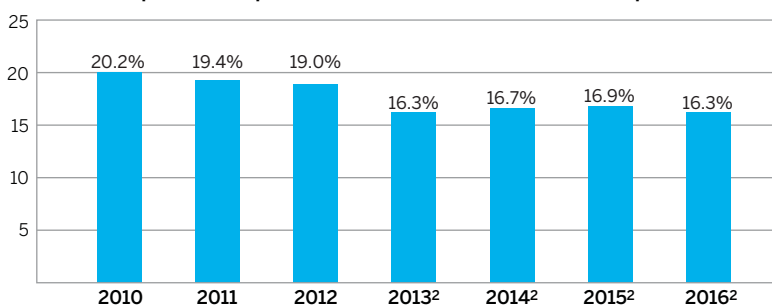
Individual performance and the individual variable pay outcome is determined by:

- Setting performance criteria at the start of each year aligned to group objectives.
- Evaluating the individual performance and behaviour.
- Determining the variable pay based on individual performance, the variable pool available and taking market pay into account.
- Adjusting for any risk or compliance breaches.

Following the evaluation of the group's 2016 financial and risk-adjusted performance and delivery against board-approved strategy, Remco approved an increase to the total group incentive pool for the group's banking operations of 11.9%. The profits, before minorities, tax and incentives in banking operations (relevant profit metric to compare changes in incentive pools) increased by 12.6%. The ratio of the variable pool to profits before tax and incentives over time is set out below.

Remco reviewed the fixed and variable remuneration of 408 senior executives across the group for consistency of approach.

### Variable compensation/profit before tax<sup>1</sup> before variable compensation (%)<sup>\*</sup>



<sup>1</sup> Profit before tax excludes headline adjustable items.

<sup>2</sup> 2013 to 2016 represent continuing operations' bonus pool only.

\* 2010 to 2014 presented on a normalised basis. Refer to [www.standardbank.com/reporting](http://www.standardbank.com/reporting) for further details.

### Deferral schemes

We believe that the interests of executives should be significantly invested in the group over time, strengthening the alignment between management and shareholders. In terms of good governance, all incentive awards above a minimum level are deferred in part, and the deferred portion is linked

to the group's share price during the deferral period. The deferral also ensures that the executives are sensitive to the risks of forfeiture.



Refer to forfeiture, as detailed on [page 124](#).

The deferral rates in March 2017 have been maintained at the same level as 2016.

### THE GROUP'S MOST NOTABLE DEFERRAL SCHEMES ARE NOTED BELOW:

<a href="#">Standard Bank equity growth scheme (EGS)</a>	EGS allocates participation rights to participate in the future growth of the Standard Bank group share price. The eventual value of the right is settled by the receipt of the group's shares equivalent to the full value of the participation rights.
<a href="#">Deferred bonus scheme (DBS)</a>	Employees are awarded a deferred bonus, as a mandatory deferral of their short-term incentive or as discretionary award, into DBS. The deferred bonus is unitised into a number of units with respect to the group's share price on the date of award. The shares are delivered to the employee on the vesting date. Notional dividends on the units are paid to the employees on the vesting date.
<a href="#">Performance reward plan (PRP)</a>	The group's PRP is an equity-settled share scheme with a three-year vesting period which is in effect from March 2014, designed to incentivise the group's senior executives, whose roles enable them to contribute to and influence the group's long-term decision-making and performance results. The PRP seeks to promote the achievement of the group's strategic long-term objectives and to align the interests of those executives with overall group performance in both headline earnings growth and ROE. These are the most important financial metrics to create shareholder value and, therefore, aligns the interests of management and shareholders. The awards are subject to the achievement of performance conditions set at award date and that determine the number of shares that ultimately vest. The awards will only vest in future in terms of the rules of the PRP. The shares, subject to meeting the pre-specified conditions, are delivered to the employee on vesting date. Notional dividends accrue during the vesting period and will be payable on vesting date.

### Minimum shareholding requirement

Executive directors and prescribed officers are required to maintain shareholdings valued as a multiple of fixed remuneration. This is a long-term requirement and we expect that shareholdings will be accumulated over time.

The chief executives are subject to a multiple of three times fixed remuneration and other executive directors and prescribed officers are subject to a multiple of two times fixed remuneration. Remco changed the minimum shareholding requirement as a multiple of fixed remuneration in November 2016 in order to remove the volatility of averaging total reward over a three-year period and to give the executives certainty as to the target required. This change is in line with market requirements for South Africa.

The CEs, group financial director and CE CIB have all met the minimum shareholding requirement. The CE PBB will meet the minimum shareholding in future, as and when his unvested awards vest. Where the required shareholding falls short, the full after tax value of senior executives' deferral under all share schemes that vest is applied in acquiring additional shares until the required shareholding is in place. This provision applies to incentive awards granted from March 2012, or from when the senior executive becomes a prescribed officer or executive director. Remco monitors these shareholdings annually.



Refer to [pages 121 to 123](#) for the director remuneration tables.

## Risk management and remuneration

The group actively manages its current and future risks in pursuit of its strategy. Remco ensures that employees whose actions may have a material impact on the group's current and future risk profile, are not rewarded for exposing the group beyond its stated risk appetite. Bonus pools and individual bonus awards are adjusted for risk, based on the processes and considerations outlined below.

The group chief risk officer (CRO) formally reports twice a year to Remco on the application of the group's risk compliance and capital management (RCCM) framework across major business lines and on any significant breaches of RCCM policies or limits by individuals. These reports cover the group's risk appetite and the current and future risk profile in relation to the group's risk appetite, and provide a qualitative and quantitative measure that informs Remco's determination of the overall incentive pools for business units. The individual incentive awards of senior managers and executives are reviewed against these breaches and adjusted where required.

