Moving towards an expanded mandate
The Bank had the following strategic focus areas in 2014/15:

1. Contribute to sound global central banking
   - Manage the expansion of the Bank’s mandate of price stability to more explicitly include financial stability

2. Implement the Two Peaks Regulatory Model in order to streamline the financial regulatory architecture in South Africa

3. Contribute to sound global central banking

4. Enhance the Bank’s reputation as a respected partner in the domestic economic environment

5. Enhance organisational effectiveness and efficiency through investment in people

6. Incorporate and more closely align the subsidiaries in a more comprehensive group structure
### Operational review (continued)

#### Performance against strategic focus areas for 2014/15

<table>
<thead>
<tr>
<th>Steps required and planned for 2014/15</th>
<th>High-level achievements for 2014/15</th>
<th>Initiatives for 2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure that inflation is maintained within the 3 to 6 per cent target band and contribute towards the resilience of the financial system to systemic shocks.</td>
<td>In 2014/15, consumer price inflation exceeded the upper limit of the target range for five consecutive months, from April to August 2014, peaking at 6.6 per cent in May and June. It returned to the target range in September and reached a low of 3.9 per cent in February 2015 before increasing to 4.0 per cent in March. The deviation was driven primarily by external factors, particularly food prices and the exchange rate. The focus of monetary policy therefore remained on the medium-term inflation trajectory, but the repurchase rate was increased by a cumulative 75 basis points in January and July 2014 as part of the normalisation process.</td>
<td>The Bank will continue its commitment to its inflation-targeting framework by maintaining inflation within the 3 to 6 per cent target band.</td>
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<td></td>
<td>The Bank developed and implemented a framework for monitoring financial stability. A policy framework for macro-prudential regulation was developed and will be published after parliament promulgates the Financial Sector Regulation Bill (FSRB). The IMF conducted stress tests of the South African banking sector in collaboration with the Bank as part of the Financial Sector Assessment Programme (FSAP) conducted on South Africa in 2014. The stress test was done to determine the resilience of the sector to baseline adverse and severely adverse macroeconomic scenarios. The overall result of the stress test was that banks have adequate capital to withstand shocks even in a severely adverse scenario. In November 2014, the IMF published a technical note on the stress test exercise which contains detailed information.</td>
<td>The FSR publication will be refined after parliament promulgates the FSRB. A toolkit of macro-prudential policy instruments will be finalised in 2015. The Bank is developing a top-down stress testing framework following an IMF Technical Assistance Programme on stress testing which was run in 2014.</td>
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<td></td>
<td>The Bank is in the process of developing a risk framework for cross-border capital flows that is in line with international best practice.</td>
<td>The risk framework will be implemented.</td>
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<td></td>
<td>The Bank is developing a financial market infrastructure (FMI) intelligence tool to strengthen reporting on FMIs and determine appropriate escalation steps.</td>
<td>The FMI intelligence tool will be implemented.</td>
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### Performance against strategic focus areas for 2014/15 (continued)

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<tr>
<td>➤ Implement the Twin Peaks Regulatory Model and institutional infrastructure.</td>
<td>➤ The Prudential Authority Implementation Working Group (PAIWG) has completed the preparations for the governance and operational structure which will guide the functioning of the Prudential Authority.</td>
<td>➤ The Bank will:</td>
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<tr>
<td>➤ The framework for interaction and coordination between the Prudential Authority and other financial regulators has been established.</td>
<td>➤ A new legislative framework for regulating financial institutions and FMIs, which is in line with the Twin Peaks Regulatory Model, is being proposed.</td>
<td>➤ promote the safety, soundness, and integrity of regulated financial institutions and FMIs;</td>
</tr>
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<td>➤ A new legislative framework for regulating financial institutions and FMIs, which is in line with the Twin Peaks Regulatory Model, is being proposed.</td>
<td></td>
<td>➤ effectively influence international regulatory standards;</td>
</tr>
<tr>
<td>➤ The Bank is respected for its representation and participation in international bodies and high-quality policy positions, and closely cooperates with relevant policy partners.</td>
<td>➤ Supervisory colleges for selected banks have been established to compile and implement a strategy for compliance with the requirements of anti-money laundering (AML) and combating the financing of terrorism (CFT), and to enter into memorandums of understanding (MoUs) with relevant African supervisors.</td>
<td>➤ implement relevant international regulatory standards; and</td>
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<td></td>
<td>➤ The Bank developed a risk-based approach for AML/CFT supervision and conducted a joint inspection with other African authorities.</td>
<td>➤ improve the people, process and systems infrastructure.</td>
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<td>➤ The Bank continued to actively participate in international working groups and meetings to influence global policy and decisions, including the Basel Committee of Banking Supervision, the IMF, and meetings of the G-20 and BRICS.</td>
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### Operational review (continued)

