2016

Out of the Ordinary®

Investec

ANNUAL REPORT

Investec strategic report incorporating governance, sustainability and the remuneration report

Volume 1

THE 2016 integrated annual report covers the period 1 April 2015 to 31 March 2016 and provides an overview of the Investec group. This report covers all our operations across the various geographies in which we operate and has been structured to provide stakeholders with relevant financial and non-financial information

Ongoing and statutory information

Statutory information is set out in volume three. The sale of businesses during the previous financial year (as explained on page 26) has had a significant effect on the comparability of the group's financial position and results. Consequently, comparison on a statutory basis of these full year results with the prior year would be less meaningful.

In order to present a more meaningful view of our performance, the results are presented on an ongoing basis. This information is only set out in volume one of our integrated annual report. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

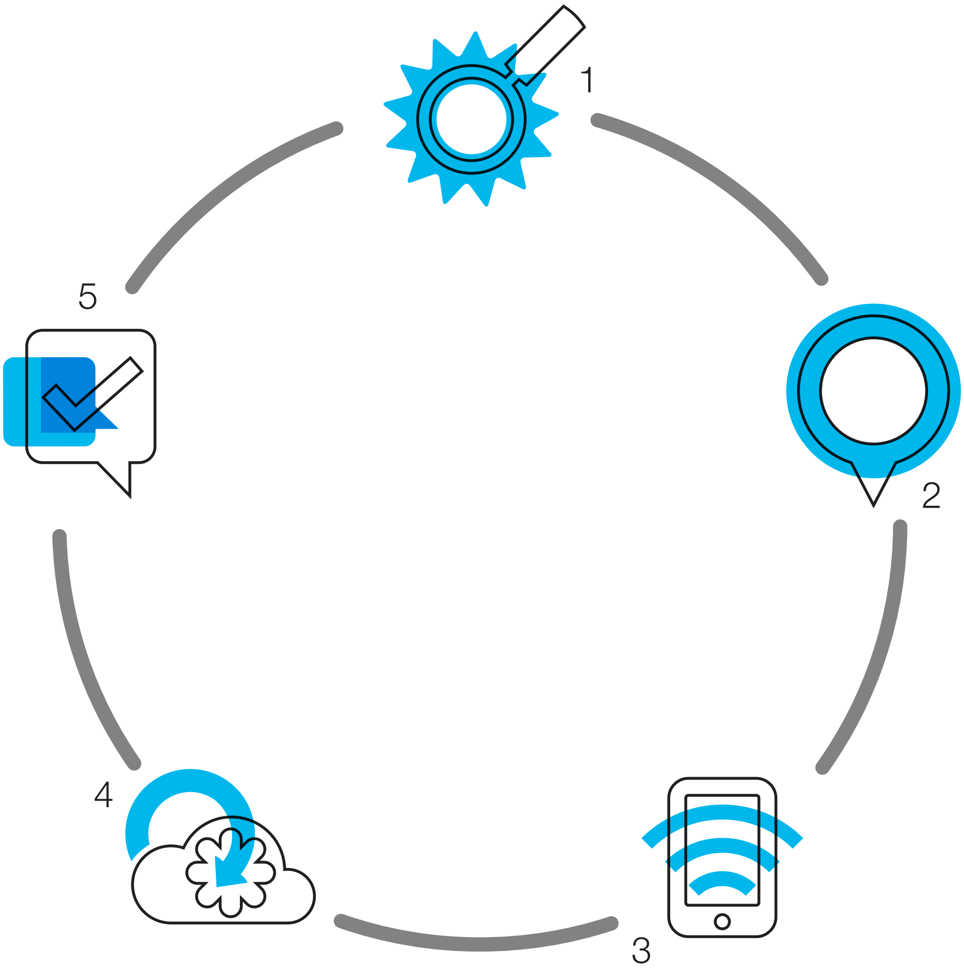
- The results of the businesses sold in the prior year, i.e. Investec Bank (Australia) Limited, the UK Kensington business and the Start (Irish) mortgage business; and
- The remaining legacy business in the UK.

A reconciliation between the statutory and ongoing income statement is provided on pages 71 and 72. All information in our integrated annual report comprising volumes one, two and three are based on our statutory accounts unless otherwise indicated.

STRATEGIC REPORT INCORPORATING GOVERNANCE, SUSTAINABILITY AND THE REMUNERATION REPORT

RISK AND BASEL PILLAR III DISCLOSURES REPORT

ANNUAL FINANCIAL STATEMENTS



CROSS REFERENCE TOOLS

1. Audited information

Denotes information in the risk, corporate responsibility and remuneration reports that form part of the group's audited annual financial statements

2. Page references

Refers readers to information elsewhere in this report

3. Website

Indicates that additional information is available on our website: www.investec.com

4. Sustainability

Refers readers to further information in our sustainability report available on our website: www.investec.com

5. Reporting standard

Denotes our consideration of a reporting standard

FEEDBACK

We value feedback and invite questions and comments on our reporting. To give feedback or request hard copies of our reports, please contact our Investor Relations division.

For queries regarding information in this document

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Internet address: www.investec.com/en_za/#home/investor_relations.html

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One

Overview of the year

Sound performance notwithstanding challenging operating environments

- Macro uncertainty and volatility in the group's key operating geographies during the financial year impacted overall results.
- Net new fund inflows and reasonable levels of activity in the group's banking businesses supported sound performance.
- The Specialist Banking business reported results ahead of the prior year.
- Strong loan growth was supported by client activity in both the corporate and private banking businesses and the investment and debt securities portfolios delivered good results.
- The Asset Management and Wealth & Investment businesses reported solid net inflows of £5.3 billion.
- The group has successfully leveraged its ability to provide clients an international offering, increasing its client base and deepening its core franchise.
- Continued investment in infrastructure, digital platforms and increased headcount are supporting growth initiatives in the overall business.
- Geographical and operational diversity continues to support a stable recurring income base and earnings through varying market conditions.

STATUTORY FINANCIAL PERFORMANCE

Operating profit* increased 2.5% (increase of 13.5% on a currency neutral basis)

2016	2015
£505.6mn	£493.2mn

Adjusted attributable earnings^ increased 6.0% (increase of 16.8% on a currency neutral basis)

2016	2015
£359.7mn	£339.5mn

Adjusted earnings per share^ increased 4.8% (increase of 15.7% on a currency neutral basis)

2016	2015
41.3p	39.4p

We continued to actively manage down the UK legacy portfolio...

- The legacy portfolio reduced from £695 million at 31 March 2015 to £583 million through redemptions and write-offs.
- The legacy business reported a loss before taxation of £78.3 million (2015: £107.7 million) with impairments on the legacy portfolio reducing 18.4% from £83.5 million to £68.1 million.

Dividends per share increased 5.0%

2016	2015
21.0p	20.0p

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

SATISFACTORY PERFORMANCE FROM THE ONGOING BUSINESS

Operating profit* increased 0.6% (increase of 9.9% on a currency neutral basis)

2016	2015
£583.9mn	£580.7mn

Adjusted attributable earnings^ increased 3.2% (increase of 12.4% on a currency neutral basis)

2016	2015
£423.1mn	£409.9mn

Adjusted earnings per share^ increased 2.3% (increase of 11.4% on a currency neutral basis)

2016	2015
48.6p	47.5p

Recurring income as a % of total operating income

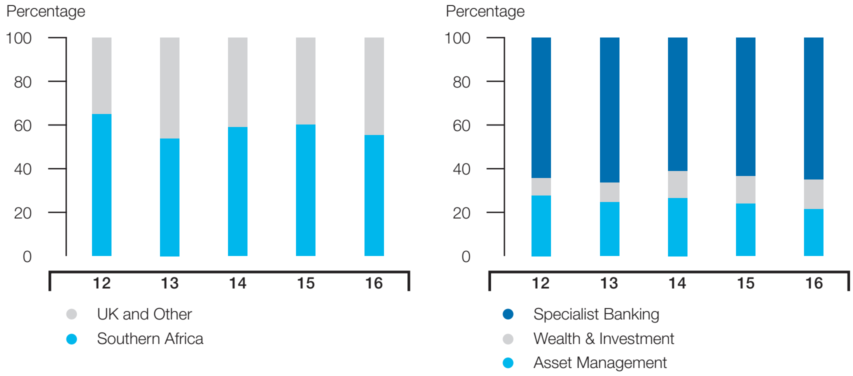
2016	2015
71.8%	71.9%

Credit loss charge as a % of average gross core loans and advances

2016	2015
0.26%	0.22%

We have a diversified business model...

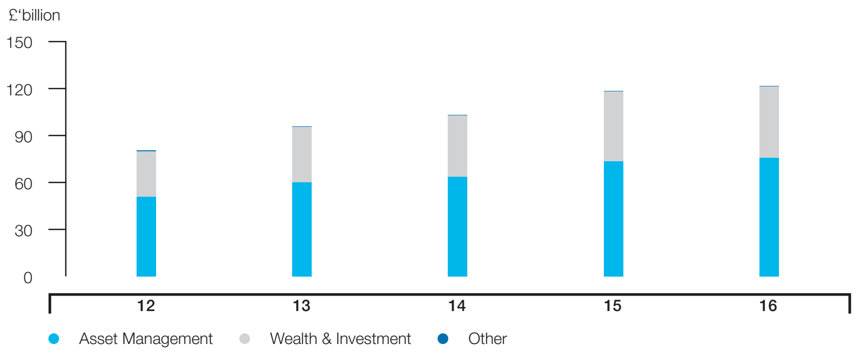
% CONTRIBUTION OF OPERATING PROFIT BEFORE TAXATION OF THE ONGOING BUSINESS (excluding group costs)*



We continued to grow our key earnings drivers...