The group CRO is consulted when changes are made to the design of remuneration plans.

The group financial director also formally reports twice a year to Remco on risk-adjusted performance and remuneration. The report includes an analysis of group and business unit risk-adjusted metrics across a range of risk types and their relationships to incentive pools.

The group financial director's reports include consideration of headline earnings, ROE and risk-adjusted performance (economic profit and return on economic capital). This additional analysis quantifies the cost of capital and takes into account credit, market and operational risk.

Remco considers risk-adjusted return information when setting and approving business unit incentive pools. Specific risk-adjusted performance targets are not formulaically applied in determining these pools.

Remco pays specific attention to:

- adverse internal audit findings on weaknesses in the internal control environment
- breaches of the regulatory requirements applicable to operational risk losses incurred within the group's operations
- risk appetite breaches
- limit breaches, particularly trading desk breaches of credit risk control governance.

The group head of human capital reports annually to Remco on all significant governance breaches and their impact on individual remuneration. These impacts depend on the nature of the breach but could result in reduced incentives, removing incentive awards and/or removing salary increases. Material breaches may result in dismissal.

A forfeiture provision on all deferral schemes was introduced with effect from 2009 and amended in 2011. In terms of the revised forfeiture conditions, individual unvested awards of DBS, Quanto, EGS or PRP may be subject to risk adjustments after the occurrence of an actual risk event through reduction or forfeiture, in full or in part if in Remco's judgement:

- There is reasonable evidence of material error or culpability for a breach of group policy by the participant.
- The group or relevant business unit suffers a material downturn in its financial performance, for which the participant can be seen to have some responsibility.
- The group or relevant business unit suffers a material failure of risk management, for which the participant can be seen to have some responsibility.
- In Remco's discretion, any other circumstances.

In advance of share vesting dates in March (for PRP awards) and September (for DBS awards) each year, Remco determines whether there are any events that might lead to the forfeiture of unvested stocks.

During 2016, Remco did not implement any forfeitures.



RCM/AFS

The summarised risk and capital management report in the annual integrated report describes the material risk types the group is exposed to and how it measures and manages these risks. For a full report, refer to the risk and capital management report and annual financial statements.



GOV/REM

For detail regarding material risk-takers, refer to the group's governance and remuneration report.



## Disclosure of executive directors' and prescribed officers' remuneration

### Summary: our executive remuneration process

Our people ultimately underpin the successful execution of our strategy. We work to ensure that our pay framework supports the motivation and reward of performance while at the same time meeting regulatory requirements and stakeholder expectations. We drive sustained shareholder value.

<p><b>1</b></p> <p>How did we perform?</p>	<ul style="list-style-type: none"> <li>✓ <b>Business results:</b> significant progress in banking activities' results tempered by Liberty's financial results.</li> <li>✓ <b>Risk and control:</b> <ul style="list-style-type: none"> <li>• Common equity tier I capital adequacy ratio 13.9% with prudent management in current economic conditions.</li> <li>• Regulatory and economic capital within risk appetite. Credit loss ratios improved.</li> </ul> </li> <li>✓ <b>Client focus:</b> strengthened our franchises across the group and improved market share in several key areas and renewed focus on the client experience.</li> <li>✓ <b>Leadership and people management:</b> filled key executive positions internally through succession planning. Significant improvement in employee engagement scores. Active participation and leadership displayed in representing South Africa at many key forums such as the World Economic Forum (WEF), International Monetary Fund (IMF) and in the CEO Initiative working with the South African government in mitigation of a potential South African sovereign rating downgrade.</li> </ul>
<p><b>2</b></p> <p>How do we assess performance and determine pay?</p>	<ul style="list-style-type: none"> <li>✓ <b>Proactive approach to assessing performance:</b> enables the board to make fully informed decisions.</li> <li>✓ <b>Performance is assessed in 15 categories over a multi-year period:</b> this drives short-, medium- and long-term shareholder value.</li> <li>✓ <b>Annual incentives and deferred awards:</b> based on quantitative and qualitative measures set in advance and evaluated.</li> <li>✓ <b>PRP:</b> annual awards with a rolling three-year delivery if performance conditions are met to ensure consistent and significant long-term investment in shares to align with shareholders.</li> <li>✓ <b>Minimum shareholding requirement for CEs and prescribed officers:</b> ensures that together with unvested awards linked to the share price, executives are significantly invested in shares and aligned to shareholders.</li> </ul>
<p><b>3</b></p> <p>How did we pay our CEs and other prescribed officers</p>	<ul style="list-style-type: none"> <li>✓ <b>CE pay level:</b> the board and the CEs agreed to below inflation increases of 5.6% to the CEs' fixed remuneration given the social and economic pressures in South Africa in 2016. Union increases for the lowest levels in the bank in South Africa were 8.7% while the minimum wage increased to R145 090 per annum.</li> <li>✓ <b>CE annual incentives and deferred awards:</b> <ul style="list-style-type: none"> <li>• The board awarded Ben Kruger R22 880 000 of which R12 790 000 (56%) is deferred for up to 3.5 years. The reasons for this are set out on page 116.</li> <li>• The board awarded Sim Tshabalala R22 880 000 of which R12 790 000 (56%) is deferred for up to 3.5 years. The reasons for this are set out on page 116.</li> </ul> </li> <li>✓ <b>CE long-term incentives:</b> the board awarded Ben Kruger and Sim Tshabalala a conditional PRP award with a face value at award of R12 500 000 each.</li> <li>✓ <b>Prescribed officer and executive director pay levels:</b> set based on the overall group performance, individual business unit performance and individual performance. The reasons for each are set out on page 116.</li> <li>✓ <b>CE pay mix, in total over 57% of the total remuneration is deferred in shares for up to 3.5 years as illustrated on page 116.</b></li> <li>✓ <b>Prescribed officer pay mix:</b> over 55 % of the total remuneration is deferred in shares for up to 3.5 years as illustrated below.</li> </ul>

