

Glossary of terms

Broad-based black economic empowerment: A distinctly South African socioeconomic term concerning formalised initiatives and programmes to enable historically disadvantaged black individuals and groups (Africans, Coloureds and Indians) to participate gainfully and equitably in the mainstream economy.

Carbon credits: The term “carbon” is derived principally from carbon dioxide and other unwanted hydrocarbon emissions that are contributing to global climate change. In terms of the Kyoto Protocol and the global campaign to reduce the future emissions of greenhouse gases, a company or organisation in the developed world may be at risk of producing too many carbon-based emissions and can have them credited to a corresponding company or organisation in another country that is not at risk of exceeding its emissions threshold in terms of the Kyoto Protocol or any applicable local statutes or regulations.

Compliance risk: The risk of regulatory sanctions, financial loss, or loss to reputation that a bank may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice.

Corporate citizenship: A corporate response that defines the rights and responsibilities of companies to a broader society, comprising all social and environmental stakeholders that influence, or are influenced by, the activities of the corporate entity.

Corporate Social Investment (CSI): The financial and other resource-based investments a business corporation undertakes to promote social, cultural and economic upliftment and development, usually in poorer, under-resourced or marginalised communities. In the broader South African context, CSI is usually channelled into such areas as education and training, job creation, entrepreneurial development and training, healthcare and welfare, crime prevention and the development of certain key social infrastructure, such as schools, libraries, clinics, training centres, sporting facilities and computer facilities. Environmental education, nature conservation, sport development and the sponsorship of artistic, cultural, sporting and environmental organisations and events also fall under the broad definition of CSI.

Country risk: The risk arising from uncertainty that obligors in a particular country may not be able to fulfil their obligations to the group because of political or economic conditions in that country.

Credit risk: The risk arising from customer or counterparty non-performance or default.

Dow Jones Sustainability Index: An ongoing American-based international initiative involving the participation of hundreds of large companies (in pre-defined sectors) through which the participants regularly submit comprehensive information and data on their sustainable development-related activities and aspirations

in order to achieve an independent and authoritative sustainability performance rating for benchmarking purposes.

Emissions: The production and discharge into the natural environment, including the atmosphere, soil and water systems, of a chemical element, compound or substance that is usually considered to be actually or potentially harmful or disruptive to the health of some life form or the balance or integrity of an ecosystem. Common emissions to air, for example, include carbon dioxide, carbon monoxide, nitrous oxides, sulphur dioxide, ash and unburned hydrocarbons.

Employment equity (EE): In the South African context, a formalised approach towards creating greater equity in the South African workplace so that an increasing percentage of company staff complements will, in time, more accurately reflect the demographics of South African society on the basis of race, gender and culture. The Employment Equity Act of 1998 obliges companies employing 50 people or more to apply EE and to submit EE plans to the Department of Labour and to establish and maintain EE forums.

Energy efficiency: The extent to which a given energy form, such as electricity, industrial gas or diesel, is converted or otherwise beneficially used efficiently or productively in a given process.

Environmental impact assessment (EIA): A formal, multi-disciplinary study usually conducted through independent scientists and/or environmental impact consultants and auditors by an investing organisation or consortium to formally identify the positive and negative impacts of a planned development project, such as a new mine or industrial facility, before the project’s formal engineering and site work commence.

Environmental management programme report (EMPR): A mandatory report in South Africa for all mines and certain other capital projects. It can also include the findings of an environmental impact assessment (EIA) and it must clearly demonstrate the reporting company’s willingness and ability to mitigate environmental impacts through an ongoing, proactive environmental management programme (EMP).

Impacts: The environmental and/or human consequences of a building, manufacturing, mining or transportation process.

Infrastructure financing: Venture capital, usually in the form of term loans, provided by banking and related financial service organisations to fund public infrastructure such as roads, bridges, dams, harbours and telecommunication facilities.

Insurance-related risks: The risks unique to the business of life insurance and include investment and underwriting risks. The group is exposed to insurance-related risks through its effective 30% shareholding in Liberty Group Limited and short-term insurance activities.