Funds under management decreased 2.0% to £121.7 billion – an increase of 3.8% on a currency neutral basis

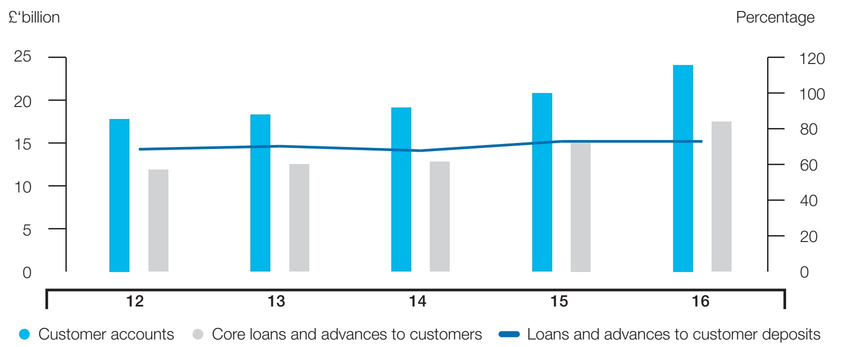
FUNDS UNDER MANAGEMENT ONGOING BUSINESS**



Customer accounts (deposits) increased 6.3% to £24.0 billion – an increase of 16.6% on a currency neutral basis

Core loans and advances increased 6.3% to £17.5 billion – an increase of 17.3% on a currency neutral basis

CUSTOMER ACCOUNTS (DEPOSITS) AND LOANS ONGOING BUSINESS**



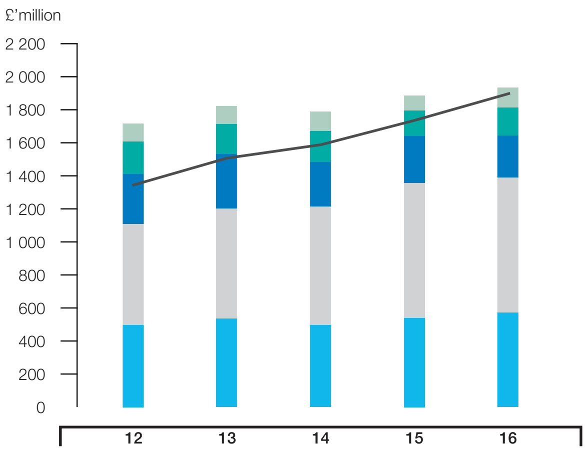
* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

** *Trends in these graphs are done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2016.*

Supporting growth in operating income…

TOTAL OPERATING INCOME ONGOING BUSINESS

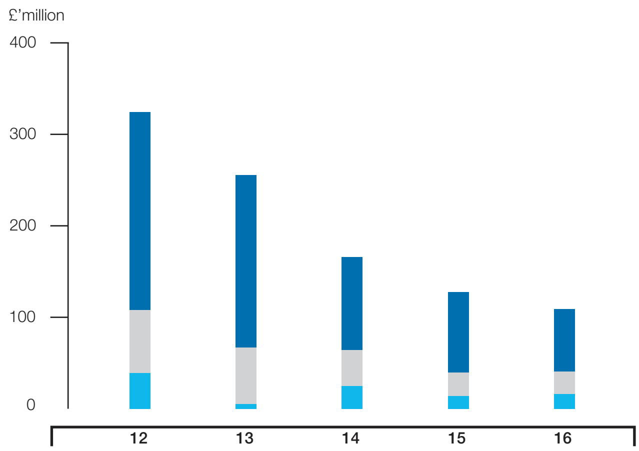


- Trading income
- Investment income
- Other fees and other operating income
- Annuity fees and commissions
- Net interest income
- Total operating income on a currency neutral basis*

* *The trend for this line is done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2016.*

Impairments continued to decline…

IMPAIRMENTS



- UK legacy business and businesses sold**
- Southern Africa
- UK and Other

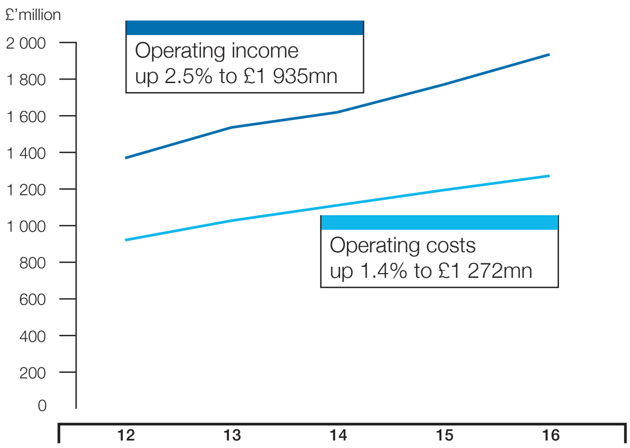
** *Refers to the remaining UK legacy business and group assets that were sold in the 2015 financial year.*

Fixed costs marginally up…

Headcount increased across all businesses in line with growth aspirations

The acquisition of Blue Strata (rebranded as Investec Import Solutions) added 176 to the Specialist Banking headcount

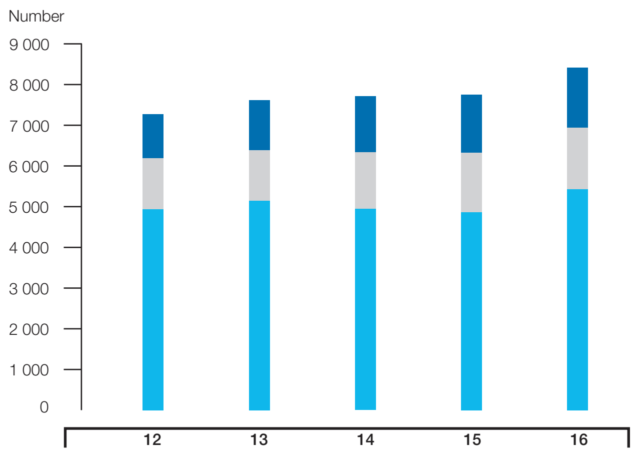
JAWS RATIO FOR THE GROUP^



- Operating income
- Operating costs

^ *Trends in this graph are done on a currency neutral basis using the Rand: Pounds Sterling exchange rate applicable at 31 March 2016.*

HEADCOUNT^^

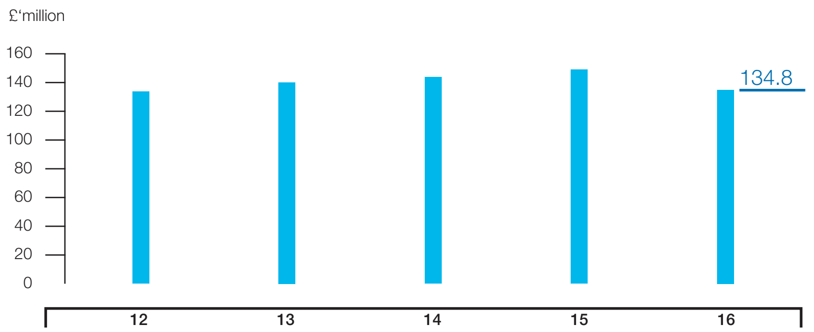


- Asset Management
- Wealth & Investment
- Specialist Banking

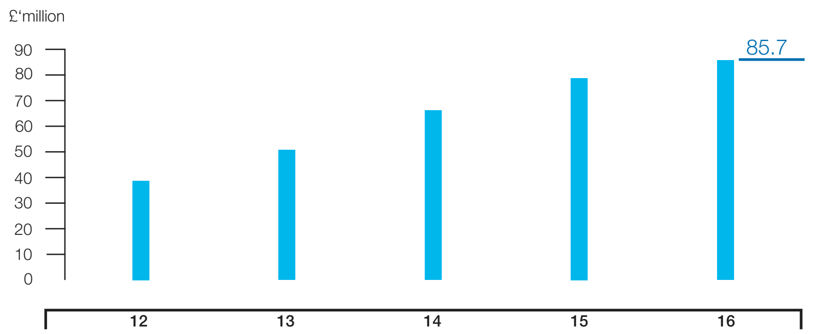
^^ *Permanent headcount and includes acquisitions.*

Resulting in a satisfactory performance from our ongoing business...

