

Black economic empowerment and the financial sector charter

Notes to this report

It is important to note at the outset of this report that although much of the following commentary focuses on quantitative scoring, in line with the assessment methodology set out by the Financial Sector Charter (charter), the underlying aim of the charter is to advance the equitable growth and progress of the sector and the country. Standard Bank is committed to respond to the charter in this spirit and not merely as a compliance obligation.

During 2005, three quarterly progress reports on the bank's implementation of the charter were produced and presented to the board. This report provides a consolidated overview of progress over the entire year, and serves as a benchmark of progress made by Standard Bank over the entire charter period. The report is structured according to the categories (or pillars) set out by the charter and includes definitions and explanations of terminology where appropriate, to assist the reader who may not be familiar with the charter.

Introduction

The charter represents a comprehensive approach by the financial sector to address black economic empowerment. Through the

charter, the financial sector has defined key commitments to enable institutions to maximise their contribution towards economic growth generally, and sector transformation specifically.

This report is the first of its kind from Standard Bank and attempts to convey key outcomes achieved by the bank over the past two years towards fulfilling our charter responsibilities. Standard Bank began more than eighteen months ago to integrate charter objectives into its business model to ensure implementation is sustainable and meets the needs of our stakeholders.

Customers, shareholders, employees, the regulator, government and civil society all have distinct expectations of what Standard Bank is required to achieve through the charter. A report of this nature is therefore necessary to convey exactly how the bank is progressing and what issues or challenges confront us at this point.

Without credible quantitative measures of progress, it will be difficult for the general public, the Charter Council and government to assess the impact the charter will make over time in addressing the fundamental challenges facing the South African economy.

Summary scorecard

Charter category	Maximum possible points	Audited results 2005	Audited results 2004
Human resource development	20	15,80	14,45
Management employment equity	15	12,50	11,20
Skills development spending	3	3,00	2,94
Black learnerships	2	0,30	0,31
Access to financial services	18	11,97	3,38
Access to financial services	8	6,20	0
Origination	8	3,77	1,38
Customer education	2	2,00	2,00
Empowerment financing	22	20,11	14,09
Targeted investment	17	15,11	10,73
BEE transaction financing	5	5,00	3,36
Procurement and enterprise development	15	11,40	6,00
Procurement and enterprise development	15	11,40	6,00
Direct empowerment	22	18,45	12,02
Ownership	14	12,00	12,00
Board of directors	3	3,00	0,02
Control: Top 50 executives	5	3,45	0
Corporate Social Investment	3	3,00	3,00
CSI	3	3,00	3,00
Total score	100	80,73	52,94

Black economic empowerment and the financial sector charter continued

Pillar 1: Human resource development

Review of progress

Standard Bank's transformation philosophy centres on diversity as a key business imperative. Tapping into a diverse spread of talents and perspectives benefits both the bank, its customers and employees.

There are three key objectives defined by the Human Resources Development commitments in the charter, namely to increase representation of black people at all levels within the organisation, particularly at management levels; to facilitate this increase in representivity through developing the skills of existing and new black employees; and to work in conjunction with government to enable young black people to enter into employment, with the opportunity to grow and develop skills that they may not otherwise have had access to.

We continue to build and strengthen an organisational culture that embraces diversity, with our values forming a common basis for our conduct and interactions.

Over the past two years, approximately 80 diversity awareness and training workshops were conducted, reaching over 2 490 employees throughout the bank. In addition, the bank's various leadership development programmes incorporate components focusing on understanding and managing diversity for a business advantage.

Standard Bank strives to continually build and strengthen a diverse organisational culture, with our values forming the foundation of our behaviours.

It is important to note that the charter incorporates a holistic approach to human resource development that goes beyond targeted recruitment and training. The importance of practices such as mentorship, coaching and career planning contribute towards a sustainable increase in the representation of black people at all levels in the organisation.

Career pathing, mentorship and leadership development

The bank has numerous leadership development programmes that are designed to equip our employees to become leaders within the organisation with the appropriate knowledge and skills to direct the business successfully into the future. The participation of black employees in leadership development programmes has steadily increased over the past two years. Since 2004, the number of black participants on our Wings leadership development programme has increased substantially.

Currently, Standard Bank does not have a formal career path or mentorship programme in place. However, in the case of mentorship, the bank is currently designing and implementing a framework that will target employees that have been identified as future leaders within the organisation. The mentorship programme is not exclusively for black employees, but given a deficit of black talent at the senior and executive management levels within the organisation, black employees will be specifically targeted.

Career pathing takes place within the bank at a business unit level in the form of career management committees. There is no formal groupwide programme on career pathing, but it is an integral part of the bank's retention strategy.

Targets

To date, the bank has met, and in some cases exceeded, its internal 2008 transformation targets, which were deliberately set above the 2008 charter targets. This success is largely attributable to our commitment to build a company that, increasingly, reflects the demographics of our country.

Figure 1 shows that the bank has exceeded all 2008 charter targets in relation to employment equity (EE) as at 31 December 2005. However, the maximum points available for EE (15) were not achieved as the bank did not obtain the bonus points available for representation by black people at the senior management and junior management levels. There are no bonus points available for middle management.

The bank will gain one bonus point if representation by black people reaches or exceeds 25% at the senior management level. Furthermore, a 0,75 bonus point is also available when black junior management representation is between 45% and 50%, and another 0,75 point may be achieved once black junior management representation reaches or exceeds 50%.

The bank has set its internal EE targets in line with the charter targets for bonus point allocations. According to the trend lines in Figure 2 and Figure 4 (overleaf), the bank should obtain the bonus points available for senior and junior management by the end of December 2006 and the beginning of March 2008 respectively.

The trend in Figure 4 shows that the bank is likely to achieve 50% representation of black people in junior management in early to middle 2008.