**Performance against strategic focus areas for 2014/15 (continued)**

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<td>&gt; Stay abreast of, and proactively influence, developments and challenges facing the achievement of the Bank’s mission.</td>
<td>&gt; The Bank hosted various stakeholder engagements and round tables to share its mandate and functions, and to understand how it is perceived by its stakeholders.</td>
<td>&gt; The Bank will continue to engage stakeholders through various channels.</td>
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<td>&gt; The Bank measures its reputation every three years to gauge how it is perceived by both internal and external stakeholders. Having a good reputation among stakeholders is vitally important in executing the mandate of the Bank. In 2014 the reputation score among the general public increased to 69.6 points from 69.3 points in 2011.</td>
<td>&gt; As part of its corporate social investment (CSI) initiatives, the Bank offered bursaries to university students, extended its partnership with the University of Pretoria (to develop monetary policy research and human capital), and continued its partnership with Rhodes University to improve aspects of its economic journalism course related to monetary policy and the role of central banks.</td>
<td>&gt; The Bank will continue with its current CSI initiatives and is currently refining its CSI policy.</td>
</tr>
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<td>&gt; The Bank conducted its third Monetary Policy Committee (MPC) Schools Challenge (in Gauteng and Limpopo), with Krugersdorp High School winning the 2014 challenge.</td>
<td>&gt; The content and format of two flagship publications, namely the Monetary Policy Review (MPR) and the Quarterly Bulletin, were improved by introducing a more forward-looking analysis, detailed explanations of the forecast, and important additional targeted information to guide the public on how to analyse the economy and the data underlying the information.</td>
<td>&gt; From July 2015 the MPC will make public the main assumptions underlying its forecasting model.</td>
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<td>&gt; As part of its corporate social investment (CSI) initiatives, the Bank offered bursaries to university students, extended its partnership with the University of Pretoria (to develop monetary policy research and human capital), and continued its partnership with Rhodes University to improve aspects of its economic journalism course related to monetary policy and the role of central banks.</td>
<td>&gt; The Bank embarked on improving the fitness of banknotes in circulation and reducing counterfeiting activities.</td>
<td>&gt; The Bank will continue its activities to improve the fitness of banknotes in circulation and reduce counterfeiting activities.</td>
</tr>
</tbody>
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*Enhance the Bank’s reputation as a respected partner institution in the domestic economic environment*
### Enhance Organisational Effectiveness and Efficiency through Investment in People

#### Steps required and planned for 2014/15
- Continue to effectively and efficiently operate as a knowledge institution with motivated employees, effective processes and relevant technology.
- For detailed information on the 2020 People Strategy, please refer to the HR report on page 57.