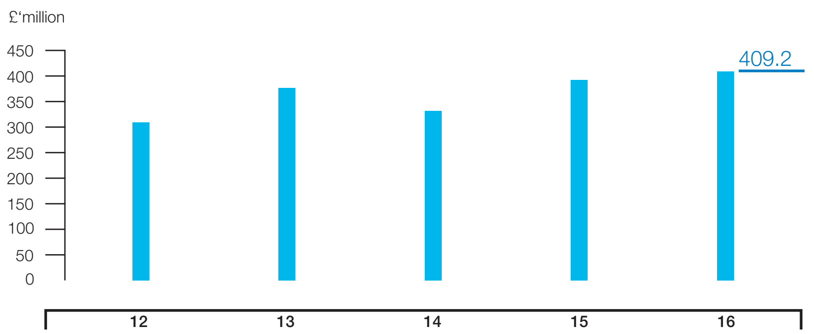
OPERATING PROFIT* – ASSET MANAGEMENT



OPERATING PROFIT* – WEALTH & INVESTMENT



OPERATING PROFIT* – SPECIALIST BANKING ONGOING BUSINESS



Progress made on our financial targets...

		Ongoing		Statutory	
	Target	March 2016	March 2015	March 2016	March 2015
ROE (post tax)	12% – 16% over a rolling five-year period	13.9%	13.8%	11.5%	10.6%
Adjusted^ EPS growth	Target: 10% > UKPRI	2.3%	10.2%	4.8%	4.0%
Cost to income	Target: < 65%	65.8%	66.5%	66.4%	67.6%
Dividend cover (times)	Target: 1.7x – 3.5x	n/a	n/a	2.0x	2.0x

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*

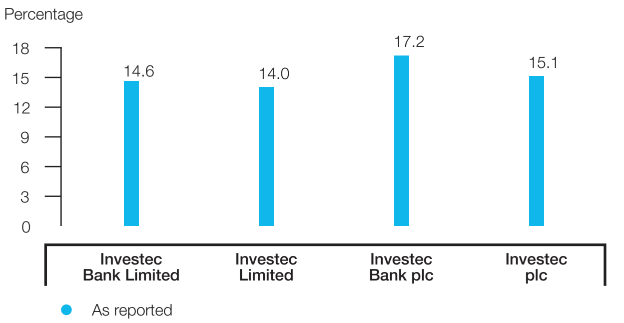
^ *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests and deduction of preference dividends.*

Maintained a sound balance sheet...

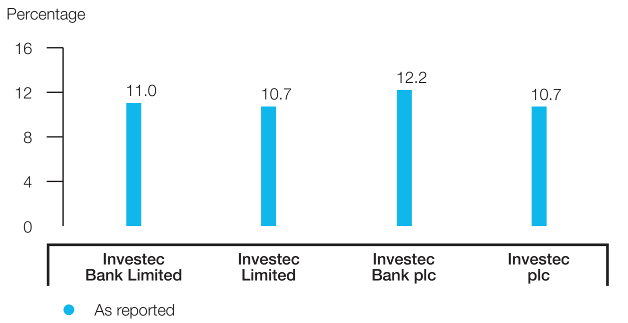
Target

Total capital adequacy: 14.0% – 17.0%
Common equity tier 1 ratio: > 10.0%
Total tier 1 ratio: > 11.0%
Leverage ratio: > 6.0%

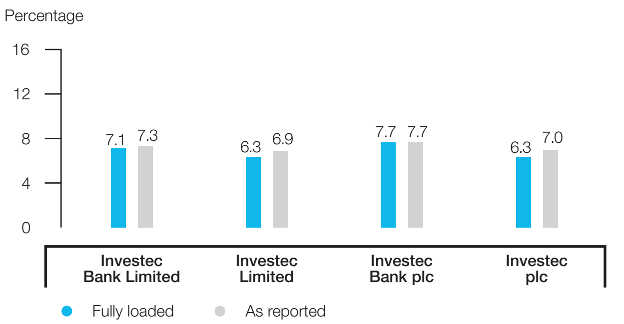
CAPITAL ADEQUACY



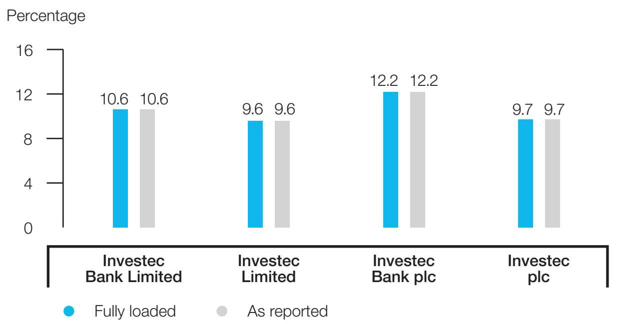
TIER 1



LEVERAGE RATIOS



COMMON EQUITY TIER 1



Note: Refer to page 202 for detailed definitions and explanations.

Sound capital and liquidity principles maintained

Continue to focus on:

- Maintaining a high level of readily available, high-quality liquid assets targeting a minimum cash to customer deposit ratio of 25.0%
- Diversifying funding sources
- Maintaining an appropriate mix of term funding
- Limiting concentration risk.

The intimate involvement of senior management ensures stringent management of risk and liquidity.

A well-established liquidity management philosophy remains in place.

The group's loan to deposit ratios are as follows:

- Investec Limited: 74.6% (2015: 78.6%)
- Investec plc: 72.2% (2015: 68.5%)

Liquidity remains strong with cash and near cash balances amounting to £11.0 billion (2015: £10.0 billion).

Capital remained well in excess of current regulatory requirements.

We are comfortable with our common equity tier 1 ratio target at a 10% level as our leverage ratios for Investec Limited and Investec plc are at 6.9% and 7.0% respectively.

The value we've added

For further information download the sustainability report available on our website.

CONTRIBUTING TO SOCIETY, MACRO-ECONOMIC STABILITY AND THE ENVIRONMENT

For Investec, sustainability is about building our businesses to ensure we have a positive impact on the economic and social progress of communities and on the environment, while growing and preserving clients and stakeholders' wealth based on strong relationships of trust. This commitment to sustainability means integrating social, ethical and environmental considerations into our day-to-day operations. A key element of this is solid corporate governance that ensures sustainable management with a long-term vision.

VALUE ADDED STATEMENT

£'000	31 March 2016	31 March 2015
Net income generated		
Interest receivable	1 705 640	1 790 867
Other income	1 313 997	1 292 617
Interest payable	(1 131 871)	(1 155 890)
Other operating expenditure and impairments on loans	(383 059)	(422 829)
	1 504 707	**1 504 765**
Distributed as follows:		
Employees	588 759	614 362
Salaries, wages and other benefits		
Government	507 341	488 189
Corporation, deferred payroll and other taxes		
Shareholders	206 139	204 913
Dividends paid to ordinary shareholders	180 009	168 486
Dividends paid to preference shareholders	26 130	36 427
Retention for future expansion and growth	202 468	197 301
Depreciation	22 745	26 264
Retained income for the year	179 723	171 037
	1 504 707	**1 504 765**

Investec conducts its commitment to sustainability through three key focus areas:

Profit

Our capital light activities contributed 55% to group income and capital intensive activities contributed 45% to group income.

People

Investment in employee learning and development increased 3.9%

2016	2015
£14.7mn	£14.1mn

Total spend on social investment as a percentage of operating profit is at 1.0% (2015: 1.1%)

Planet

Scope 1 emissions (tonnes of CO_2e) decreased 8.7%

2016	2015
1 813	1 986

Scope 2 emissions (tonnes of CO_2e) remained flat

2016	2015
36 683	36 548

Scope 3 emissions (tonnes of CO_2e) remained flat

2016	2015
31 400	31 111

We arranged funding for the renewable energy sector of £884 million.

RECOGNITION

Awards

- Investec is a finalist in the Business Charity Awards 2016 for community impact in the UK for our partnership with the Bromley by Bow Beyond Business incubator
- Investec has been voted third most attractive employer in South Africa through the Universum survey
- Investec in South Africa has been awarded a level 2 rating in terms of the Financial Sector Code, as independently verified by Empowerdex
- Our Gresham Street office won their ninth platinum award in the city of London Corporation's Clean City Awards Scheme
- The Gresham Street office retained the ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark in December 2015
- Investec Limited was one of five companies in South Africa and 113 companies globally to make the CDP 2015 Climate A List. This includes companies that received an A grade for their actions to mitigate climate change
- Investec Bank Limited has been voted by the members of the Investment Analyst Society as a leader in corporate reporting in the sector Financial Services
- Investec is a finalist in the Lord Mayor's Dragon Awards 2016 for our project Beyond Business in the enterprise and employment award category.