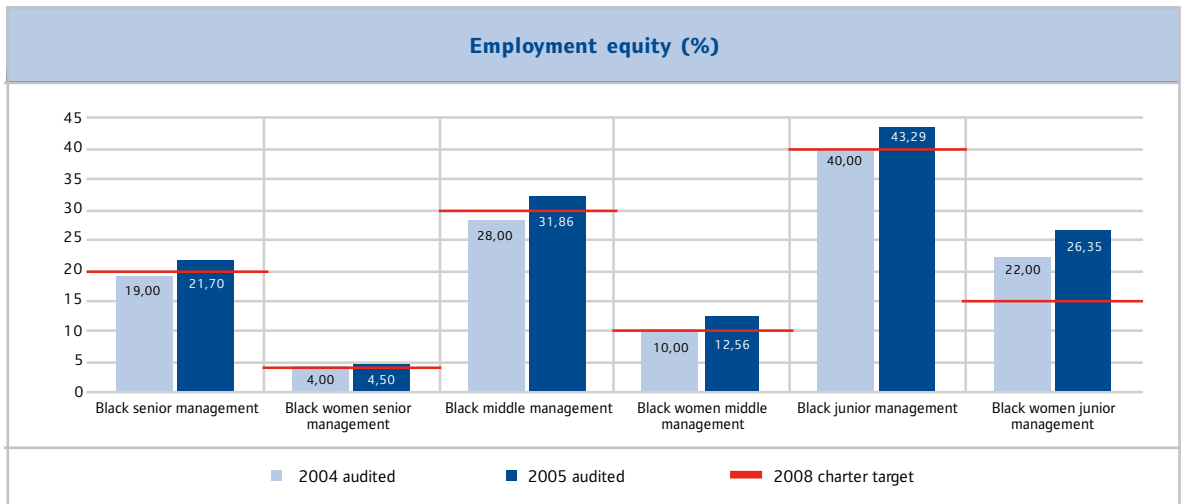


Figure 1

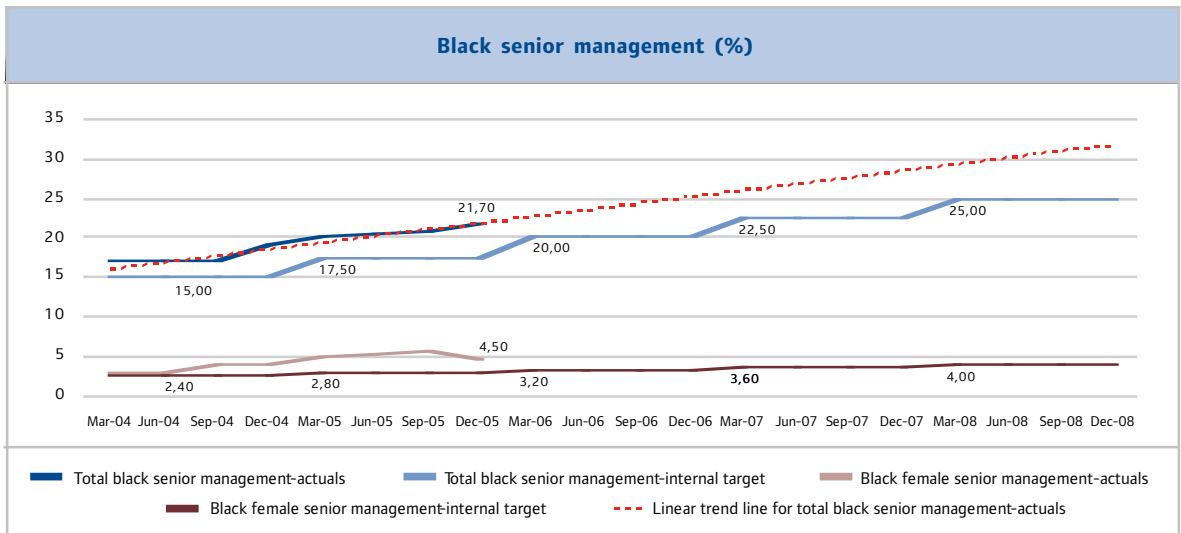


Figure 2

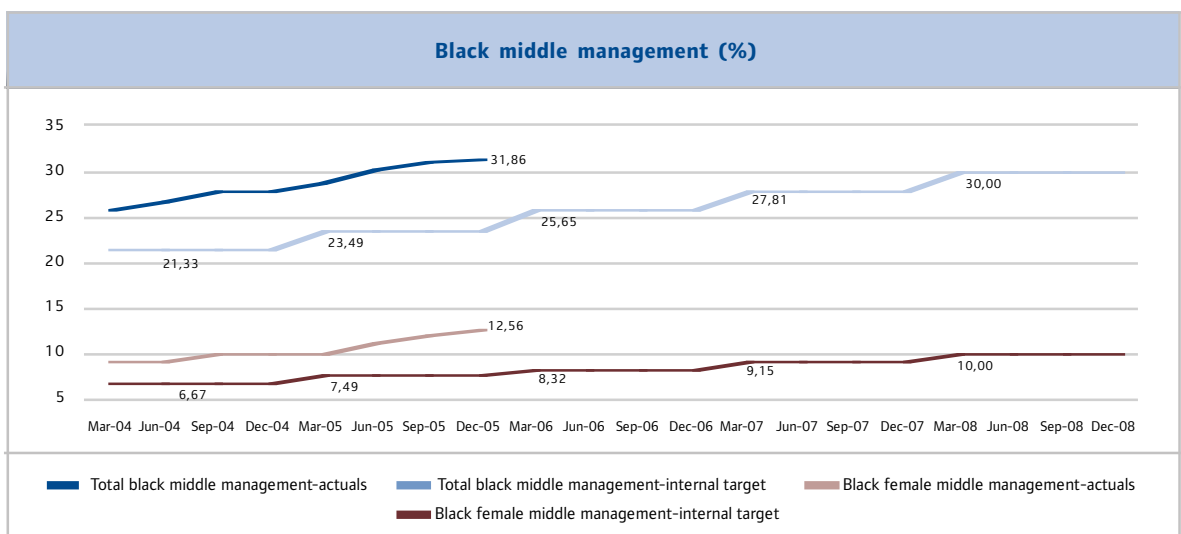


Figure 3

Black economic empowerment and the financial sector charter continued

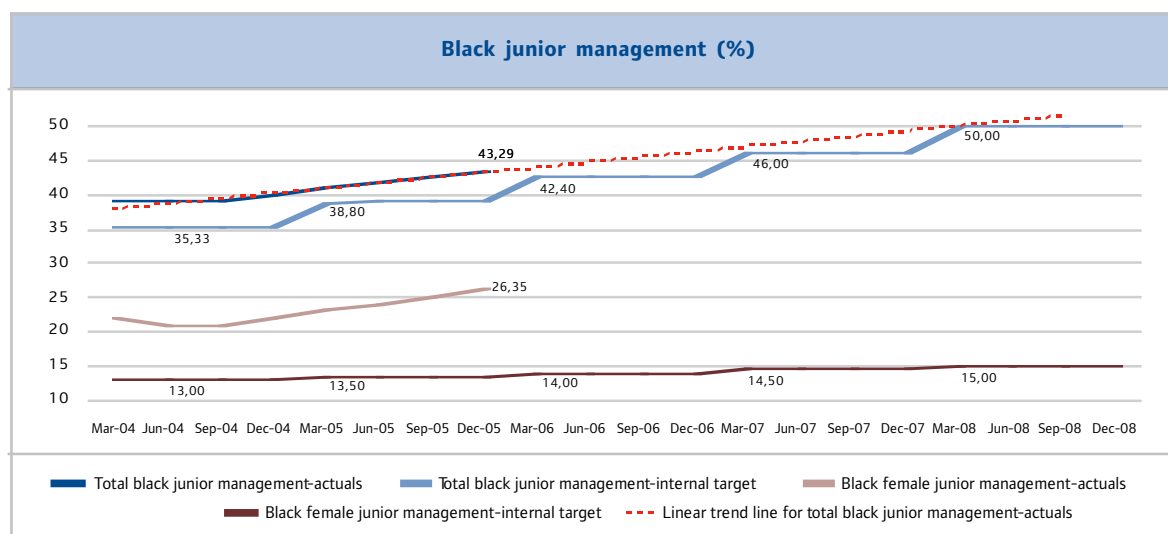


Figure 4

Management employment equity scorecard

Management level	Target %	Black employees 2005 %	Black employees 2004 %	Audited score 2005	Audited score 2004
Black senior management	20,00	21,11	19,00	3,00	2,60
Black women senior management	4,00	4,92	4,00	1,00	1,00
Black middle management	30,00	31,86	28,00	4,00	3,10
Black women middle management	10,00	12,56	10,00	1,00	1,00
Black junior management	40,00	43,29	40,00	2,50	2,50
Black women junior management	15,00	26,35	22,00	1,00	1,00
Total score (15)				12,50	11,20

Note: The above table includes Stanbic Africa head office employees.

Skills development scorecard

Category	Target %	Actual 2005 %	Actual 2004 %	Audited score 2005	Audited score 2004
Skills development spend (as a % of total payroll)	1,50	1,50	1,47	3,00	2,94
Black learnerships (as a % of total employees)	4,50	0,67	0,70	0,30	0,31
Total score				3,30	3,25

Pillar 2: Access to financial services

The objective of the access pillar within the charter is twofold – firstly to increase the number of South Africans who have easy access to the actual physical infrastructure of banks, namely our branch network, ATMs etc. and secondly, to ensure that poorer South Africans have the ability to utilise the services of a bank through affordable products designed specifically to meet their needs.

The issue of affordability and appropriateness of products has been debated within the context of the elimination of discrimination in the provision of financial services. Whilst discrimination on the basis of race is no longer a primary issue in South Africa, affordability is still a proxy for race in South Africa and hence the focus on banking lower income black people.

Elimination of discrimination in the provision of financial services

In 1994 Standard Bank launched a separate distribution channel – EBank – to attract previously unbanked individuals. Three years later the bank integrated EBank (re-branded as AutoBank E) under the Standard Bank umbrella. However, in practical terms the channel was still seen as a separate entity. Until 2004, most convenience customers (those earning R0 – R5 000 per month) were served almost exclusively by AutoBank Es, and experienced a limited product and service offering.

In 2004, Standard Bank decided to extend its range of services to these customers and the bank is currently piloting AutoBank E products. In future, all AutoBank E branding will be eliminated and these outlets will be integrated according to the group's unitary brand strategy. Employees in these outlets will be trained to ensure they are equipped to offer a broader value proposition to this important target market.

Points of Representation (POR)

An innovative solution to the challenge of extending financial services is the 'bank in a box' concept. A POR is built off-site and delivered complete and fully functional within 30 days of ordering. To date, 28 PORs have been placed in urban townships and deep rural areas with an additional POR planned for Matsulu in Mpumalanga. Standard Bank's extended footprint includes the following sites:

- Diepkloof; Kliptown; Soshanguve; Orange Farm; Kwa Thema; Kagiso; Vosloorus; Lesedi Vosloorus (Gauteng).
- Makhado; Matoks; Seshego; Elim (Limpopo).
- Thlabane; Marikana (North West).
- Dennilton; Kamhlushwa; Kanyamazane (Mpumalanga).
- Dimbaza; Kentani; Motherwell; Daku Square (Eastern Cape).
- Highflats; Madadeni; Hlabisa; Izingolweni (KwaZulu-Natal).

- Makhaza (Western Cape).
- Thabong (Free State).

Origination

Under the access pillar, targets for originating debt finance in the affordable housing market, black SMEs and black agriculture SMEs are defined. The objective is to encourage banks to increase lending into these specific sectors.

Low income housing (LIH) – progress made

Standard Bank is in the process of finalising its LIH strategy, which will aim to consolidate a profitable, sustainable market segment and achieve leading market share. This will involve taking a different approach to the traditional housing value chain and by becoming more involved in all its aspects, embracing both supply-side and demand-side dynamics.

The bank is guided by three aims in its LIH strategy:

- Provide housing solutions for the purchase of new and existing properties, or the improvement of existing properties.
- Create new housing stock and revive dysfunctional housing markets in partnership with other stakeholders – to grow sustainable human settlements.
- Enable customers to leverage property equity to create additional wealth.

While meeting its charter obligations and targets in terms of origination and targeted investments, the LIH unit seeks to position the bank strategically as a growth driver of the overall housing finance market and the market for all bank products. The LIH strategy will be fully aligned with the bank's existing home loans strategy to maximise integration and synergy.

Progress made in the LIH area has included:

- A comprehensive borrower education curriculum being formulated and implemented. Borrower education has been redesigned to alleviate pressure on mortgage origination channels and frontline branch employees, enabling a sharper focus on sales.
- The bank's participation in the sponsorship of Lyakuluma, a consumer education television soap opera promoting home ownership.
- Principles of the finance-linked capital subsidy programme being incorporated into the bank's LIH product plans and credit policies.
- A Housing Code of Practice being formulated, which will pave the way for the regulations of the National Credit Bill when introduced into the bank's processes.

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- Extensive research being undertaken to determine housing supply and demand, and to identify impediments to delivery. This research has formed the backbone of the bank's LIH strategy.

Development finance (which incorporates the creation of housing stock for ownership or rental purposes for the charter target market) and wholesale funding (which refers to the bulk funding of business entities, financial intermediaries or development agencies that on-lend to the charter target market) have not historically been areas of focus for Standard Bank.