4

#### What are our pay practices?

- ✓ **Three remuneration elements for senior executives:**
  - Fixed remuneration.
  - Short-term incentive (STI). Annual cash incentive with an annual deferred award over 1.5, 2.5 and 3.5 years. This element is at risk.<sup>1</sup>
  - Long-term incentive (PRP) annual awards are subject to performance conditions and vests in three years if conditions are met. This element is at risk.<sup>2</sup>
- ✓ **Shareholder aligned remuneration philosophy:** drives remuneration decision making across the group.
- ✓ **No special executive benefits:** in terms of severance, golden parachutes or guaranteed bonus.
- ✓ **Strong focus on share ownership and minimum shareholding requirements.**

5

#### How do we address risk and control?

- ✓ **Strong corporate governance from the remuneration committee on executive remuneration with board oversight.**
- ✓ **Rigorous process to review risk and control issues:** can and has led to incentive pool and individual risk adjustments for risk breaches and risk events.
- ✓ **Forfeiture clauses in all our share plans/deferred awards:** can and have led to forfeiture in the past.



#### Why should shareholders approve our remuneration policy?

- Pay and performance are determined using a balanced framework of delivery against targets and PRP payouts are subject to performance conditions.
- Pay practices are strongly governed by Remco and the board.
- Pay and performance are tied to extensive risk and control features.

<sup>1</sup> Subject to an annual evaluation of the performance of each executive. Deferral awards are subject to forfeiture.

<sup>2</sup> Subject to performance conditions set by the committee at the time of the award.

## Evaluation of executive directors, and prescribed officers

Quantitative elements have predetermined measures. Qualitative elements have measurement against achievement of strategic objectives. Remco uses judgement in assessing the business and individual performance, balancing short- and long-term objectives over a multi-year timeframe. This judgement includes geographic, strategic and business complexity, as well as size, competitive intensity and regulatory control. Performance is not a single score resulting in a pay outcome, but is rather a disciplined and non-formulaic process which Remco believes is appropriate for the diversity and complexity of the business. Pay is also assessed relative to the external market to ensure levels are competitive and reasonable. Remco continuously monitors the correlation between remuneration and profitability over time. This report displays the pay of the executive directors over a six-year period to demonstrate the variability of pay over time. Prescribed officers are shown for the period that they have been serving as such.

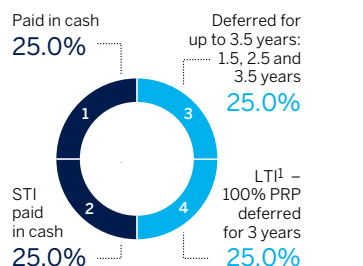


## GROUP CHIEF EXECUTIVE, STANDARD BANK GROUP

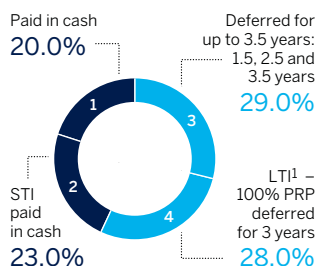
Ben Kruger and Sim Tshabalala are the group CEs, Standard Bank Group and their key achievements in 2016 and related remuneration are provided below.

### BEN KRUGER AND SIM TSHABALALA PAY-FOR-PERFORMANCE

#### 2016 target pay mix for chief executives



#### 2016 remuneration<sup>2</sup>



	2016 <sup>2</sup>
1 Fixed remuneration	R9 105 000
2 Annual cash award	R10 090 000
3 Annual deferred award	R12 790 000
4 PRP award	R12 500 000

■ Cash award ■ Deferred award

**Total reward: R44 485 000**

<sup>1</sup> The PRP amount is the face value at award date and is subject to conditions.

<sup>2</sup> For purposes of this illustration, only Ben Kruger's remuneration has been shown. Sim Tshabalala's remuneration is the same as shown above if minor differences in "other allowances" are ignored.

### 2016 Performance

- Ben and Sim have led the group since March 2013. During this period:
  - Africa Regions have shown strong and diversified growth with headline earnings growing at a five-year compound annual growth rate of 24%
  - Off-strategy international operations have been disposed of and good progress is being made in assisting our strategic partner ICBC to return ICBCS to profitability
  - The South African operations maintained strong market positions and momentum in earnings growth
  - The group has fully absorbed the additional capital and liquidity requirements under Basel Capital Accord (Basel) III.
- The CEs led the group strategy work streams, focusing on reinforcing our commitment to consistently deliver excellent client service, to building a universal financial services group and to ensuring that the group's resources are allocated efficiently and with agility.
- Both CEs continue to play a central role in deepening the relationship with our strategic partner ICBC and in promoting and supporting China-Africa trade and investment with ICBC.
- During 2016, they continued to manage high rates of change in industry operating models, accelerated our core banking transformation (which will be completed in 2017) and managed the ever-growing risk of external cyber fraud with success except for the Japan fraud incident.
- Ben and Sim became increasingly engaged with Liberty's board and management to ensure a speedy return to improved financial performance and strategic positioning.
- They were closely involved in the successful efforts to prevent a South African sovereign rating downgrade debt and in the broader Government-Business-Labour initiative to achieve necessary structural reforms to the South African economy and to assist in strengthening South Africa's institutions.
- Both CEs continued to place a very high priority on transformation, and ensured that the group played a key role in economic transformation in South Africa. The group was also ranked fifth in the 2016 Empowerdex transformation rankings.