Operating structure

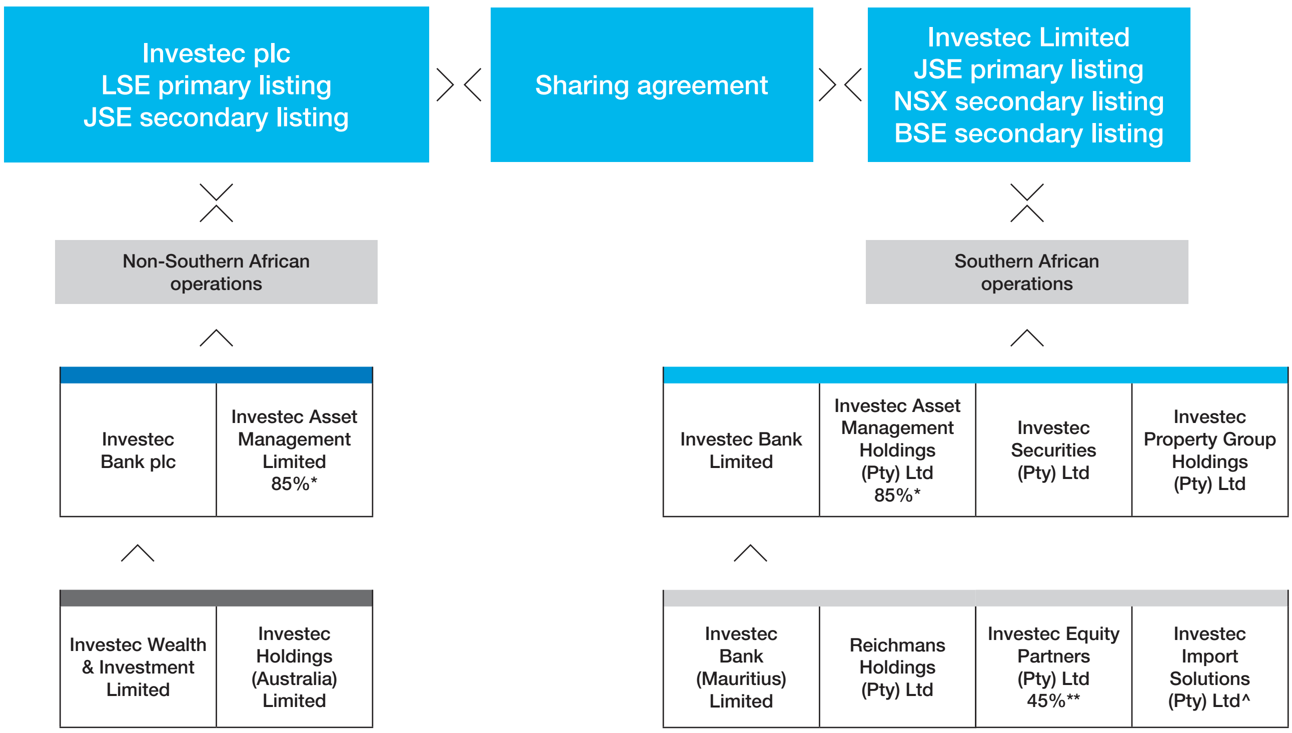
Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

During July 2002 Investec Group Limited (since renamed Investec Limited) implemented a dual listed companies (DLC) structure and listed its offshore business on the London Stock Exchange.

A circular on the establishment of our DLC structure was issued on 20 June 2002 and is available on our website.

In terms of our DLC structure, Investec Limited is the controlling company of our businesses in Southern Africa and Mauritius, and Investec plc is the controlling company of our non-Southern African businesses.

OUR DLC STRUCTURE AND MAIN OPERATING SUBSIDIARIES AS AT 31 MARCH 2016



All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated.

* *15% held by senior management in the company.*

** *55% held by third party investors in the company together with senior management of the business.*

^ *Previously Blue Strata Trading (Pty) Ltd.*

Salient features of the DLC structure

- Investec plc and Investec Limited are separate legal entities and listings, but are bound together by contractual agreements and mechanisms
- Investec operates as if it is a single unified economic enterprise
- Shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single company
- Creditors, however, are ring-fenced to either Investec plc or Investec Limited as there are no cross-guarantees between the companies.

WE STRIVE to be a distinctive specialist bank and asset manager, driven by commitment to our core philosophies and values

WHO we are

Investec (comprising Investec plc and Investec Limited) is an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base.

Founded as a leasing company in Johannesburg in 1974.

We acquired a banking licence in 1980 and were listed on the JSE Limited South Africa in 1986.

In July 2002, we created a dual listed companies structure (DLC) listed in London and Johannesburg.

A year later, we concluded a significant empowerment transaction in which our empowerment partners collectively acquired a 25.1% stake in the issued share capital of Investec Limited.

Since inception, we have expanded through a combination of substantial organic growth and a series of strategic acquisitions.

Today, we have an efficient integrated international business platform, offering all our core activities in the UK and South Africa.

OUR PHILOSOPHIES

- Single organisation
- Meritocracy
- Focused businesses
- Differentiated, yet integrated
- Material employee ownership
- Creating an environment that stimulates extraordinary performance.

WE value

DISTINCTIVE PERFORMANCE

- Outstanding talent – empowered, enabled and inspired
- Meritocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

CLIENT FOCUS

- Distinctive offering
- Leverage resources
- Break china for the client

CAST-IRON INTEGRITY

- Moral strength
- Risk consciousness
- Highest ethical standards

DEDICATED PARTNERSHIP

- Respect for others
- Embrace diversity
- Open and honest dialogue
- Unselfish contribution to colleagues, clients and society

WHAT we do

We are an international specialist bank and asset manager that provides a diverse range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia as well as certain other countries.

Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist bank and asset manager. This distinction is embodied in our entrepreneurial culture, which is balanced by a strong risk management discipline, client-centric approach and an ability to be nimble, flexible and innovative. We do not seek to be all things to all people and aim to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

OUR STRATEGIC GOALS and objectives are based on our aspiration to be recognised as a distinctive specialist bank and asset manager

THE INVESTEC DISTINCTION

Client focused approach

- Clients are at the core of our business
- We strive to build business depth by deepening existing and creating new client relationships
- High level of service by being nimble, flexible and innovative.

Specialised strategy

- Serving select market niches as a focused provider of tailored structured solutions
- Enhancing our existing position in principal businesses and geographies through organic growth and select bolt-on acquisitions.

Sustainable business

- Contributing to society, macro-economic stability and the environment
- Well-established brand
- Managing and positioning the group for the long term
- Balancing operational risk with financial risk while creating value for shareholders
- Cost and risk conscious.

Strong culture

- Strong entrepreneurial culture that stimulates extraordinary performance
- Passionate and talented people who are empowered and committed
- Depth of leadership
- Strong risk awareness
- Material employee ownership.

OUR STRATEGY

Our strategy for more than 20 years has been to build a diversified portfolio of businesses and geographies to support clients through varying markets and economic cycles. Since inception we have expanded through a combination of organic growth and strategic acquisitions.

In order to create a meaningful and balanced portfolio we need proper foundations in place which gain traction over time.

Our long-term internationalisation strategy

- Follow our customer base
- Gain domestic competence and critical mass in our chosen geographies
- Facilitate cross-border transactions and flow.

We have a very deliberate and focused client strategy:

- to leverage our unique client profile
- to provide the best integrated solution supported by our comprehensive digital offering.

Asset Management

- Maintain a balance between emerging markets and developed world income
- Continue to invest in the business and add capacity to improve competitiveness in the future.

Wealth & Investment

- Build and leverage the private office offering
- Strong collaboration with the private banking offering
- Digitisation of the offering.

Specialist Banking

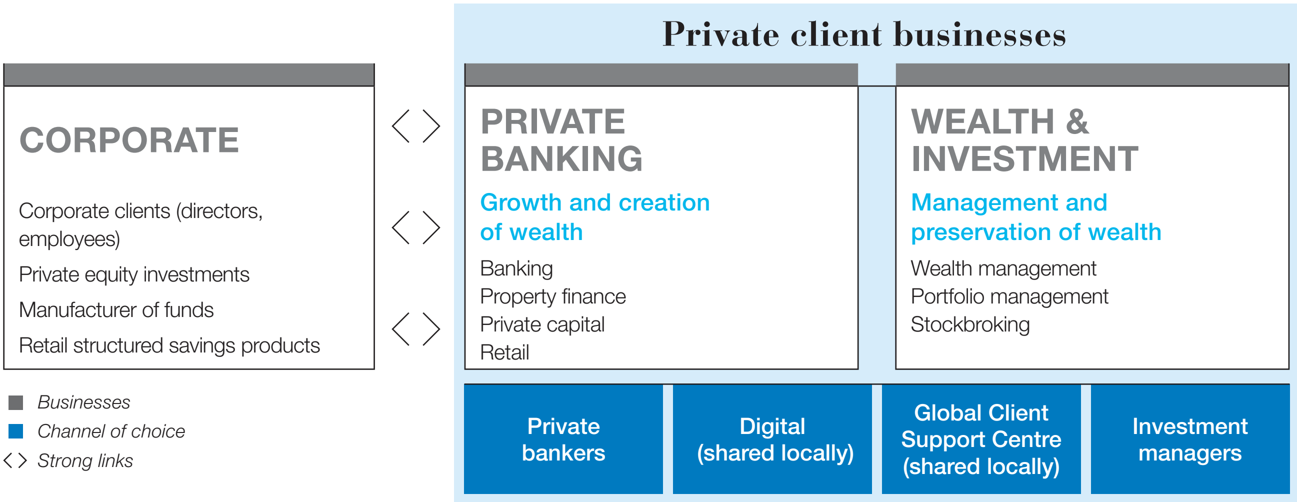
- Continue to build the private client and corporate and institutional client franchise businesses
- Leverage the integration with the Wealth & Investment business.