However, the bank has evolved a development finance strategy over the last 18 months, which has focused on:

- Creating networks.
- Identifying business opportunities.
- Building a business pipeline off a small base.

The rollout of development finance projects is dependent on a close alliance between Standard Bank Properties and the LIH business unit, and the need to develop a greater, mandated and more flexible appetite for this business. The bank is forging a closer relationship between the two, to address pressing supply-side challenges and create a feeder market for end-user housing finance.

In the area of development finance, the following has been achieved:

- Current projects under consideration total R582 million, with 32 500 units potentially targeted for the charter target market.
- Approved funding facilities totalling R55 million, with 248 units earmarked for the charter target market.

Black Small and Medium Enterprises (BSME) – progress made

Standard Bank recently signed a £20 million loan agreement with Agence Francaise de Development (AFD), a French development agency, to finance new investments in the Small and Medium Enterprises (SME) sector. Included in the AFD loan agreement is a grant element to be used for SME mentorship. Furthermore, the bank has secured a R160 million loan from AFD to lend to qualifying black SMEs as defined in the charter.

The bank has also established a dedicated business division to provide solutions to the SME market. The division will provide BSMEs with contract and leveraged financing.

Standard Bank has taken a proactive approach to meeting the target for BSMEs development. The bank has allocated a target for each province and provincial BEE champions have been appointed to drive the BEE strategy for that province. An efficient reporting system has been established to measure monthly progress, with reports generated centrally and reviewed by provincial directors.

Standard Bank has developed a number of funding initiatives to assist BSMEs, including:

- Leveraged finance.
- Contract finance.

- Franchising.
- Small-scale mining operator lending.

Leveraged finance provides empowerment finance for SMEs in the form of acquisition and expansion capital, while contract finance provides access to finance for BSMEs who have been awarded contracts in partnership with government and corporate organisations.

Black agriculture (BAgriculture) – progress made

Seven customer forums were held countrywide for the bank's top 50 agricultural customers in each province.

Topics discussed included:

- Standard Bank's role in Agricultural Black Economic Empowerment (AgriBEE).
- Charter impact on AgriBEE.
- Financing structures available to agricultural businesses.
- Draft AgriBEE scorecard and the DTI Codes of Good Practice.

Existing black empowered farming enterprises shared their experiences at the forums, which included important discussions on best practices and critical success factors. The forums were followed by individual sessions with interested customers.

Various internal workshops were held to upskill Standard Bank employees on the objectives and importance of broad-based black economic empowerment, the bank's strategy and different financing structures. Furthermore, an agricultural specialist was appointed in the leverage finance team to assist in structuring of AgriBEE transactions.

Origination targets

Origination values are calculated as the sum of all qualifying debt originated from 1 January 2004 to date.

In Figure 5, the large difference in the BSME audited number for December 2004 and December 2005 is because the 2004 amount was calculated without taking into account debt originated by Standard Bank Properties, and the SME book was not coded with each SME's BEE status. Coding of the book during 2005 significantly increased the total BSME debt origination recognised.

Similarly, a sizable portion of the increase in funding to black agricultural entities is due to the process of accurately recording the BEE status of customers.

In Figure 6, the trend line for funding advanced for LIH purposes, calculated on the basis of the value of the property purchased, indicates that it may be possible to reach the target for originating LIH debt by mid 2007 if the average rate of increase remains constant. However, it is unlikely to remain constant or increase, since the LIH unit has indicated that there has been a decline in demand during the year to December 2005 as compared to the year to

December 2004. The rate of debt originated still remains above the interim target line, which indicates achieving the target by the end of 2008.

It is important to note that the LIH linear trend based on income level criteria (Figure 7 overleaf) indicates that the bank will only move above the interim target line by the end of 2006, and that the overall target will only be reached in the third quarter of 2008, if there is constant growth in LIH funding.

A linear trend line has not been included in Figure 8 because the coding of the book and recognition of 2004 property funding skews the actual data, and a major portion of the funding recognised in 2005 is actually for debt written in 2004.

Debt originated to BSMEs is currently on par with the interim target as defined.

A similar situation exists for lending to black agricultural enterprises in that a major coding process skews the trend line. However, as with BSME, current origination rates exceed the interim target.

Consumer education

The charter commits banks to provide adequate education on products and services offered to customers in the lower income brackets. Banks have been set a target of spending 0,2% of prior year after-tax profit to effect this consumer education. Standard Bank has scored full points for consumer education over the past two years.