#### High-level achievements for 2014/15
- The Bank is modernising and renewing its information and communications technology (ICT) systems (e.g. it is implementing a system to manage its enterprise information and improve its business intelligence capability).
- IT assurance-based functions (governance, risk, and compliance) are being strengthened by enhancing the process maturity for IT compliance and ensuring compliance with the King III requirements for IT governance.
- The Bank has developed a rolling five-year workforce plan which identifies the skills sets that are needed, implemented the Multiple Career Paths (MCP) Strategy which comprises the three career paths, namely the Management, Specialist and Functional Contributor career paths, and established the SARB Academy that emphasises and enables continuous learning for the MCP Strategy.
- The Bank is designing segmented employee value propositions that facilitate the attraction and retention of employees under the age of 30, women, and security officials, in addition to those for people with disabilities.
- The Bank revised the performance management policy that promotes the following:
  - a high-performance culture in the Bank by increasing the levels of accountability within all career paths; and
  - the specific, measurable, attainable, relevant and timely (SMART) principles towards achieving the Bank’s goals and objectives.
- The Bank consolidated talent information for all career paths to provide the Bank with:
  - a comprehensive view of the talent bench strength and succession pipeline;
  - the risk areas that require immediate attention and mitigating action plans with respect to critical skills and succession;
  - the skills gap present in the Bank and the appropriate skills training required; and
  - the talent profile required by the Bank for the future.
- The Bank implemented a highly experiential and impactful first phase of developing effective leaders and managers.
- To improve effectiveness and efficiencies, the Bank implemented organisational design changes for the enabling and controlling departments, mapped core HR processes, and commenced the revision of key HR policies.

#### Initiatives for 2015/16
- The Bank will continue to implement the various ICT initiatives.
- The workforce plan will be rolled out. Competency profiles for all career ladders will be completed to enable the continued development and implementation of customised and targeted learning, and development opportunities for all staff in the Bank.
- The focus for 2015/16 will be to better equip line managers to manage performance effectively and to institutionalise the Bank’s talent management framework.
- Other phases in developing effective leaders and managers are being designed and will be implemented.
- The Bank will complete the organisational review for core departments and the revision of key HR policies.
### Operational review (continued)

#### Performance against strategic focus areas for 2014/15 (continued)

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<tr>
<td>- Adopt the Group concept with the intention of subsidiaries operating effectively and efficiently, and complying with all relevant corporate governance principles.</td>
<td>- The Group integrated risk management (IRM) policy and approach have been established at all the subsidiaries through embedding and enhancing risk management processes at both strategic and operational level, incident reporting, assistance with specialised risk management initiatives (such as the Business Continuity Management (BCM) and the Safety, Health and Environment (SHE)), compliance and information security, project risk management, and ethics management.</td>
<td>- The Group Risk Management Policy will be further embedded at the currency-producing subsidiaries and the approach tailored to meet their business needs. Management will also be assisted with specialised risk management initiatives such as BCM and compliance management.</td>
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<td>- Harmonise the currency-producing subsidiaries’ Boards by the appointment of Deputy Governor Groep as Chairperson, and the Bank’s Audit Committee Chairperson and Group Chief Financial Officer as non-executive directors.</td>
<td>- The Bank successfully integrated its Enterprise Resource Planning (ERP) system for the consolidation of its financial statements with its four subsidiaries for year-end reporting purposes (2014/15).</td>
<td>- The Bank’s centralisation of strategic sourcing is under way, with procurement policies and procedures being reviewed to cater for the Group. - The full integration of the subsidiaries into the Bank’s retirement fund system will continue.</td>
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<tr>
<td>- The Group and two of its subsidiaries, namely the SA Mint and the SABN, have adopted defined IT principles to achieve the objective of harmony and synergy of IT solutions within the Group.</td>
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<td>- The Bank will continue to seek opportunities to harmonise and find synergies within IT solutions in order to harness economies of scale.</td>
</tr>
<tr>
<td>- In an effort to identify areas within which the conditions of employment for the Group could be aligned, the Bank conducted a comparative analysis of conditions of employment for the subsidiaries.</td>
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<td>- The Bank will continue to harmonise people management practices across the Group.</td>
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Operational review (continued)

Report on subsidiaries

The Bank has four subsidiaries, namely the South African Mint Company (RF) Proprietary Limited (SA Mint), the South African Bank Note Company (RF) Proprietary Limited (SABN), the South African Reserve Bank Captive Insurance Company (RF) Limited (SARBCIC), and the Corporation for Public Deposits (CPD). The process to more closely align the currency-producing subsidiaries as well as their policies and procedures with those of the Bank is ongoing. A Group approach in respect of various functions such as risk management, internal audit, company secretariat, the finance function and security services has been fully or partially implemented.