Strategic review of 2016 – performance vs objectives

Objective	Comment
• From a business perspective we focused on growth	Ongoing operating profit up 9.9% on currency neutral basis
– Focus on investment performance in the Asset Management business	90% outperformance over a 10-year period
– Building and leveraging our Wealth & Investment business	Established a presence in Asia and Mauritius
– Grow the Specialist Banking business by building the private client and corporate and institutional client franchise businesses	Strong growth in core drivers
• Taking advantage of investment opportunities	Created Investec Equity Partners (IEP)
• Positioning for a new generation of leadership	Announced several management appointments in the November results
• Digitalisation strategy	Several new services launched

Integrated client strategy

There are natural linkages within the private client businesses and between the private client and corporate banking businesses, which are all centred around the client.



Integrated client strategy

THE DIGITALISATION STRATEGY INTEGRATES SERVICES ACROSS BUSINESS AND GEOGRAPHY

2014 – 2015		2016
• South Africa and UK transactional banking capability off same platform • Consolidated view of Private Bank, Wealth & Investment, Investec Asset Management, Corporate accounts • **1 million logins per month on online platform – up 20% year on year** • **400 000 logins to Investec App every month – up 50% year on year**	**One Place – global platform**	• Launched **Digital Briefcase** which includes self-service documents (Visa letters, stamped bank statements) • Completed and launched the redesign of the platform • The inclusion of Channel Islands, Mauritius and Switzerland is in progress • Developing One Place for Independent Financial Advisers (IFAs)
• Incorporated the ability to add services from any other institution • Launched **Banking Analysis** tools in 2014 • Made available to UK clients in 2015 • **24 000 clients actively** using the personal portfolio	**Personal portfolio**	• Launching **Investments** which incorporates a consolidated view of all investments (not just investments with Investec)
• Launched in 2014 with a minimum of R250 000 • Targeted at Private Banking and Wealth & Investment clients • Promoted to a further **90 000 clients** towards the end of 2015	**South African online portfolio manager**	
	UK Online portfolio manager	• Launching **Click & Invest** – complete digital offering providing advice online • Targeted at public • £10 000 minimum investment

Summary:

- The past two years were focused on collaborating, merging and aligning to create one digital solution for clients
- We have a number of new initiatives we are launching in 2016
- With over 1.4 million touch points every month, we are delivering on our promise of a High Touch and High Tech engagement model
- This is a journey in which we continually transform the way we engage with clients to ensure we are consistently providing a seamless, integrated service experience through the channel they choose
- We continue to look for opportunities to build new digitally led businesses in line with our client needs.

Our diversified and balanced business model supports our long-term strategy

Broadly defined, we operate across three areas of specialisation focused on well-defined target clients:

ASSET MANAGEMENT

Operating completely independently

SPECIALIST BANKING

WEALTH & INVESTMENT

Corporate/institutional/government

Private client (high net worth/high income)/ charities/trusts

Asset Management:
- Investment management services to external clients

Specialist Banking:
- Lending
- Transactional banking
- Treasury and trading
- Advisory
- Investment activities

Wealth & Investment:
- Investment management services
- Independent financial planning advice

We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities.

This ensures that we are not over reliant on any one part of our businesses to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and supports our long-term strategy.

CAPITAL LIGHT ACTIVITIES

55%

Contributed to group income

- Asset management
- Wealth management
- Advisory services
- Transactional banking services
- Property and other funds

CAPITAL INTENSIVE ACTIVITIES

45%

Contributed to group income

- Lending portfolios
- Investment portfolios
- Trading income
  - client flows
  - balance sheet management

Fee and commission income ← **Types of income** → **Net interest, investment and trading income**

We have built a solid international platform, with diversified revenue streams and geographic diversity

SOUTHERN AFRICA

- Founded as a leasing company in 1974
- Acquired a banking licence in 1980
- Listed on the JSE Limited South Africa in 1986
- In 2003 we implemented a 25.1% empowerment shareholding transaction
- Market leading position in all three of our core activities
- Fifth largest bank in the country
- Offices supporting the Southern African businesses include Botswana; Cape Town; Durban; East London; Johannesburg; Knysna; Mauritius; Namibia; Pietermaritzburg; Port Elizabeth; Pretoria; and Stellenbosch.

Operating profit* of the Southern African operations decreased 7.5% to £323 million, but was up 8.0% in Rands

£13.2bn
Total **deposit book**

£10.3bn
Total **core loans**

£40.5bn
Total **funds under management**

As a % of the group

63.8%	Operating profit*
59.2%	Assets
51.4%	NAV**
56.1%	Permanent employees

Actual

52.2%	COI^
16.6%	ROE^

INVESTEC IN TOTAL

Operating profit*
£505.6mn

Assets
£45 352mn

NAV**
£2 556mn

Permanent employees
8 421

COI^	ROE^
66.4%	11.5%

* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.
** NAV is tangible shareholders' equity as calculated on page 62.
^ COI is cost to income ratio. ROE is the post-tax return on adjusted average shareholders' equity as calculated on pages 64 and 65.

UK AND OTHER

- In 1992 we made our first international acquisition, acquiring Allied Trust Bank in London
- Since that date, we have expanded organically and through a number of strategic acquisitions
- Solid positioning in all three of our core activities
- Listed in London in July 2002 through the implementation of a dual listed companies structure
- Offices supporting the UK and Other businesses include Australia; Beijing; Channel Islands; Hong Kong; India; Ireland; London; North America; Singapore; Switzerland; and Taiwan.

Operating profit* (statutory) of the UK operations increased 26.9% to £182.9 million

Operating profit* (ongoing) of the UK operations increased 12.8% to £261.2 million

£10.8bn

Total **deposit book**

£7.8bn

Total **core loans** (ongoing business)

£81.2bn

Total **funds under management**

As a % of the group

36.2%	Operating profit*
40.8%	Assets
48.6%	NAV**
43.9%	Permanent employees

Actual

76.7%	COI^
7.6%	ROE^
11.7%	ROE^ ongoing

Our three distinct business activities are focused on well-defined target clients

Provides investment management services to third party institutions, clients and intermediated savers

ASSET MANAGEMENT

Core client base and what we do

Operates independently from Investec's other businesses and its sole focus is the provision of investment management services to its predominantly global institutional client base

Market positioning

Funds under management
1991: £0.4 billion → 2016: £75.7 billion

Net inflows of £3.2 billion
Good long-term performance with growing traction in our distribution channels

Provides investment management services and independent financial planning advice

WEALTH & INVESTMENT

Core client base and what we do

Provides investment management services and independent financial planning advice to private clients, charities and trusts

Market positioning

Total funds under management
1997: £0.04 billion → 2016: £45.5 billion
UK: One of the top five players
SA: Largest player

Provides a broad range of services:

- Lending
- Transactional banking
- Treasury and trading
- Advisory
- Investment activities

SPECIALIST BANKING

Core client base and what we do

We offer a broad range of services from lending, transactional banking, treasury and trading, advisory and investment activities. These services are aimed at government, institutional, corporate and high net worth and high-income clients

Market positioning

Global core loan portfolio: £18.1 billion^^

– Corporate and other clients: £7.8 billion

– Private clients: £10.3 billion^^

Global deposit book: £24.0 billion

* *Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.*
** *NAV is tangible shareholders' equity as calculated on page 62.*
^ *COI is cost to income ratio. ROE is the pre-tax return on adjusted average shareholders' equity as calculated on page 65.*
^^ *Including legacy assets of £0.6 billion as explained on page 83.*
° *Contributions are larger than 100% due to group costs amounting to £45.8 million which are included in operating profit.*

Operating profit* of Asset Management decreased 9.5% to £134.8 million

£75.7bn
Total funds under management

As a % of group		Actual	
26.7%	Operating profit*°		
3.3%	NAV**	68.0%	COI^
17.4%	Permanent employees	79.1%	ROE^

Operating profit* of Wealth & Investment increased 8.8% to £85.7 million

£26.7bn
Discretionary and annuity funds under management

£18.8bn
Non-discretionary and other funds under management

£45.5bn
Total funds under management

As a % of group		Actual	
17.0%	Operating profit*°		
1.7%	NAV**	73.6%	COI^
18.2%	Permanent employees	30.7%	ROE^

Operating profit* (statutory) of Specialist Banking increased 8.6% to £330.9 million

Operating profit* (ongoing) of Specialist Banking increased 4.3% to £409.2 million

£24.0bn
Total deposit book

£18.1bn
Total core loans^^

As a % of group		Actual	
65.4%	Operating profit*°	60.1%	COI^
95.0%	NAV**	12.5%	ROE^
64.4%	Permanent employees	16.1%	ROE ongoing^

The group delivered a sound performance despite the challenging global environment. This reinforces our strategy of building and growing a diversified business model

Performance was supported by reasonable levels of activity and solid net inflows. We enhanced our client offering by deepening our core franchise and growing our client base. Internally, we made progress on a number of fronts, particularly with regard to bringing in the next generation of leadership to position the group for success into the future.

Can you give us an overview of the group's performance for the financial year?

The group achieved an increase in statutory operating profit of 2.5% to £505.6 million (2015: £493.2 million), a 13.5% increase on a currency neutral basis. Adjusted EPS increased 4.8% from 39.4 pence to 41.3 pence, a 15.7% increase on a currency neutral basis. Distributions to shareholders increased to 21 pence (2015: 20 pence) resulting in a dividend cover of 2.0 times (2015: 2.0 times).

The total legacy portfolio reduced from £695 million to £583 million through redemptions and write-offs. This resulted in a loss before taxation on the legacy business of £78.3 million (2015: £107.7 million).