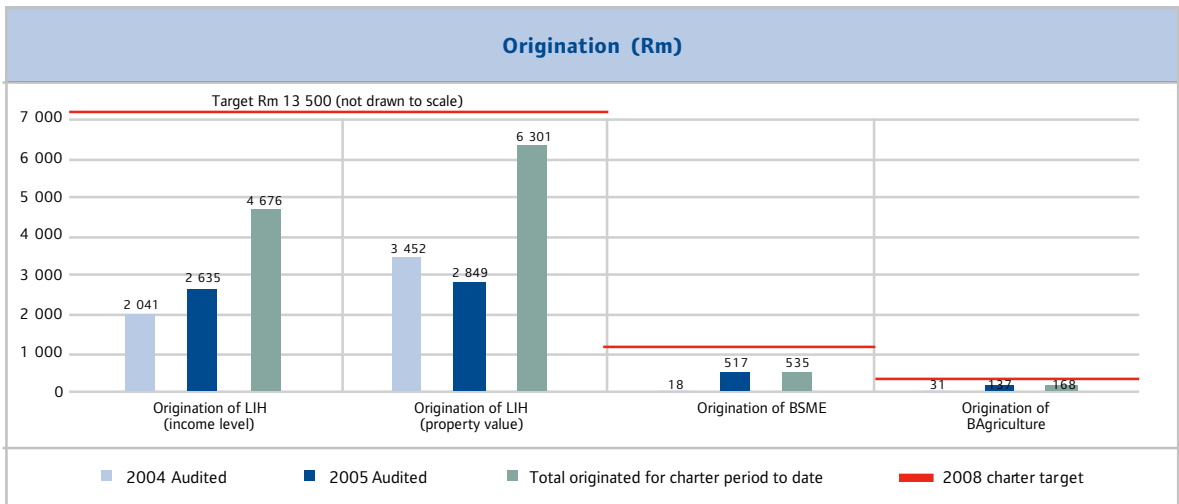


Figure 5

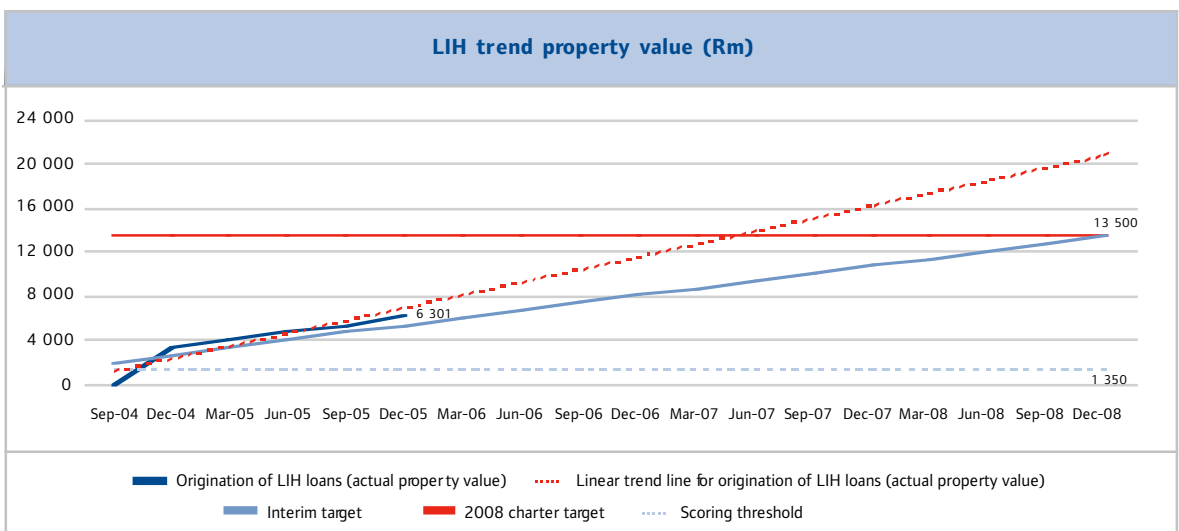


Figure 6

Black economic empowerment and the financial sector charter continued

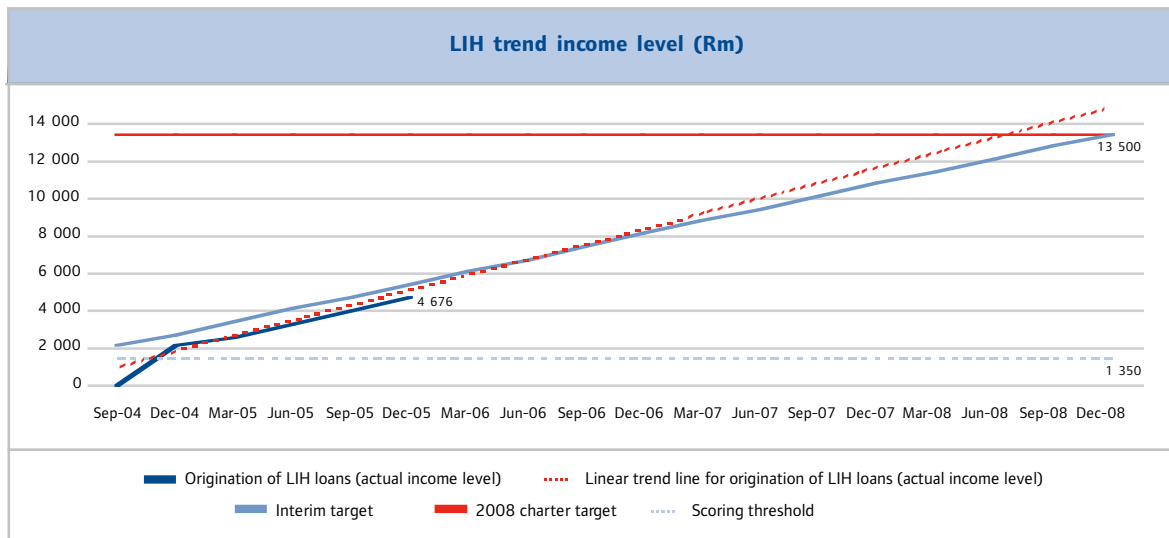


Figure 7

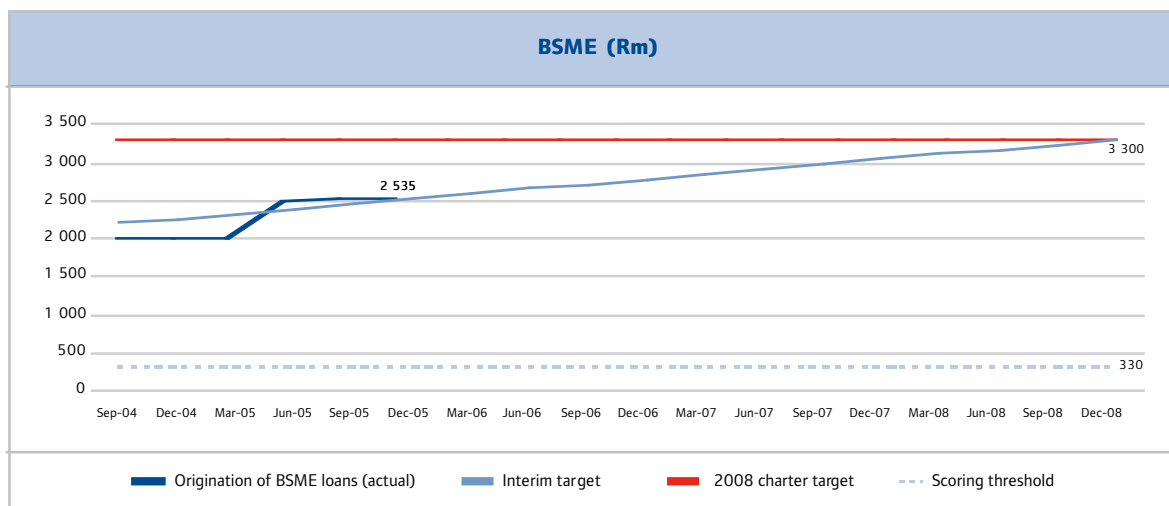


Figure 8

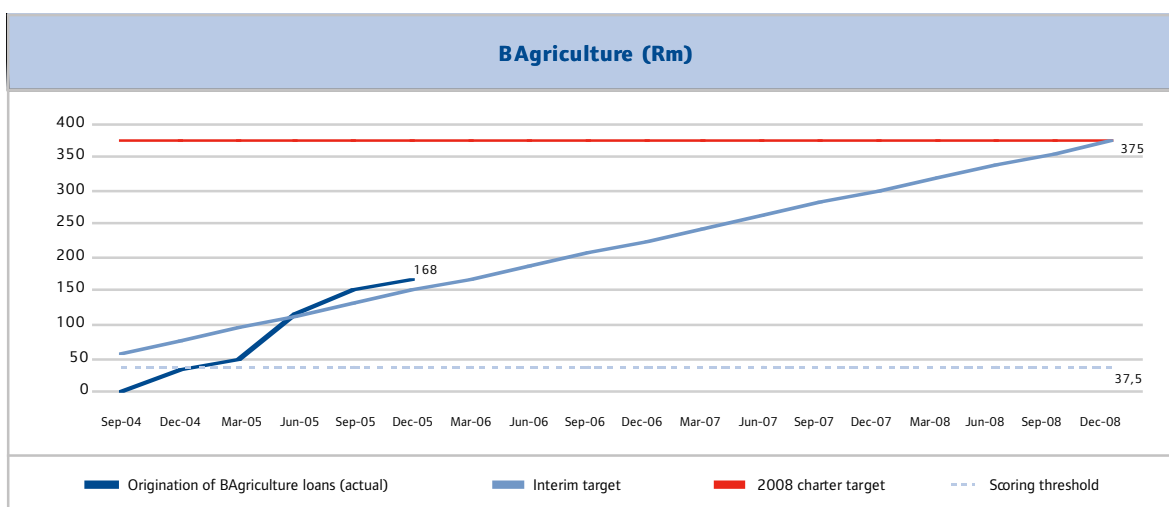


Figure 9

Access to financial services summary scorecard

Access to financial services	Target 2008	Audited 2005	Audited 2004	Max score	Audited score 2005	Audited score 2004
1. Access to financial services				8	6,20	0
Transactions products (Mzansi): (Effective access for LSMs 1-5)	652 179	358 369	Not audited	2	1,10	0
Savings products (Mzansi): (Effective access for LSMs 1-5)	652 179	358 369	Not audited	2	1,10	0
Transactability (POR)	72,5%	74,85%	Not audited	2	2,00	0
Full service (POR)	72,5%	73,26%	Not audited	2	2,00	0
2. Origination				8	3,77	1,38
Low income housing (Rm)	13 500	5 493 (Property value criteria)	2 041 (Income level criteria)	4	1,51	0,24
Black SME (Rm)	3 300	2 651	2 018	2	1,48	1,14
BAgriculture (Rm)	375	168	0	2	0,78	0
3. Consumer education spend				2	2,00	2,00
% of post tax operating profit	0,20	0,20	0,23	2	2,00	2,00
Total score				18	11,97	3,38

Pillar 3: Empowerment financing – targeted investment and BEE transactions

Empowerment financing is essentially the on-balance-sheet lending Standard Bank will accumulate over the charter period (balances outstanding as at 31 December 2008). There are two categories of empowerment financing, namely, targeted investment and BEE transaction financing.

Targeted investment

The commitment to originate loans under the access pillar of the charter is mirrored by a commitment to hold a portion of the originated loans on Standard Bank's balance sheet. The only addition in targeted investment that is not mirrored in origination is transformational infrastructure.

The difference between targeted investment and origination targets (origination targets are higher) provides banks with the opportunity to on-sell a portion of their lending portfolio to other non-originating financial institutions to hold on their balance sheets. This enables institutions like insurers to qualify for charter points under targeted investment.

BEE transaction financing

BEE transactions are defined in the charter as:

- All transactions for the acquisition, by black people, of direct ownership in an existing or new entity (other than an SME) in the financial or any other sector of the economy.

- Joint ventures with, debt financing of or other forms of credit extension to, and equity investments in BEE companies (other than SMEs).

Progress made

Standard Bank has made strong progress financing BEE transactions. In time, the bank hopes to be in a position to sell portions of the finance on its balance sheet to members of the financial sector without the capacity to originate the financing of BEE transactions.