---

## SUMMARY OF 2016 KEY ACHIEVEMENTS

---

### Business results

- The CEs oversaw the allocation of the group's capital, liquidity, skills and other scarce resources.
- The group's robust financial results reflect good revenue growth and cost discipline, efficient capital and risk appetite allocation across multiple jurisdictions and sectors despite difficult trading conditions.
- There were strong performances from the CIB and PBB business units in South Africa and the Africa Regions. In addition, good progress was made in the previously underperforming vehicle and asset finance division and the PBB Africa Regions.
- Liberty earnings fell by 61%.
- Headline earnings from banking operations were up by 9% to R22 062 million, and banking operations ROE increased to 16.8% from 16.3%.
- Group headline earnings of R23 009# million were up 4%, reflecting the impact of the performance of Liberty#.
- Group ROE decreased to the lower end of the target range at 15.3%#.
- Dividends per share were up by 16%.

### Client focus

During the year, the CEs undertook the following initiatives to achieve a client-focused strategy:

- Substantially responsible for the good progress made towards building the digital bank of the future as measured by systems improvement and digital application delivery.
- Led the streamlining of internal processes in order to improve service to our clients.
- Met regularly with clients in South Africa and across the continent, leading our commitment to excellent client service by example.

### Risk and control

During the year, the CEs resolved complex regulatory matters in several jurisdictions, including South Africa, Nigeria and Zambia. This included:

- Ensuring that all group and business unit liquidity and risk measures were rated as green with credit loss ratios at the lower end of through-the-cycle appetite ranges.
- Ensuring that the group complied with regulatory requirements and maintained sound relationships with all regulatory authorities in multiple jurisdictions.
- Spending a great deal of time and effort to further embed a culture of compliance and good conduct by advocating and measuring progress towards doing the right business the right way.

### Leadership and people management

- Ben and Sim aim to live and promote the group's employee brand, traveling across Africa and meeting with leadership teams, speaking at leadership courses and conferences and launching graduate recruitment and training and development programmes. This included improved employee engagement as evidenced through internal surveys.
- They represented the bank internationally by participating in forums such as WEF, IMF/World Bank, Africa Investment Conference and US Africa Summit.
- Both CEs continued to facilitate leadership and talent development as a key differentiator and seamlessly dealt with succession in several senior roles while also improving our bench strength for the future.

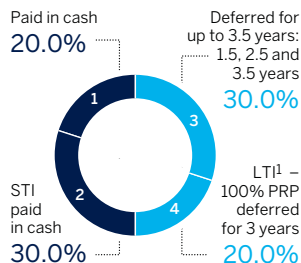


## CHIEF EXECUTIVE, CORPORATE & INVESTMENT BANKING

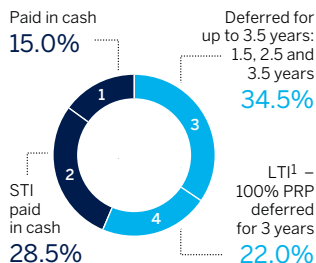
David Munro is CE, CIB and his key achievements in 2016 and related remuneration are provided below.

### DAVID MUNRO PAY-FOR-PERFORMANCE

#### 2016 target pay mix for David Munro



#### 2016 remuneration



2016	
1 Fixed remuneration	R6 792 000
2 Annual cash award	R12 900 000
3 Annual deferred award	R15 600 000
4 PRP award	R10 000 000

■ Cash award ■ Deferred award

**Total reward: R45 292 000**

<sup>1</sup> The PRP amount is the face value at award date and is subject to conditions.

### 2016 Performance

- Having commenced his role in July 2011, David Munro has led CIB through a five-year strategic plan designed to return CIB to financial health, with 2016 being the fifth year of that plan.
- This plan accommodated an anticipated 50% increase in capital (Basel II and Basel III) over that timeframe.
- 2016, and the last five years generally, have been characterised by severe macroeconomic headwinds and challenging special and specific situations.
- In 2016, an ROE of 20% was delivered in excess of the effective 19% targeted in the plan.
- David is a board member of ICBCS in London which has continued to show progress in 2016 towards breakeven.
- David plays a key role in our strategic cooperation agreement with ICBC.

### SUMMARY OF 2016 KEY ACHIEVEMENTS

#### Business results

- A strong set of financial results in 2016 characterised by:
  - ROE of 20%
  - Headline earnings growth of 16%
  - Revenues up by 12%
  - Cost growth of 7% and JAWs ratio of 5.2%
  - Cost-to-income ratio 53.2%
  - Credit loss ratio of 0.3%, at the lower end of the appetite range
  - Disciplined capital utilisation.
- Balanced performance across all business units.
- Excellent performance evident in home market, South Africa.
- Diversification across sectors and regions compensated for headwinds.
- Completion of the wind down of the real estate and principal investment management business.

#### Client focus

- Strength of client franchise and disciplined approach to client relationships evident in client revenue growth and hallmark deals completed.
- Involved in many deals for high-profile clients in South Africa, as well as across the continent.
- Executive sponsor to several key clients, including various global multinational relationships.
- Brought to completion the ITAPS and eCommerce investment programmes focused on building digital solutions in a wholesale world.
- Continued to invest in Business Online as a core offering to the group's client base.
- Good progress towards opening a bank in Cote d'Ivoire.

#### Risk and control

- Continuous involvement in and monitoring of complex credit and deal decisions.
- Credit portfolio flexed to take into account continuously changing outlook for several sectors and countries.
- Leadership provided to the group on several special situations involving more complex issues.
- Improved risk and compliance reporting within CIB in the year.
- Continued focus and commitment on "Doing the right business the right way".
- Time dedicated to understanding and following up all internal and external audit findings.