Internet banking: The availability and application of certain conventional banking transactions, such as account transfers and account payments, through an electronic platform in which the individual or corporate banking customer is linked to a bank through a highly secure Internet connection.

Intranet: A local or restricted computer-based communication network, especially a private, limited-access network, created using World Wide Web (WWW) software.

Liquidity risk: The risk that any of the banks in the group have insufficient funds or marketable assets available to fulfil their future cash flow obligations on time.

Market risk: The risk of a decrease in the market value of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates, credit spreads and implied volatilities on all of the above.

Normalised results: The financial results and ratios restated on an economic substance basis to adjust accounting anomalies on preference dividends receivable and payable, resulting from the Tutuwa initiative, and to reinstate deemed treasury shares eliminated against equity, but held for the benefit of policyholders.

Occupational Health and Safety Act: The current legislation, promulgated in 1993, to regulate the establishment and management of occupational health and safety issues in the South African workplace, including mines, factories and offices.

Operational risk: The risk resulting from inadequate or failed internal processes, people and systems or from external events.

Public-Private (sector) Partnerships: A partnership founded on mutual interests and objectives between a private-sector company, consortium or industry with a particular government or group of public-sector organisations that is usually focused on co-financing and developing a project – or a series of projects – of strategic national, regional or local importance, whether this project be an airport, a toll road, a harbour, a hospital, a school or a nature conservancy.

Reputational risk: The risk of damaging the group's image, which may impair its ability to retain and generate business.

Risk appetite: The predetermined degree to which an investing or speculating party is prepared to risk funds or investments in the pursuit of earning profit or financial return, usually within the context of formal risk management and corporate governance structures.

Southern Africa: A broad reference to the African states lying south of the equator and covering Angola, Botswana, the Democratic Republic of the Congo (DRC), Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Stakeholder: Any individual, grouping or organisation that has, or could have, any form of interest or stake in the image, values, objectives, standards, products, services and financial performance of a company or organisation. Standard Bank's broad stakeholder base includes investors, shareholders, investment analysts, customers, employees, technology partners, trade unions, suppliers, governmental and public bodies, political parties, the news media, sports bodies, academic, artistic and cultural institutions, business, financial and allied commercial organisations, the international banking and financial services sector, environmentalists, human rights activists and organisations, Aids activists and local communities.

Sustainable development: Development that meets the needs of the present generation, while not compromising the needs of future generations. This requires that resources are used in a way and at a rate that does not lead to their long-term decline or depletion.

Taxation risk: The risk that the group will incur a financial loss due to an incorrect interpretation and application of taxation legislation or due to the impact of new taxation legislation on existing structures.

Total cost of ownership (TCO): A financial estimate designed to help customers and enterprise managers assess direct and indirect costs related to the purchase of any product or service, such as (but not limited to) computer software or hardware. A TCO assessment ideally offers a final statement reflecting not only the cost of purchase but all aspects in the further use and maintenance of the equipment, device, or service considered.

Transformation forum: An in-house forum established by larger employers in South Africa to discuss, plan, manage and review employment equity plans and other issues and agenda relevant to the successful advancement of employment equity and workplace diversity.

Glossary of terms continued

Triple bottom line: A specific reference to the principle of sustainable development and the need for commercial enterprises to widen the public reporting conventions and practices to cover the triple bottom line in three key domains: economic – financial performance and economic contribution; social – including corporate governance, community relations, social investment, labour practices, employee training and development, health and safety, and human rights; and environmental – including contributions towards, and impacts on, biodiversity, nature conservation, ecological performance and environmental education.

Tutuwa: Tutuwa is the group's Black Economic Empowerment Ownership (Tutuwa) initiative transaction entered into in terms of the Financial Sector Charter.

Waste: A generic term for materials or products discarded during manufacture or following their useful lifespan.

World Bank environmental guidelines: A series of guidelines issued by the World Bank – an affiliation of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association – to promote the use of responsible global investment and development guidelines by multi-national companies and consortia when they invest in other countries, especially in less-developed countries.