Standard Bank played an active role in the task team responsible for developing the guiding framework for BEE transaction finance. The bank will continue to play an active role as this process unfolds. A BEE Transaction Financing Committee has been constituted as a sub-committee of the Charter Council, with representatives from the following constituencies:

- Association of Black Securities and Investment Professionals.
- The Association of Collective Investments.
- The Banking Association.
- Community.
- Labour.
- Government.
- The Life Offices Association.

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- The South African Insurance Association.
- The Foreign Bankers Association of South Africa.

The committee is chaired by Standard Bank. The committee has developed a range of key interpretations around the scoring of the charter elements.

Pending a final framework, Standard Bank has begun the origination of BEE transaction finance. The bank has developed a number of focus areas within its existing business divisions. To facilitate BEE transactions of all sizes, the bank has segmented its product offerings to cater for larger and smaller deals. Larger deals that require more sophisticated structuring are managed in CIB, while smaller deals are managed in Personal & Business Banking.

The majority of BEE transaction finance provided by Standard Bank to date has been conducted by CIB. Key BEE transaction finance components are:

- *Strategic Equity Investments*

Venture capital equity investments into emerging black companies, providing seed capital or expansion capital.

- *Private Equity*

Co-investing with black companies to effect the acquisition of established companies by BEE entities.

- *Corporate Banking Division*

Working capital finance for black companies.

- *Acquisition Finance Group*

A new division that ensures the co-ordination of the bank's debt and equity capabilities in the sphere of empowerment finance.

These divisions sit in CIB and focus on direct equity investments and large ticket transactions. For smaller transactions that cannot support the cost of specialised advice, customised structures are used to facilitate financing. Partnerships have been formed with legal and accounting firms to facilitate the efficient implementation of these deals. In addition, risk mitigation facilities have been secured with external parties.

Indicators

The industry target (still to be validated by the Charter Council) for BEE transaction financing for 2008 is R50 billion. Standard

Bank's BEE transaction financing target for 2008 is R4 billion. This target was calculated based on the bank's percentage of total designated investments in the financial sector as at 31 December 2003.