#### Leadership and people management

- Played a key role in the execution of the group strategy, with specific involvement in several work streams.
- Leading CIB to play its role in collaborating across the group for the benefit of clients.
- Focused efforts on continued build of the strategic dialogue and cooperation with ICBC.
- Specific focus on diversity and transformation.
- Improved employee engagement scores across CIB.
- Built brand through attendance and participation in several international events, including Africa Investment Conference, US Africa Summit, SA Tomorrow Conference and IMF/World Bank meetings.

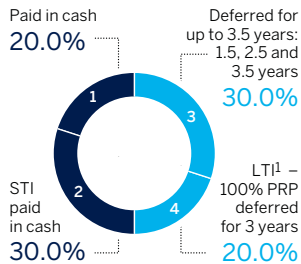


## CHIEF EXECUTIVE, PERSONAL & BUSINESS BANKING

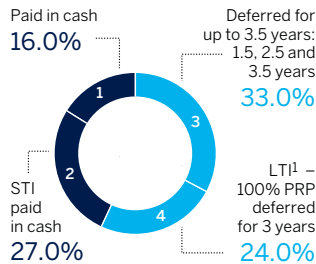
Peter Schlebusch is CE, PBB and his key achievements in 2016 and related remuneration are provided below.

### PETER SCHLEBUSCH PAY-FOR-PERFORMANCE

#### 2016 target pay mix for Peter Schlebusch



#### 2016 remuneration



	2016
1 Fixed remuneration	R6 852 000
2 Annual cash award	R11 150 000
3 Annual deferred award	R13 850 000
4 PRP award	R10 000 000

■ Cash award ■ Deferred award

**Total reward: R41 852 000**

<sup>1</sup> The PRP amount is the face value at award date and is subject to conditions.

#### 2016 Performance

- Peter achieved a strong set of results providing growth in headline earnings of 12% to R12.6 billion, revenue growth of 11.2% slightly outstripping cost growth of 11% and a flat cost-to-income ratio of 60.2%.
- Positive endowment impact and a solid credit performance contributed to the headline earnings growth off a high base against poor macroeconomic backdrops across the continent. Improved ROE to 18.7% from 18.2%.
- Good performance across the continent.
- Launched a number of new digital solutions and apps for customers.
- The Japan fraud incident, a uniquely sophisticated fraud. Although revenues were generated to cover losses incurred, this has been taken into account in Peter's remuneration determination and the PBB incentive pool determination.

### SUMMARY OF 2016 KEY ACHIEVEMENTS

#### Business results

A strong set of results characterised by:

- Headline earnings growth of 12%.
- ROE of 18.7%.
- Cost-to-income ratio of 60.2%.
- JAWs ratio of 0.2%.
- Cost growth of 11%.
- Revenues are up by 11.2% to R67.5 billion.
- Profit before taxation up 19% to R18.6 billion.
- PBB Africa regions revenues up 18% to R15.26 billion.
- Deposit growth of 9% in constant currency.

#### Risk and control

- Credit impairments were down slightly in South Africa to a credit loss ratio of 1.29%.
- The Japan fraud incident, a uniquely sophisticated fraud, has resulted in significant investment in fraud and cybercrime protection.
- Reinforcing a strong risk management culture and internal control disciplines.
- Ensuring adherence to risk appetite.
- Strengthened turnaround of vehicle and asset finance South Africa despite weak market.

#### Client focus

- New enhancements to the digital offerings, including launch of the foreign exchange mobile wallet.
- Roll out of Smart App to eight countries across the continent.
- Delivering new ways of working to simplify banking for customers.
- Focused on improving client experience in South Africa and across the continent.
- Good delivery on core banking programmes across Africa.

#### Leadership and people management

- Driving cultural change focusing on innovation, digital, ownership and execution excellence.
- Strong succession planning for all executive teams.
- Good progress on staff and leadership diversity, across racial, gender and geographies.
- Driving learning and development initiatives to build competence at all levels across all geographies.
- Collaborating across business lines to support customers and the universal bank.
- Significantly improved employee engagement scores across PBB.

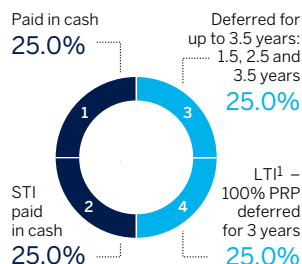


## GROUP FINANCIAL DIRECTOR, ARNO DAEHNKE

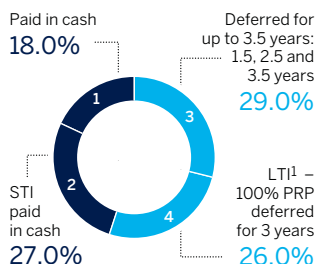
Arno Daehnke is the group financial director and his key achievements in 2016 and related remuneration are provided below.

### ARNO DAEHNKE PAY-FOR-PERFORMANCE

#### 2016 target pay mix for Arno Daehnke



#### 2016 remuneration



	2016
1 Fixed remuneration	R5 000 000 <sup>2</sup>
2 Annual cash award	R7 400 000
3 Annual deferred award	R8 100 000
4 PRP award	R7 000 000

■ Cash award ■ Deferred award

**Total reward: R27 500 000**

<sup>1</sup> The PRP amount is the face value at award date and is subject to conditions.

<sup>2</sup> Includes full fixed remuneration for 2016 for purposes of illustration.

### 2016 Performance

Arno Daehnke was appointed as group financial director on 1 May 2016 having previously headed up treasury and capital management for the group.