The ongoing business delivered a sound performance with operating profit up 0.6% to £583.9 million (2015: £580.7 million). This is a 9.9% increase on a currency neutral basis.

The geographical and operational diversity of our business model continued to support the sound balance of earnings generated between capital light businesses and capital intensive businesses. There was continued growth in key earnings' drivers with third party assets under management down 2.0% to £121.7 billion (2015: £124.1 billion) but up 3.8% on a currency neutral basis. The key banking earnings' drivers also enjoyed positive growth with ongoing core loans and advances up 6.3% to £17.5 billion (2015: £16.5 billion) and customer deposits up 6.3% to £24.0 billion (2015: £22.6 billion).

This supported growth in total ongoing operating income before impairment losses of 2.5% to £1 935 million (2015: £1 887 million with the percentage of recurring income stable at 71.8% of total operating income (2015: 71.9%). Impairments continued their downward trend and ongoing operating costs were well controlled with the cost to income ratio improving to 65.8% (2015: 66.5%) despite the increase in headcount and business infrastructure expense to support the future growth of our businesses.

How did the operating environment support performance?

During the period, we experienced a difficult and volatile operating environment across all areas of operation which, together with the strength of the Pounds Sterling against the Rand, negatively affected overall results. Further, the optimism that characterised the start of the year, with buoyant equity markets, was short lived and it turned out to be a challenging year as a whole for financial markets.

The global recovery continued but at a temperate pace and the elevated risks dampened the outlook. Advanced economies experienced low productivity growth and the legacies from the global financial crisis continue to hinder recovery with weak demand and low potential growth. The US economy continued to see growth, driven by household consumption, but after seven years of record low interest rates, the Federal Reserve began tightening policy in December 2015. Following a year of policy easing, the European Central Bank provided even further monetary stimulus, driven by weak inflation and rising deflationary risks and the Euro area recorded its third consecutive year of expansion.

Despite the sluggish global economy, the UK economy continued its path of recovery with quarter one 2016 seeing its thirteenth consecutive quarter of expansion driven largely by household consumption and investment. Inflation has been subdued but is expected to trend back to the 2% target over the medium term. As the financial year ended, the biggest point of uncertainty is the UK's referendum on EU membership which represents the primary risk to the UK outlook. By the time this report is published, the vote will be over which should hopefully bring some certainty to the market.

Emerging market and developing economies endured slow trade growth, declining investment levels and continuing currency depreciation. This affected inflationary pressures and further exacerbated already tight financial conditions.

We cannot underrate the difficulty of the South African economic and political environment during 2015. The slump in the commodity cycle intensified and the slower growth of key trading partners, like China, dampened economic growth. The country also experienced the most severe drought in 25 years which added inflationary pressures through rising food prices and increased fiscal pressures. The financial market upheaval in mid-December 2015, known as 'Nenegate', significantly weakened the domestic currency and equity markets. This resulted in fears that the credit rating agencies would downgrade the country's creditworthiness to non-investment grade although fortunately this did not materialise. The positive outcome was a greater commitment between government and business to work more closely together to ensure structural improvements and a more rapid progression of upward social mobility. In addition, it is encouraging that South Africa has retained a strong financial sector, an independent national treasury and a disciplined central bank differentiating it from most developing economies.

How did the three core areas of activity perform on an ongoing basis?

There was a consistent contribution from all business activities during the period under review with Asset Management and Wealth & Investment contributing a combined 38% to group operating profit on an ongoing basis.

ASSET MANAGEMENT

Operating profit in Asset Management declined by 9.5% to £134.8 million (2015: £149.0 million) as earnings were impacted by market declines and emerging market currency weaknesses, particularly the Rand. The business benefited from solid net inflows of £3.2 billion with a torque ratio of 4.1%. Total funds under management amounted to £75.7 billion (2015: £77.5 billion). Operating margin was slightly down with both operating income and operating costs declining although investment in new initiatives continued.

The business remains strategically exposed to emerging markets and management are cautious on the outlook for financial asset prices. Increased regulatory initiatives globally are requiring attention and investment. Nevertheless, momentum is positive and there are clear strategic priorities in place to capture and manage growth and we are confident about the long-term future of the business.

WEALTH & INVESTMENT

Wealth & Investment experienced a solid overall performance with operating profit increasing 8.8% to £85.7 million (2015: £78.8 million). This performance was supported by higher average funds under management and solid net inflows of £2.1 billion. Total funds under management were down slightly to £45.5 billion (2015: £46.1 billion) due to negative sentiment in the UK equity markets and the weaker Rand.

The UK and European business performed well, with operating profit up 11.0%, benefiting from positive net organic growth and investment gains. Our drive to enhance the digital aspects of our offering remained a key feature as we focused on the substantial task of building our digital channel (Investec Click & Invest). This will provide a discretionary investment management service based on simplified advice and is expected to be launched towards the end of 2016.

The operating profit for the South African business was up 19.2% in Rands as we continued to successfully leverage off the division's global investment platform and the group's integrated private client offering. In South Africa, the roll out of the self-directed investment platform, Online Portfolio Manager, to all our private clients in South Africa was completed and is gaining traction. We partnered on an exclusive basis in South Africa with The Carlyle Group, to offer private equity to our high net worth private clients to enhance and diversify their offshore assets. Furthermore, we identified an opportunity to help our clients with strategic philanthropy and launched Investec Philanthropy Services.

Our primary purpose is to service our clients and, hence, we remain focused on our strategy to invest for the long-term sustainability of the business. We continue to internationalise the investment offering and leverage our international capabilities particularly in jurisdictions where the group already has an established business. We also continue to invest in our online offering and management remain confident in our strategy to invest for the future success of the wealth management business.

SPECIALIST BANKING

The ongoing business of Specialist Banking increased operating profit 4.3% to £409.2 million (2015: £392.3 million).

The South African business reported operating profit in Rands up 12.7% driven by strong loan book growth in the corporate and private banking businesses. Good client activity supported the strong positive business momentum. The unlisted investment portfolio also performed well during the period. We continue to benefit from the collaboration between the Private Bank and Wealth & Investment businesses, with international recognition from the Financial Times as the Best Private Bank and Wealth Manager in South Africa for the third year running. We have made good progress with our digitisation strategy which focuses on ensuring that we create a client experience that is 'Out of the Ordinary', 'high tech' and 'high touch'. This is part of our strategy to deepen our strong relationships with our core client base, and offer them a broad spectrum of services and products.

It was particularly pleasing to see the hard efforts of the past few years come through in a strong performance from the ongoing UK and Other business which was up

20.9%. The business benefited from high levels of activity and a solid performance across all areas. Although M&A activity was down on a relative basis, we were ranked number one in the mid-cap market for the number of deals done, and number four by value. We also received a number of awards recognising our performance in the forex, structured products, asset finance and corporate lending businesses. The Private Banking division continued to make progress in building its franchise and developing its client base. We have narrowed our focus to include high net worth and high-income earners rather than a more general focus on professionals. We strengthened our direct and intermediary business channels, which resulted in record levels of new mortgage originations and acquisition of high net worth private clients. The structured property finance business continued to support selected high net worth seasoned property investors.

Looking forward, we continue with our existing strategy in the UK of building and developing our client franchises while ensuring continued high levels of service to existing clients across our offering. We will continue investing in the infrastructure required to ensure our technology and digital offering matches the high standards of service we are targeting.

In Southern Africa, our strategic focus is to build sustainability through a diversified portfolio of businesses. We continue to organically grow the transactional banking, property and private capital businesses and diversify our revenue streams in the corporate and institutional market. Despite the current structural challenges in the South African economy, corporate activity continues to present opportunities. We have a strong financial sector and an active private sector, which continue to support momentum in the specialist banking businesses.

Can you give us a summary of the year in review from a risk perspective?

A strong and vigorous risk culture is essential for success in the current highly complex operating environment. Our robust risk management processes and systems provide a strong foundation to manage and mitigate risks. Our risk tolerance framework combines all the important elements of our risk conscious culture and is reviewed at least annually to reflect on the business strategy, budget process and the regulatory and economic environment in which the group operates.

Despite the challenging environment, the group was able to maintain sound risk metrics throughout the year, remaining within the majority of its risk appetite limits/targets across the various risk disciplines. Our core loan book has grown steadily over the year in home currencies, reflecting an increase of 19.7% in South Africa, and 10.5% in the UK. Growth in our books has been diversified across our business lines, with loan to values at conservative levels and margins broadly in line with the prior year.

Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, and medium sized enterprises. These target clients have remained active during the financial year, and have displayed a level of resilience, seeking out opportunities, despite the market volatility.

Our core loan book remains well diversified. This reflects the shift in asset classes on our balance sheet as we have realigned and rebalanced our portfolios in line with our risk appetite framework. We have increased private client and corporate and other lending and reduced lending collateralised by property as a proportion of our book. The legacy portfolio in the UK has been actively managed down and we expect the remaining legacy portfolio to take a further two to four years to wind down.