Standard Bank has exceeded its internal target as at the end of September 2005. If the bank includes its own R4,1 billion Tutuwa ownership transaction, it would exceed its 2008 target. However, achievements need to be considered in light of the following industry issues:

- The issue of scoring self-funded transactions is still to be resolved by the Charter Council. However, for scorecard purposes self-funded transactions may be counted for the 2005 financial year.
- The majority of the origination capacity rests with banks, and accordingly banks will have to sell down some of their BEE transaction financing assets to non-originating institutions if such institutions are to meet their obligations.
- It is anticipated that deal flow will decline going forward as parties conclude their BEE ownership transactions.
- The rules relating to the financing of broad-based schemes may negatively impact on these achievements, although this is not anticipated to be material.
- Guidelines have been proposed to define broad-based schemes, as well as the number of credits allocated for including broad-based schemes in BEE transactions.
- Recommendations made to the Charter Council will need to be aligned with the newly released DTI Codes of Good Practice.

Looking forward, Standard Bank will seek to automate its accounting and monitoring process with respect to BEE transaction financing, while maintaining its deal flow and accumulation of assets. The bank will also actively pursue the sell-down of BEE transaction finance to non-originating institutions.

Transformational infrastructure balances for December 2004 were not recorded due to a lack of a measurement methodology at the time of the audit.

The BEE transaction finance balance includes approximately R4,1 billion worth of funding for the bank's own BEE ownership transaction. The balance excluding the bank's BEE ownership transaction amounts to approximately R3,5 billion.

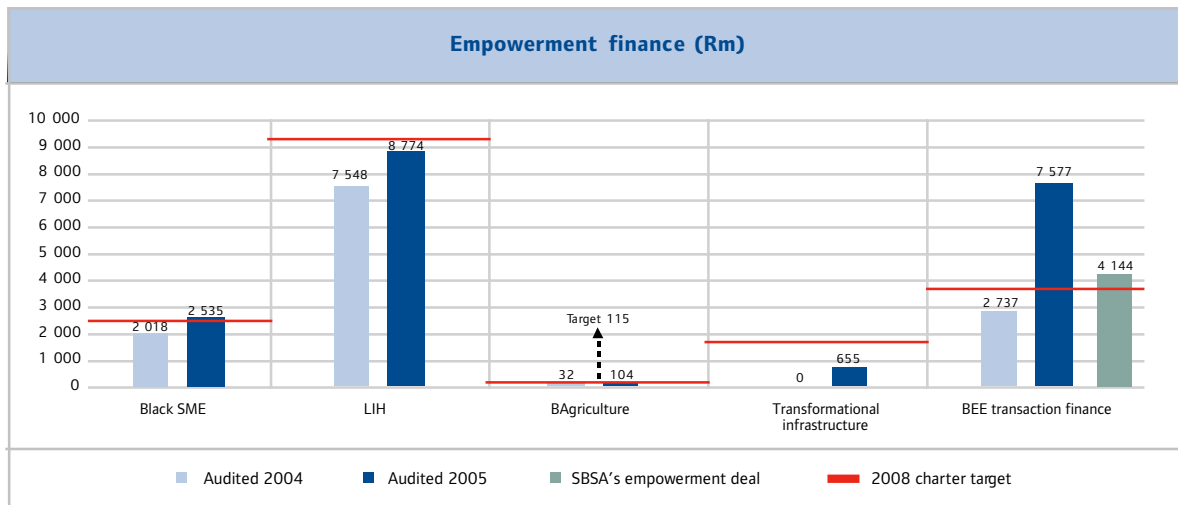


Figure 10

Empowerment financing summary scorecard

	Target 2008 Rm	Audited 2005 Rm	Audited 2004 Rm	Max score	Audited score 2005	Audited score 2004
Empowerment financing						
1. Targeted investment	13 579,5	12 068	9 597			
Black SME	2 385,7	2 535	2 018			
Transformational infrastructure	1 928,5	655	0	17	15,11	10,73 ¹
Low income housing	9 149,6	8 774	7 548			
BAgriculture	115,7	104	31			
2. BEE transaction financing	3 857	7 577	2 737	5	5,00	3,36
BEE transaction financing	3 857	7 577	2 737	5	5,00	3,36
Total for empowerment financing	17 436,5	19 645	12 334	22	20,11	14,09

¹The 2004 target for transformational infrastructure was not included in the scoring calculations as audited during December 2004.

Note: All 2004 targets were based on estimates which have been reviewed during 2005 and have been changed as a result.

Pillar 4: Procurement

Some of the greatest challenges facing small businesses in South Africa today are access to affordable capital to start up and run a business, finding suitably skilled entrepreneurs and employees to make a business plan work and grow the business over time, and access to a market for goods or services.

The charter addresses each of these challenges within the context of procurement and enterprise development. The charter places an obligation on large financial institutions such as Standard Bank to actively seek ways of increasing procurement from BEE accredited suppliers and small businesses. In addition, the charter creates a framework within which skills transfer can take place to enable businesses to become suppliers in cases where they may not meet requirements. Assistance with tender procedures, meeting technical specifications, delivery requirements and other important aspects of supply chain management are all components of procurement and enterprise development as set out by the charter.

Standard Bank's procurement and enterprise development strategy centres on a total cost of ownership approach, which seeks to maximise the bank's economic impact across the full scope of its supply chain.

Progress made

Standard Bank has embarked on an initiative to increase procurement spend with BEE companies, especially BSMEs. These suppliers will now have the opportunity to supply goods and services provincially, which were previously procured centrally. This initiative targets certain predetermined goods and services below a certain value. In addition, Supply Chain Management Services (SCMS), that is centrally responsible for procurement, has finalised a list of goods and services to be procured only from BEE companies.

Standard Bank's supplier development function commits the bank to supporting and developing black-owned businesses as suppliers of goods and services. Business units are encouraged to

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bring new BEE suppliers on board who previously did not have access to Standard Bank. The bank encourages current strategic and niche suppliers on its database to transform, to be accredited and to formalise joint ventures and strategic alliances between non-BEE suppliers and emerging BEE businesses. The achievement of the charter procurement target of 35% is treated as a priority objective among suppliers.

The bank has embarked on a number of enterprise development initiatives, most notably a series of national summits with its supplier network, which gave parties the opportunity to focus collectively on the business potential of transformation, while also addressing a range of important technical issues. A wide range of SMEs were exposed to Standard Bank and its accreditation requirements, and given the opportunity to network with

established companies. The relevant business development areas in the bank, as well as provincial offices, participated in this initiative. The feedback received from delegates to these summits has been very positive.