- He has transitioned smoothly into the role providing new thought leadership.
- He led a process to set group aspirations to 2020 and has already enhanced the planning, budgeting and metrics frameworks.
- He initiated and completed a process to de-risk the impacts of a potential South African sovereign rating downgrade.
- His input and reporting on cost management has had a positive impact on the group's results.
- He has been intricately involved in key corporate activity during 2016.

### SUMMARY OF 2016 KEY ACHIEVEMENTS

#### Business results

- As group financial director, Arno's performance is linked to the group results.
- A robust set of results, particularly banking activities, despite the tough economic environment.
- Group headline earnings of R23 009 million up 4%\*.
- Banking activities headline earnings of R22 062 million up 9%.
- Revenue growth of 10% with a positive JAWs of 0.3%.
- Disciplined cost control resulted in operating expenses, excluding staff costs, growth of 8%.
- Group ROE of 15.3% (2015: 15.6%)\*.
- Banking activities ROE of 16.8% (2015: 16.3%).
- Tempered by below budget performance of Liberty.

#### Risk and control

- Maintained sound balance sheets across the group's banking entities.
- Maintained appropriate levels of capital and liquidity.
- Active participation at risk and credit committees.
- Management of group tax risk.
- Achieved material compliance with and embedding of the Basel Committee on Banking Supervision (BCBS) 239 principles for effective risk data aggregation and risk reporting.

#### Client focus

- Designed and implemented a new financial planning process focused on the long-term.
- Set and cascaded group aspirations to 2020.
- Maintained high quality of internal and external reporting.
- Maintained group financial controls at the required standards.
- Enhanced planning, budgeting and metrics frameworks.
- Improved cost focus and reporting.
- Finalised several corporate deals.
- Delivered finance strategy map focused on external client.
- Appropriate capital and liquidity raising for clients.

#### Leadership and people management

- Appointed people into key executive roles in finance.
- Improved the finance operating model for the group.
- Senior finance talent pipeline and succession plans developed.
- Dealing with shareholders, analysts and regulators.
- Improved employee engagement scores in finance.

## EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

R'000	2011	2012	2013	2014	2015	2016
Executive directors						
<b>BJ Kruger*</b>						
Cash package paid during the year	5 268	6 014	6 559	7 352	7 538	<b>7 809</b>
Retirement contributions paid during the year	858	963	1 088	1 209	1 076	<b>1 106</b>
Other allowances	143	132	315	199	171	<b>190</b>
Subtotal	6 269	7 109	7 962	8 760	8 785	<b>9 105</b>
Performance-related incentive in respect of the year <sup>1</sup>	9 506	5 900	9 400	5 275	10 150	<b>10 090</b>
Portion of performance-related incentive deferred in share awards <sup>2</sup>	9 763	5 100	11 100	4 975	11 850	<b>12 790</b>
Subtotal	19 269	11 000	20 500	10 250	22 000	<b>22 880</b>
<b>Total reward (excluding EGS/PRP)</b>	<b>25 538</b>	<b>18 109</b>	<b>28 462</b>	<b>19 010</b>	<b>30 785</b>	<b>31 985</b>
Face value of conditional EGS/PRP awarded	2 500	2 000	12 500	10 000	12 500	<b>12 500</b>
<b>Total reward including EGS/PRP</b>	<b>28 038</b>	<b>20 109</b>	<b>40 962</b>	<b>29 010</b>	<b>43 285</b>	<b>44 485</b>
<b>SK Tshabalala*</b>						
Cash package paid during the year	4 713	5 098	6 384	7 378	7 583	<b>7 850</b>
Retirement contributions paid during the year	454	482	990	1 248	1 129	<b>1 106</b>
Other allowances	227	270	274	277	277	<b>242</b>
Subtotal	5 394	5 850	7 648	8 903	8 989	<b>9 198</b>
Performance-related incentive in respect of the year <sup>1</sup>	8 200	8 250	9 400	7 337	10 150	<b>10 090</b>
Portion of performance-related incentive deferred in share awards <sup>2</sup>	7 900	7 450	11 100	8 038	11 850	<b>12 790</b>
Subtotal	16 100	15 700	20 500	15 375	22 000	<b>22 880</b>
<b>Total reward (excluding EGS/PRP)</b>	<b>21 494</b>	<b>21 550</b>	<b>28 148</b>	<b>24 278</b>	<b>30 989</b>	<b>32 078</b>
Face value of conditional EGS/PRP awarded	2 500	2 500	12 500	10 000	12 500	<b>12 500</b>
<b>Total reward including EGS/PRP</b>	<b>23 994</b>	<b>24 050</b>	<b>40 648</b>	<b>34 278</b>	<b>43 489</b>	<b>44 578</b>

Refer to footnotes on page 123.



## EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

R'000	2011	2012	2013	2014	2015	2016
Executive directors						
<b>A Daehnke*</b>						
Cash package paid during the year						2 986
Retirement contributions paid during the year						375
Other allowances						2
Subtotal						3 363 <sup>3</sup>
Performance-related incentive in respect of the year <sup>1</sup>						7 400
Portion of performance-related incentive deferred in share awards <sup>2</sup>						8 100
Subtotal						15 500
<b>Total reward (excluding PRP)</b>						18 863
Face value of PRP awarded						7 000
<b>Total reward including PRP</b>						25 863
<b>DC Munro*</b>						
Cash package paid during the year			4 596	5 355	5 609	5 802
Retirement contributions paid during the year			641	710	774	847
Other allowances			200	254	202	143
Subtotal			5 437	6 319	6 585	6 792
Performance-related incentive in respect of the year <sup>1</sup>			15 150	5 650	12 150	12 900
Portion of performance-related incentive deferred in share awards <sup>2</sup>			14 850	5 850	13 850	15 600
Subtotal			30 000	11 500	26 000	28 500
<b>Total reward (excluding PRP)</b>			35 437	17 819	32 585	35 292
Face value of PRP awarded			10 000	14 000	10 000	10 000
<b>Total reward including PRP</b>			45 437	31 819	42 585	45 292
<b>PL Schlebusch*</b>						
Cash package paid during the year			4 476	5 342	5 594	5 834
Retirement contributions paid during the year			595	709	755	812
Other allowances			199	206	230	206
Subtotal			5 270	6 257	6 579	6 852
Performance-related incentive in respect of the year <sup>1</sup>			10 150	8 650	10 650	11 150
Portion of performance-related incentive deferred in share awards <sup>2</sup>			10 850	8 650	12 350	13 850
Subtotal			21 000	17 300	23 000	25 000
<b>Total reward (excluding PRP)</b>			26 270	23 557	29 579	31 852
Face value of PRP awarded			10 000	10 000	10 000	10 000
<b>Total reward including PRP</b>			36 270	33 557	39 579	41 852

**EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS FORMER-PRESCRIBED OFFICER AND EXECUTIVE DIRECTOR**

R'000	2011	2012	2013	2014	2015	2016
Former executive director						
<b>SP Ridley**</b>						
Cash package paid during the year	4 087	4 617	4 900	5 328	5 532	<b>1 963</b>
Retirement contributions paid during the year	514	572	624	692	677	<b>154</b>
Other allowances	212	246	286	289	271	<b>99</b>
Subtotal	4 813	5 435	5 810	6 309	6 480	<b>2 216</b>
Performance-related incentive in respect of the year <sup>1</sup>	5 881	5 500	6 150	5 150	6 650	<b>5 000</b>
Portion of performance-related incentive deferred in share awards <sup>2</sup>	5 600	4 700	7 850	6 850	8 350	
Subtotal	11 481	10 200	14 000	12 000	15 000	<b>5 000</b>
<b>Total reward (excluding EGS/PRP)</b>	<b>16 294</b>	<b>15 635</b>	<b>19 810</b>	<b>18 309</b>	<b>21 480</b>	<b>7 216</b>
Face value of conditional EGS/PRP awarded	1 500	1 500	8 000	8 000		
<b>Total reward including EGS/PRP</b>	<b>17 794</b>	<b>17 135</b>	<b>27 810</b>	<b>26 309</b>	<b>21 480</b>	<b>7 216</b>
<b>Totals for all executive directors and prescribed officers</b>						
Fixed remuneration			32 127	36 548	37 418	<b>37 526</b>
Annual incentive award including portion deferred in share awards			106 000	66 425	108 000	<b>119 760</b>
Face value of PRP award			53 000	52 000	45 000	<b>52 000</b>
			191 127	154 973	190 418	<b>209 286</b>

<sup>1</sup> In order to align incentive payments with the performance period to which they relate, the above variable remuneration relates to the year under review irrespective of when payment is made.

<sup>2</sup> The final value of the award is dependent on the performance of the group's share price. The deferred award is issued in the following financial year. The deferred award in the table above is the total award relating to the respective performance year. Deferred bonus amounts awarded for the 2011 performance year and beyond are subject to choice. Participants can elect to have the value of the deferred award, or a part thereof, invested in the Share appreciation rights plan (SARP) (which will be introduced to replace EGS in South Africa and the group share incentive scheme outside South Africa) rather than the default DBS. To the extent that SARP is selected, a 10% premium of the value of the award is added. Deferred bonus amounts not invested in SARP will be unitised with respect to the group's closing share price on the date on which the group's year end financial results are communicated publicly.

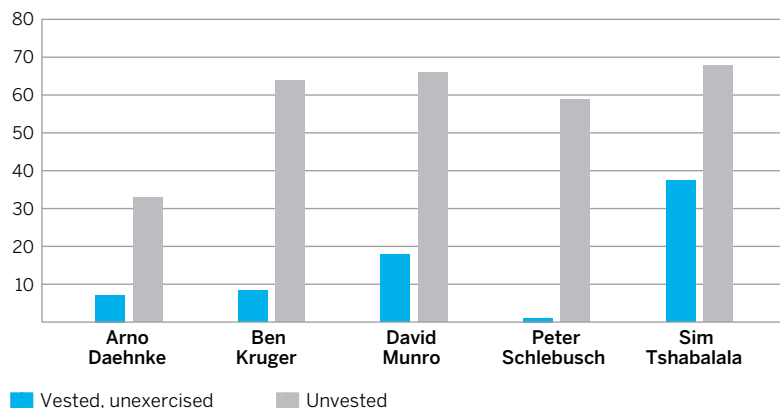
<sup>3</sup> A Daehnke was appointed as group financial director on 1 May 2016. His fixed remuneration is shown from that date.

\* All executive directors were also prescribed officers of the group.

\*\* SP Ridley retired on 30 April 2016, and was a prescribed officer of the group until that date.