Each subsidiary has its own Board of Directors (Board). The members of these Boards are appointed by the Governors’ Executive Committee (GEC) of the Bank, with the exception of the CPD whose Board members are appointed by the Minister of Finance. Each subsidiary’s Board is ultimately accountable and responsible for the entity’s performance and affairs. The audited financial results of the subsidiaries are consolidated with those of the Bank in the summarised Group annual financial statements included in this Annual Report from pages 64 to 99 and in the full Group annual financial statements on the Bank’s website.

South African Mint Company (RF) Proprietary Limited

The SA Mint is a wholly owned subsidiary of the Bank, and its core function is to produce coins and coin-related products for South Africa and the international market. Its Board is chaired by Deputy Governor F E (Francois) Groepe. The SA Mint has three business units, namely:

- Circulation Coins, which manufactures and supplies legal tender coins;
- Numismatics, which produces premium products made mainly of gold and silver that cater for the collector, gift and investor markets; and
- Prestige Bullion (RF) Proprietary Limited (Prestige Bullion), an incorporated joint venture between the SA Mint and Rand Refinery Proprietary Limited (Rand Refinery) which manufactures, sells and distributes bullion Krugerrand coins in both local and international markets. The Board of Prestige Bullion is chaired by Deputy Governor F E (Francois) Groepe.

Most of the products manufactured by Numismatics are of proof quality and are sold at a premium over the prevailing metal price. The more popular numismatics brands produced by the SA Mint include proof Krugerrand as well as the Natura and Protea coin series. Prestige Bullion also sells the bullion Krugerrand. All of the SA Mint products and services are marketed in South Africa and abroad.

Operational overview and results

The SA Mint had a number of highlights in the 2014/15 financial year, including:

- returning the Circulation Coins business unit back to profitability, thus ensuring that all three lines of business were profitable;
- stabilising the performance of the Circulation Coins factory, thus contributing to the improved profitability;
- reducing scrap levels to multi-year lows while improving quality levels;
- winning the ‘World’s Most Beautiful Gold Coin’ award at the Mint Directors’ Conference (MDC) in Mexico;
- successfully launching a new production incentive scheme to ensure a closer performance-against-reward line of sight for staff in production;
- signing a total-cost-to-company agreement with the staff after lengthy negotiations;
- increasing revenue for the financial year by 13 per cent to R974 million (2013/14: R861 million); and
- achieving a profit before tax of R280 million (2013/14: R117 million).

The business experienced a slow start in 2014/15 but improved strongly in the second half of the financial year. The overarching theme in 2014/15 was to stabilise business operations, and the SA Mint managed to do this successfully. Circulation Coins continued to improve throughout the year, meeting all its production targets. Good profit margins were made in Numismatics and Prestige Bullion, despite lower sales volumes. Although numismatic volumes were below budget, the business unit achieved far higher sales than in the previous financial year.

The 2013 Natura 1oz 24-carat gold coin featuring the Zebra, was awarded ‘The World’s Most Beautiful Gold Coin’, at the International Mint Directors’ Conference held in Mexico in May 2014.
Operational review (continued)

Report on subsidiaries (continued)

Going forward, the focus for 2015/16 is to further strengthen the core of the business. The SA Mint will focus on enhancing its ability to meet the increasing demands of a changing environment as it seeks to commercialise further. In particular, the SA Mint will focus on developing skills and improving its training and development system in the new financial year. The SA Mint will also focus its efforts on improving productivity across all areas of business operations, including in its support departments.