To enable effective information flow between the bank and its supplier network, detailed information with regard to all processes (including supplier engagement policies, BEE and performance requirements) is available to suppliers on our website.

The increase from 26% to 41% in 2005 is a result of an internal focus on increasing all business units spending with BEE suppliers, especially BSMEs. The SCMS department has developed and begun to rollout this strategy which is already proving successful in moving the bank towards the 2008 target of 70%.

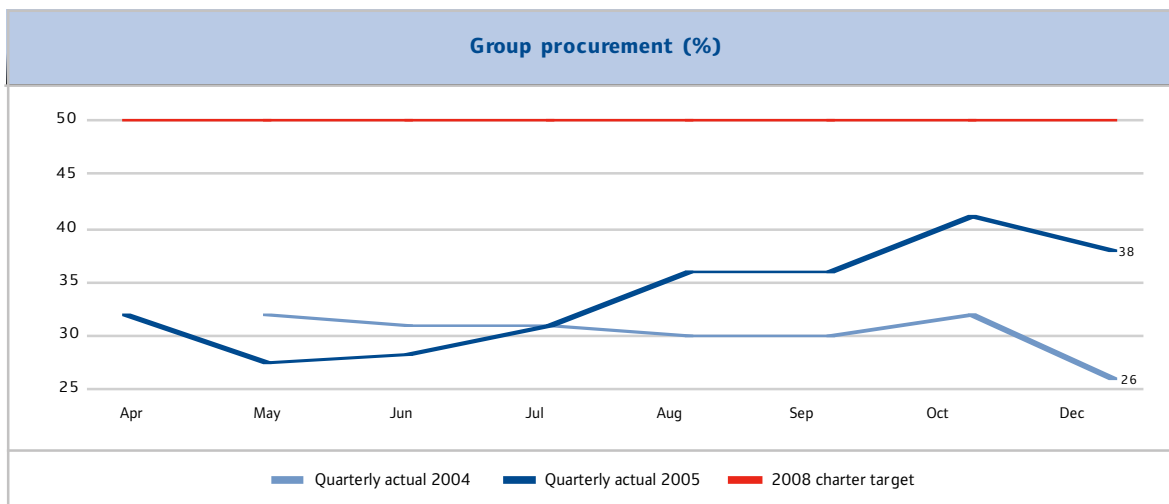


Figure 11

Procurement summary scorecard

Supplier rating ¹	Narrow based classification	Weighting %	Audited 2005 Actual Rm	Audited 2005 Weighted Rm	Audited 2004 Actual Rm	Audited 2004 Weighted Rm
A rated	Black owned/controlled Black women empowered Black SME	125	508	635	225	281
B rated	Black empowered	100	980	980	363	363
C rated ²		75	N/A	N/A	N/A	N/A
D rated	Black influenced	50	262	131	254	127
Total BEE spend			1 750	1 746	842	771

Period	Threshold %	Target 2008 %	SBSA weighted %	Max score	Audited score
Audited Dec 2005	10	50	38	15	11,4
Audited Dec 2004	10	50	26	15	6,0

¹Supplier rating is in respect of the BEE rating of the supplier as per their own sector's scorecard.

²In terms of the charter there is no narrow-based equivalent for a C rated supplier.

Direct empowerment

Pillar 5: Ownership

One of the challenges facing the majority of South Africa's large listed companies is the fact that both ownership and control do not represent the demographics of South Africa. The majority of South Africans have had very little opportunity to accumulate wealth and gain control of assets in a manner that facilitates broader representivity at board level.

The objective of the charter is to expand the pool of ownership over financial assets and increase the level of representivity at board level.

Standard Bank was one of the first financial institutions to develop and execute a successful plan to increase the level of direct black shareholding in the company. Furthermore, the bank has steadily increased the representation of black people, and women in particular, on its board.

Ownership summary scorecard

Ownership	Threshold %	Target 2008 %	Actual %	Max score	Audited ¹ score
Direct	2,50	10,00	10,00	12,0	12,00
Direct/indirect in excess of 10%			0	2,0	0
Bonus points					
		13,75		0,5	0
		17,50		0,5	0
		21,25		1,5	0
		25,00		1,5	0
Total score				18,0	12,00

Indirect BEE ownership has not as yet been clearly defined; therefore the charter scoring for the purposes of this report has been based solely on direct BEE ownership.

¹Ownership scorecard is identical for Dec 2004 (audited).

Pillar 6: Control

Within the context of BEE, increasing the number of black people with direct control over South Africa's economic assets is critical. The charter divides control between the board and the top 50 positions within a financial institution.

implies that the 2008 charter targets for board representation are currently being met by the bank. Diversity at this level of control is crucial to our business remaining relevant and strategically focused on the ever-changing environment in which we operate.

The participation of South African black people on Standard Bank's board has increased from a total of five black people, one of whom is female, out of a total of 19 in 2004 to six black people, two of whom are female, out of a total of 18 in 2005. This

Of the bank's top 50 positions, 11 are occupied by black people with two black women, one of whom is a member of our group executive committee. The 2008 charter target for black people in the top 50 positions is thirteen persons, two of whom should be female. Standard Bank is working towards exceeding this target by 2008.

Control scorecard

	Threshold %	Target 2008 %	2005 Actual %	2004 Actual %	Max score	Audited score 2005	Audited score 2004
Board of directors							
Black directors	26,24	33,00	33,33	26,32	2	2,00	0,02
Black women directors	5,67	11,00	11,11	5,26	1	1,00	0
Control Top 50							
Black executives	17,26	25,00	22,00	16,00	4	2,45	0
Black women executives	2,56	4,00	4,00	0	1	1,00	0
Total score					8	6,45	0,02

Black economic empowerment and the financial sector charter continued

Pillar 7: Corporate Social Investment (CSI)

Recognising that transformation cannot occur solely on commercial terms, CSI spending is mandated within the charter to reinforce its overall values and objectives. There are five broad categories of CSI spending defined in the charter and it is left to the discretion of the financial institution to determine which category(ies) to focus on.

The Community section on page 73 provides a detailed explanation of how Standard Bank's CSI spend is allocated and where the bank is making a difference through its CSI strategy.

CSI scorecard

	Target 2008 %	Audited 2005 Actual %	Audited 2004 Actual %	Audited score 2005	Audited score 2004
Corporate Social Investment (CSI)					
CSI spend as a % of prior year after-tax profit	0,50	0,70	0,66	3,00	3,00
Total score				3,00	3,00