## Executive directors' and prescribed officers' unvested and unexercised shares

Awards by employee (current rand value) (Rm)

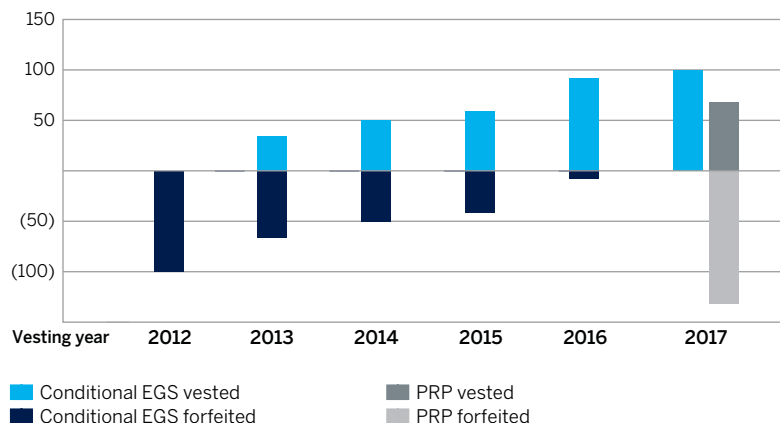


Note:  
 Values have been calculated on a share price of R151.75 and are based on status of awards at 31 December 2016.  
 Conditional unvested awards for 2015 and 2016 have been based on 100% of potential value.  
 Conditional unvested award for 2014 has been based on 68.37% of potential value.  
 Excludes awards made in March 2017.

## Executive directors' and prescribed officers' actual and potential percentage vesting of conditional EGS and PRP awards from March 2012 to March 2017

Executive directors and prescribed officers have conditional EGS awards and conditional PRP awards vesting in March 2017. These awards vest through meeting certain performance conditions. The EGS awards vesting in 2017 relate to the third tranche of the March 2010 awards, the second tranche of the March 2011 awards, the third tranche of the March 2012 awards and the second tranche of the March 2013 awards where conditions were met. All the EGS awards due to vest in 2012 were forfeited due to not meeting performance conditions.

% Vesting vs. forfeiture by vesting year (%)



The first PRP awards were made in March 2014 and there were no conditional EGS awards made from that date. The vesting percentage in March 2017 is 68.37% out of a possible 200% of units allocated. Vesting will take place in March 2017 as set out in the chart alongside.

Vesting for the years 2012 to 2016 are also included for comparison.



Full details on the number and value of awards granted during the year in terms of our share-based plans are included in the Standard Bank Group 2016 audited Annual Financial Statements, available online.

## Non-executive directors

In determining the fees for non-executive directors, the majority of whom are also members of board committees, Remco considers the extent and nature of their responsibilities. It also considers market conditions and reviews comparative remuneration offered by other major South African and international banks and top South African listed companies.

Proposed fees, effective from 1 January 2017, are based on a carefully considered assessment of non-executive directors' responsibility, including the significant amount of work involved

at committee level. The board, and particularly its committees, chairmen and committee members, spend a significant amount of time on in-depth analysis of matters relevant to the group's performance and regulatory requirements.

### Fees

Non-executive directors receive fixed fees for service on boards and board committees. There are no contractual arrangements for compensation for loss of office for either executives or non-executive directors. Non-executive

directors do not receive annual incentive awards, nor do they participate in any of the group's long-term incentive schemes. Remco reviews the fees paid to non-executive directors annually and makes recommendations to the board for consideration and shareholder approval.

The board agreed that the current fee structure of a single annual fee, rather than a retainer and meeting attendance fee, was more appropriate for the group board and committees and in the light of the contribution of members.

## Non-executive directors' emoluments

	Fixed remuneration R'000									
	Services as directors of Standard Bank Group		Standard Bank Group committee fees		Services as directors of group subsidiaries		Other benefits		Total compensation for the year	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
MJD Ruck	248	233	870	810	2 298	2 145	-	-	3 416	3 188
Adv KD Moroka	248	233	772	689	248	233	-	-	1 268	1 155
TS Gcabashe	5 978	3 446	-	155	-	119	538	251	6 516	3 971
EM Woods	248	233	973	1 043	273	326	-	-	1 494	1 602
RMW Dunne	248	233	1 208	1 128	248	256	-	-	1 704	1 617
PD Sullivan	991	939	1 405	1 131	1 146	1 171	-	-	3 542	3 241
W Wang	248	233	296	325	28	-	-	-	572	558
BS Tshabalala	248	233	681	438	356	728	-	-	1 285	1 399
AC Parker	248	233	401	271	372	441	-	-	1 021	945
ANA Peterside con	991	939	450	252	991	939	-	-	2 432	2 130
S Gu	991	939	562	528	28	-	-	-	1 581	1 467
JH Maree	28	-	-	-	2 627 <sup>1</sup>	-	-	-	2 655	-
NNA Matyumza	28	-	-	-	28	-	-	-	56	-
Dr ML Oduor-Otieno	991	-	293	-	991	-	-	-	2 275	-
GJ Fraser-Moleketi	28	-	-	-	28	-	-	-	56	-
JM Vice	28	-	237	-	28	-	-	-	293	-
GMB Kennealy	28	-	-	-	28	-	-	-	56	-
<b>Total</b>	<b>11 818</b>	<b>7 894</b>	<b>8 148</b>	<b>6 770</b>	<b>9 718</b>	<b>6 358</b>	<b>538</b>	<b>251</b>	<b>30 222</b>	<b>21 273</b>
<b>Former non-executive directors</b>										
TMF Phaswana <sup>2</sup>	-	2 315	-	-	-	-	-	151	-	2 466
Lord Smith of Kelvin, KT <sup>2</sup>	-	385	-	112	-	382	-	-	-	879
FA du Plessis <sup>3</sup>	-	95	-	155	-	165	-	-	-	415
<b>Total</b>	<b>-</b>	<b>2 795</b>	<b>-</b>	<b>267</b>	<b>-</b>	<b>547</b>	<b>-</b>	<b>151</b>	<b>-</b>	<b>3 760</b>

<sup>1</sup> Paid from Liberty Holdings.

<sup>2</sup> Retired on 28 May 2015.

<sup>3</sup> Resigned on 28 May 2015.