We continue to maintain healthy capital and leverage ratios and have a robust liquidity profile. We have always held capital in excess of regulatory requirements and all our banking subsidiaries meet current internal targets for total capital adequacy. We did not meet our internal target for our common equity tier 1 ratio to be in excess of 10%, as a result of solid growth in credit risk-weighted assets during the year. Capital continued to grow and we are comfortable that credit growth is in line with our risk appetite framework supported by sound risk metrics. The strategy in the UK to normalise balance sheet liquidity levels, following the strategic sales in the last quarter of the previous financial year, was achieved by mid-year through a combination of asset growth and liability management.

We continue to spend much time and effort focusing on operational, reputational, conduct, recovery and resolution risks. Customer and market conduct committees were established in South Africa and the UK, with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture. Financial and cybercrime also remain high priorities and we are continually strengthening our systems and controls to meet regulatory obligations.

Investec continued to enhance its stress testing framework to incorporate a number of new stress scenarios such as the events that unfolded in South Africa in December 2015 (Nenegate), a sovereign rating downgrade of South Africa to below investment grade, and 'Brexit'. Despite these looming risks, we were pleased to receive a number of credit rating upgrades which are a reflection of the progress made in simplifying and derisking our business, maintaining sound capital and high liquidity ratios, and managing credit risk metrics at tolerable levels.

What have been the key areas of focus for the board of directors?

Succession planning has remained a key area of focus for the board and the group's leadership. Investec has always maintained a policy of growing talent from within, and the majority of the group' s leaders have an extensive history with the group and are valued for their institutional knowledge and expertise. At our interim results in November 2015, we announced the restructure of certain operating responsibilities. The changes included the appointment of Ciaran Whelan and David van der Walt as joint global heads of the Specialist Bank, and the appointment of Richard Wainwright as chief executive officer of Investec Bank Limited in South Africa. The changes implemented have positioned Investec for sustained growth with an enhanced operational focus.

In recognition that diversity, experience and gender are vital to the effectiveness of the board, the nominations and directors' affairs committee (NOMDAC) continued to implement its structured refreshment programme which was started in 2014. It has been challenging for this committee to ensure new and diverse perspectives are brought onto the board, while retaining the knowledge and experience necessary for the success of the group. During the course of the year, both Haruko Fukuda and Bradley Fried stepped down from the board. We thank them both for their valuable contributions and the role they played to ensure the effective steering and supervision of the group.

The board recognises that effective communication is integral in building stakeholder value and continues to dialogue with a variety of stakeholders on a regular basis. During the course of 2015, the primary focus of the board's stakeholder consultations was the revised executive incentive arrangements put to shareholders at the 2015 annual general meeting. This provided an opportunity to discuss governance more broadly with shareholders and, specifically, the composition of the board, remuneration, and the appropriate relation between pay and performance.

How do you balance driving profits with corporate responsibility?

We have had a number of non-financial successes over the past year. Our responsibility to society starts with the Investec family and during the year we invested £14.7 million on the learning and development of our people. Our staff remain crucial in delivering on our promise to provide exceptional client experiences and hence we continue to focus on attracting, retaining and developing talent. In this regard, Investec was recognised as the third most attractive employer in South Africa in the Universum Most Attractive Employer Awards.

Our sustainability efforts continue to be recognised with Investec Limited now ranked as one of three industry leaders on the DJSI Emerging Markets index, and Investec plc one of 12 industry leaders on the DJSI World and DJSI Europe indices. Investec Limited was also one of the five companies in South Africa, and 113 companies globally, to make the Carbon Disclosure Project's 2015 Climate A List which recognises efforts to mitigate climate change.

We also received recognition for our environmental efforts in the UK with the Gresham Street head office winning our ninth platinum award for our waste management in the City of London Corporation's Clean City Awards Scheme. In South Africa we continue to build and enhance our infrastructure to manage the electricity supply crisis and remain active participants in finding industry solutions, particularly in renewable energy. During the year we arranged funding of £844 million in the renewable energy sector and we are in the process of creating a clean energy fund which we expect to launch by the end of 2016.

An integral part of our corporate responsibility is how we care for our communities. We have a strong programme of activities in South Africa which focus on education and entrepreneurship as the most effective ways of creating opportunities for employment and supporting long-term economic growth. Our flagship Promaths programme has been running for 11 years and we now support eight centres across the country. In the UK, we continue to receive recognition for our contribution to society. We were a finalist in the Business Charity Awards 2016 for our partnership with Bromley by Bow Beyond Business incubator which launched 60 new social enterprise businesses, creating 330 new jobs. We are also shortlisted in the Lord Mayor's Dragon Awards for the same project in the enterprise and employment category. Something that is particularly rewarding for us to see is how staff volunteerism increases every year across all regions of the group. Not only have the number of staff-initiated projects increased but also the number of staff that give of their time, money or goods to improve the lives of those less fortunate around them.

What is your strategic focus and outlook for the coming year?

We have strong businesses and are well positioned for sustained growth. Our unique client profile provides us with opportunities to deliver the best and most integrated solution which is supported by a comprehensive and continually developing digital offering. We have domestically relevant businesses in our key geographies that are also internationally networked. The balance between our client franchise offering and our specialist niches enables us to switch between markets and take advantage of opportunities as they arise.

Investec has a distinctive culture that naturally attracts diverse talent and allows innovation to thrive. We have built up a depth of leadership who have a strong history of working in the group. Their strong management teams are diligently driving growth while maintaining a strong client and operational focus.

At the time of writing this report, the macro environment remains volatile due to uncertainty in global markets and the pending EU membership referendum in the UK. Political and social challenges in South Africa remain, with the fear of credit rating downgrades continuing to weigh on sentiment. Current levels of activity are, nevertheless, supporting group performance and we remain committed to providing shareholder value and exceptional client experience.

On behalf of the boards of Investec plc and Investec Limited

Fani Titi	**Stephen Koseff**	**Bernard Kantor**
Chairman	Chief executive officer	Managing director

(References to 'operating profit' in the text above relates to operating profit before taxation, goodwill, acquired intangibles, non-operating items and after other non-controlling interests.)

The operating financial review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 26 to 202 as well as volume two of our integrated annual report, which elaborate on the aspects highlighted in this review.

Introduction – understanding our results

SALE OF BUSINESSES

During the 2015 financial year the group sold a number of businesses namely, Investec Bank (Australia) Limited, Kensington Group plc and Start Mortgage Holdings Limited as set out below.

Sale of Investec Bank (Australia) Limited

The sale of Investec Bank (Australia) Limited's Professional Finance and Asset Finance and Leasing businesses and its deposit book to Bank of Queensland Limited was effective 31 July 2014 for cash proceeds of £122 million. This resulted in the derecognition of approximately £1.7 billion of assets and approximately £1.7 billion of liabilities associated with the businesses sold. We continue to have a presence in Australia, focusing on our core activities of Specialised Finance, Corporate Advisory, Property Fund Management and Asset Management. The remaining business operates as a non-banking subsidiary of the Investec group. As a result, we no longer report the activities of our Australian businesses separately, with these activities reported under the 'UK and Other' geographical segment and the 'UK and Other' Specialist Banking segment.

Sales of Kensington Group plc and Start Mortgage Holdings Limited

On 9 September 2014 we announced the sale of our UK intermediated mortgage business Kensington Group plc (Kensington) together with certain other Investec mortgage assets to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. and TPG Special Situations Partners for £180 million in cash based on a tangible net asset value of the business of £165 million at 31 March 2014. This transaction became effective on 30 January 2015.

On 15 September 2014 we announced the sale of our Irish intermediated mortgage business Start Mortgage Holdings Limited (Start) together with certain other Irish mortgage assets to an affiliate of Lone Star Funds. This transaction became effective on 4 December 2014.

This resulted in the derecognition of approximately £4.1 billion of assets and approximately £2 billion of external liabilities associated with these businesses sold.

As part of the sale of Kensington, a final net settlement amount was paid after the 31 March 2015 year end. As a result of this payment, a further loss before tax of £4.8 million was recognised during the current period.

Impact of these sales on our operational performance

The sales of these businesses have had a significant effect on the comparability of our financial statutory position and results. As a result, comparison on a statutory basis of the 2016 year-end results with the 2015 year-end results would be less meaningful.

In order to present a more meaningful view of our performance, additional management information is presented on our ongoing businesses. The additional information presented on an ongoing basis excludes items that, in management's view, could distort the comparison of performance between periods. Based on this principle, the following items are excluded from underlying statutory profit to derive ongoing operating profit:

- The results of the businesses sold as mentioned above
- The remaining legacy business in the UK (as set out on page 83).

This basis of presentation is consistent with the approach adopted for the year ended 31 March 2015.

A reconciliation between the statutory and ongoing income statement is provided on page 71.

Exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of our individual companies are reported in the local currencies of the countries in which they are domiciled, including South African Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the year.

	31 March 2016		31 March 2015	
Currency per £1.00	**Year end**	**Average**	**Year end**	**Average**
South African Rand	21.13	20.72	17.97	17.82
Australian Dollar	1.87	2.04	1.95	1.85
Euro	1.26	1.37	1.38	1.28
US Dollar	1.44	1.50	1.49	1.62

Exchange rates between local currencies and Pounds Sterling have fluctuated over the year. The most significant impact arises from the volatility of the Rand. The average Rand: Pounds Sterling exchange rate over the year has depreciated by 16.3% and the closing rate has depreciated by 17.6% since 31 March 2015.

