



Suppliers

Working in teams

We, and all aspects of our work, are interdependent. We appreciate that, as teams, we can achieve much greater things than as individuals. We value teams within and across business units, divisions and countries.

Stakeholder review – Suppliers

Highlights

- Implementation of SAP Enterprise Buyer Professional (EBP) to facilitate the introduction of an end-to-end supply chain management strategy.
- Successful engagement with suppliers through five supplier summits.
- Exceeded the 2005 charter target of 35% procurement from BEE suppliers.

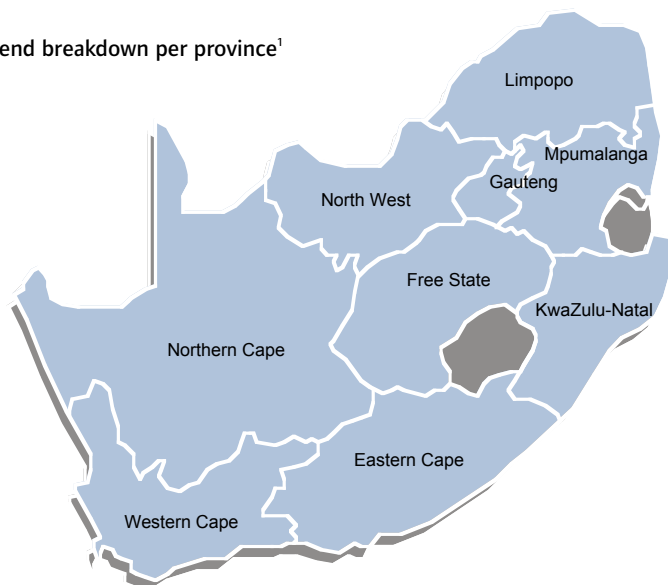
Challenges in 2005

- Growing awareness of transformation amongst suppliers in terms of objectives and business benefits of BEE.
- Improving black SME (BSME) spend.
- Embedding a “total cost of ownership” mindset across the bank.

Looking ahead we will:

- Extend our South African supply chain footprint into African operations.
- Focus on leveraging the benefits of effective second tier empowerment spending.
- Increase BSME spend.
- Leverage existing supplier structures to deliver on the business and social imperatives of the charter.

Total charter qualifying spend breakdown per province¹



Province	Free State	Gauteng ²	Limpopo	Northern Cape	Eastern Cape	KwaZulu-Natal	Mpumalanga	North West	Western Cape	Total
Spend (Rm)	34	4 006	41	16	54	111	46	38	120	4 466

¹Total charter qualifying spend equals the sum of all BEE spend and non-BEE spend.

²The Gauteng spend includes head office spend of R3,7 billion, which includes major IT spend for all provinces.

Overview

The bank adopted SAP EBP as its supply chain management enabler. Following this implementation, the availability of relevant management information has enabled us to drive specific behaviour and to deliver agreed supply chain objectives.

Our procurement philosophy has three key pillars:

- Effective supply chain management.
- Transformation of the supplier environment, in line with our commitment to the charter.
- Maximising opportunities to grow business value for the bank and our supplier network.

This philosophy breaks down into the following objectives:

- Reducing the total cost of ownership of goods and services procured by the bank.
- Identifying, engaging, developing and contracting with BEE suppliers – with a key focus on BSMEs.
- Consolidating goods and services requirements to achieve economies of scale.
- Managing and reducing the risk of entering into supply and service contracts with suppliers.

We implement our procurement methodology through dedicated, product and service specific commodity teams, which are supported by the contracts and standards, supplier development and BEE departments.

Supplier transformation is an important component of our procurement strategy. The transformation process focuses on engaging effectively with suppliers to create an understanding of the objectives and potential benefits of the bank's supplier transformation programme. Increasing procurement spend with BSMEs is a key focus area for 2006. We have developed specific BSME targets to drive appropriate behaviour across the bank.

Looking ahead, we will build on the foundation laid in 2005. Information management is a key deliverable to optimise the management of procurement spending and provides a flow of relevant information to business areas within the bank. In addition, continued focus will be placed on increasing procurement spend in line with the charter. To this end, business units are committed to pursuing strong relationships with accredited BEE suppliers.

A dedicated web page was launched early in 2006 to provide a central source of information for all Standard Bank suppliers.

Supplier partnerships and engagement

Progress has been made with regard to our supplier engagement process. Supplier summits were conducted in Cape Town, Port Elizabeth, Durban, Polokwane and Johannesburg. The summits gave us the opportunity to discuss and debate charter requirements, procurement practices and processes with our supplier network – with a specific focus on supplier engagement, business banking services and procurement opportunities.

The summits provided a basis for us to learn from suppliers and understand their concerns through meaningful engagement and a partnership approach. Partnership opportunities across the supply chain were explored, and important issues such as skills development and capacity building were dealt with.

The feedback from the summits has allowed us to identify shortcomings in procurement processes, such as the overly centralised nature of our procurement. Summit feedback resulted in a decentralised spending initiative being piloted in Cape Town.

Suppliers who have shown good transformation progress were recognised by Standard Bank. The table below sets out the most transformed suppliers for 2005.

Procurement spend

The bank's total charter qualifying spend in 2005 amounted to R4,5 billion, compared to R2,9 billion in 2004. The map on page 70 shows the bank's spend breakdown per province.

Total number of summits held 5	The most transformed suppliers for 2005	Gauteng	Katlego Solutions Bula Communications Parkhill Computers
Number of participants 175		Western Cape	Teamworx Shopfitters Pronto Kleen
% of suppliers that obtained value from the summit 85%		KwaZulu-Natal	Afridec

Stakeholder review – Suppliers continued