The South African Bank Note Company (RF) Proprietary Limited
The 2014/15 financial year was an exciting year for the SABN with the achievement of a number of objectives. Among these achievements was that the SABN has passed the one billion banknote delivery mark and exceeded the production target for the year. This was the first time that the delivery target was achieved since the start of the turnaround strategy three years ago. A total of 1,069 billion banknotes was delivered. A net profit before tax of R130 million was achieved during the year under review.

A number of other significant milestones were also achieved namely:

- obtaining ISO accreditation for ISO 9001 for Quality Management; ISO 14001 for Environmental Management; and ISO 18001 for Occupational Health & Safety;
- waste was reduced to 7.9 per cent for the year, down from an average of 13.8 per cent the previous year;
- the conclusion of a substrate tender which resulted in a 14 per cent reduction in the cost of substrate;
- a training programme was embarked on three years ago which has yielded 72 graduates in various technical fields such as artisans, technicians, printers and machine operators. These employees have been declared competent in line with international best practice;
- the successful production of the banknotes incorporating the signature of Governor Lesetja Kganyago which will be launched during 2015; and
- hosted a very successful Association of African Banknote and Security Document Printers (AABSDP) conference in November 2014. The conference was held in Cape Town and was attended by delegates from four continents and over 45 countries with around 300 delegates attending. The theme was ‘Improving the security and cost-effectiveness of banknotes’.

The SABN faced a number of challenges during the 2014/15 financial year. The more significant challenges were load shedding and unscheduled power outages which caused major production disruptions.

The South African Reserve Bank Captive Insurance Company (RF) Limited
SARBCIC is a wholly owned subsidiary of the Bank, registered in terms of the Companies Act as a public company to comply with the provisions of section 9(3)(a)(i) of the Short-term Insurance Act 53 of 1998 (STIA).

SARBCIC is a first-party captive insurer; it was originally established to carry out short-term insurance business for, and on behalf of, the Group. Its Board is chaired by P (Pradeep) Maharaj, the Chief Operating Officer (COO) of the Bank.

At its meeting of 19 February 2014, the Bank’s Board resolved that, owing primarily to the imminent implementation of the Twin Peaks Regulatory Model, the Group’s short-term insurance portfolio should be restructured by dissolving SARBCIC to prevent a conflict of interest for the Bank and replacing it with an appropriate and cost-effective alternative structure.

The restructuring of the Group's short-term insurance portfolio has been completed; the respective portfolios have been placed with external insurers with effect from 1 April 2014.

Once all stakeholders are satisfied that SARBCIC has made satisfactory arrangements to discharge its obligations under all policies previously issued to its clients, its registration as a short-term insurer will be cancelled and the company will be deregistered. It is envisaged that this will be achieved during the financial year ending 31 March 2016.

The Corporation for Public Deposits
The CPD is governed by the CPD Act. Like SARBCIC, this subsidiary is accommodated at the Bank’s Head Office and uses its accounting systems and other infrastructure. The CPD accepts call deposits from the public sector and invests these funds in short-term money-market instruments and special Treasury bills. Subject to approval from the Minister of Finance, the CPD may also accept call deposits from other depositors. All funds invested with the CPD and the interest that is earned on these funds are repayable on demand.

The CPD’s Board is appointed by the Minister of Finance and comprises officials from the Bank and National Treasury. Owing to the scope and risk profile of the CPD, its Board concluded that it is not necessary to appoint any Board committees to support the CPD in the discharge of its responsibilities. In accordance with best practice, the Board meets four times a year. It is chaired by Deputy Governor A D (Daniel) Mminele.

The Bank’s Financial Services Department (FSD) is responsible for the administration and accounting of the funds under CPD’s control. The CPD’s investment activities are performed by the Financial Markets Department (FMD).