The following tables provide an analysis of the impact of the Rand depreciation on our reported numbers.

	Results in Pounds Sterling				
	Actual as reported Year to 31 March 2016	Actual as reported Year to 31 March 2015	Actual as reported % change	Neutral currency^ Year to 31 March 2016	Neutral currency % change
Operating profit before taxation* (million)	£506	£493	2.5%	£560	13.6%
Earnings attributable to shareholders (million)	£368	£246	50.0%	£409	66.3%
Adjusted earnings attributable to shareholders** (million)	£360	£340	6.0%	£397	16.8%
Adjusted earnings per share**	41.3p	39.4p	4.8%	45.6p	15.7%
Basic earnings per share	38.5p	24.4p	57.8%	42.8p	75.4%
Dividends per share	21.0p	20.0p	5.0%	n/a	n/a

	Results in Pounds Sterling				
	Actual as reported At 31 March 2016	Actual as reported At 31 March 2015	Actual as reported % change	Neutral currency^^ At 31 March 2016	Neutral currency % change
Net asset value per share	352.3p	364.9p	(3.5%)	370.6p	1.6%
Net tangible asset value per share	294.3p	308.1p	(4.5%)	312.1p	1.3%
Total equity (million)	£3 859	£4 040	(4.5%)	£4 217	4.4%
Total assets (million)	£45 352	£44 353	2.3%	£50 066	12.9%
Core loans and advances (million)	£18 119	£17 189	5.4%	£19 929	15.9%
Cash and near cash balances (million)	£10 994	£9 975	10.2%	£12 033	20.6%
Customer deposits (million)	£24 044	£22 615	6.3%	£26 369	16.6%
Third party assets under management (million)	£121 683	£124 106	(2.0%)	£128 791	3.8%

The following table provides a comparison of the group's results as reported in Pounds Sterling and the group's results as translated into Rands.

	Results in Pounds Sterling			Results in Rands		
	Year to 31 March 2016	Year to 31 March 2015	% change	Year to 31 March 2016	Year to 31 March 2015	% change
Operating profit before taxation* (million)	£506	£493	2.5%	R10 494	R8 817	19.0%
Earnings attributable to shareholders (million)	£368	£246	50.0%	R7 635	R3 970	92.3%
Adjusted earnings attributable to shareholders** (million)	£360	£340	6.0%	R7 459	R6 076	22.8%
Adjusted earnings per share**	41.3p	39.4p	4.8%	857c	704c	21.7%
Basic earnings per share	38.5p	24.4p	57.8%	798c	387c	> 100.0%
Headline earnings per share	38.5p	35.8p	7.5%	796c	640c	24.4%
Dividends per share	21.0p	20.0p	5.0%	473c	362c	30.7%

	At 31 March 2016	At 31 March 2015	% change	At 31 March 2016	At 31 March 2015	% change
Net asset value per share	352.3p	364.9p	(3.5%)	7 444c	6 559c	13.5%
Net tangible asset value per share	294.3p	308.1p	(4.5%)	6 218c	5 538c	12.3%
Total equity (million)	£3 859	£4 040	(4.5%)	R81 543	R72 625	12.3%
Total assets (million)	£45 352	£44 353	2.3%	R958 221	R797 218	20.2%
Core loans and advances (million)	£18 119	£17 189	5.4%	R382 826	R308 957	23.9%
Cash and near cash balances (million)	£10 994	£9 975	10.2%	R232 290	R179 242	29.6%
Customer deposits (million)	£24 044	£22 615	6.3%	R508 024	R406 485	25.0%
Third party assets under management (million)	£121 683	£124 106	(2.0%)	R2 571 141	R2 230 197	15.3%

* *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*
** *Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.*
^ *For income statement items we have used the average Rand: Pounds Sterling exchange rate that was applied in the prior year, i.e. 17.82.*
^^ *For balance sheet items we have assumed that the Rand: Pounds Sterling closing exchange rate has remained neutral since 31 March 2015.*

Ten-year review

SALIENT FEATURES*

For the year ended 31 March	2016	2015	% change 2016 vs 2015
Income statement and selected returns			
Operating profit before goodwill, acquired intangibles, non-operating items and taxation (£'000)º	505 593	493 157	2.5%
Operating profit: Southern Africa (% of total)º	63.8%	70.8%	
Operating profit: UK and Other (% of total)º	36.2%	29.2%	
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	359 732	339 532	6.0%
Headline earnings (£'000)	334 720	308 770	8.4%
Cost to income ratio	66.4%	67.6%	
Staff compensation to operating income ratio	47.0%	47.4%	
Return on average adjusted shareholders' equity (post-tax)	11.5%	10.6%	
Return on average adjusted tangible shareholders' equity (post-tax)	13.7%	12.7%	
Return on average risk-weighted assets	1.34%	1.25%	
Return on average assets (excluding assurance assets)	0.93%	0.86%	
Operating profit per employee (£'000)	58.7	59.7	(1.7%)
Net interest income as a % of operating income	29.6%	32.4%	
Non-interest income as a % of operating income	70.4%	67.6%	
Recurring income as a % of total operating income	71.7%	74.2%	
Effective operational tax rate	19.1%	19.6%	
Balance sheet			
Total capital resources (including subordinated liabilities) (£'million)	4 994	5 219	(4.3%)
Total shareholders' equity (including preference shares and non-controlling interests) (£'million)	3 859	4 040	(4.5%)
Shareholders' equity (excluding non-controlling interests) (£'million)	3 360	3 501	(4.0%)
Total assets (£'million)	45 352	44 353	2.3%
Net core loans and advances to customers (£'million)	18 119	17 189	5.4%
Core loans and advances to customers as a % of total assets	40.0%	38.8%	
Cash and near cash balances (£'million)	10 994	9 975	10.2%
Customer accounts (deposits) (£'million)	24 044	22 615	6.3%
Third party assets under management (£'million)	121 683	124 106	(2.0%)
Capital adequacy ratio: Investec plcº	15.1%	16.7%	
Capital adequacy tier 1 ratio: Investec plcº	10.7%	11.9%	
Common equity tier 1 ratio: Investec plc^^º	9.7%	10.2%	
Leverage ratio: Investec plc – current^^º	7.0%	7.7%	
Capital adequacy ratio: Investec Limitedº	14.0%	14.7%	
Capital adequacy tier 1 ratio: Investec Limitedº	10.7%	11.3%	
Common equity tier 1 ratio: Investec Limited^^º	9.6%	9.6%	
Leverage ratio: Investec Limited – current^^º	6.9%	8.1%	
Credit loss ratio (income statement impairment charge as a % of average gross core loans and advances)	0.62%	0.68%	
Defaults (net of impairments and before collateral) as a % of net core loans and advances to customers	1.54%	2.07%	
Gearing ratio (assets excluding assurance assets to total equity)	10.2x	9.4x	
Core loans to equity ratio	4.7x	4.3x	
Loans and advances to customers: customer deposits	73.6%	74.0%	
Salient financial features and key statistics			
Adjusted earnings per share (pence)#	41.3	39.4	4.8%
Headline earnings per share (pence)#	38.5	35.8	7.5%
Basic earnings per share (pence)#	38.5	24.4	57.8%
Diluted earnings per share (pence)#	36.7	23.1	58.9%
Dividends per share (pence)#	21.0	20.0	5.0%
Dividend cover (times)	2.0	2.0	–
Net asset value per share (pence)#	352.3	364.9	(3.5%)
Net tangible asset value per share (pence)#	294.3	308.1	(4.5%)
Weighted number of ordinary shares in issue (million)#	870.5	862.7	0.9%
Total number of shares in issue (million)#	908.8	899.4	1.0%
Closing share price (pence)#	513	561	(8.6%)
Market capitalisation (£'million)	4 662	5 045	(7.6%)
Number of employees in the group (including temps and contractors)	8 966	8 254	8.6%
Closing ZAR:£ exchange rate	21.13	17.97	17.6%
Average ZAR:£ exchange rate	20.72	17.82	16.3%

* *Refer to definitions on page 202.*
^ *Calculation not comparable.*
^^ *The group's expected Basel III 'fully loaded' numbers are provided on page 94 in volume two.*

2014	2013	2012	2011	2010	2009	2008	2007
450 676	426 278	358 625	434 406	432 258	396 766	508 717	466 585
66.0%	67.5%	80.7%	69.1%	67.2%	74.0%	66.7%	57.6%
34.0%	32.5%	19.3%	30.9%	32.8%	26.0%	33.3%	42.4%
326 923	309 310	257 579	327 897	309 710	269 215	344 695	300 704
291 561	265 227	217 253	286 659	275 131	261 627	301 499	294 881
67.6%	65.7%	64.7%	61.7%	57.8%	55.9%	56.1%	59.0%
46.3%	43.9%	43.0%	40.7%	36.1%	34.9%	37.2%	40.9%
10.0%	9.4%	7.8%	11.2%	13.5%	14.8%	23.6%	26.1%
12.3%	11.7%	9.6%	13.2%	15.4%	17.4%	28.6%	31.7%
1.14%	1.06%	0.91%	1.23%	1.33%	1.36%	^	^
0.75%	0.67%	0.57%	0.76%	0.83%	0.84%	1.31%	1.46%
54.9	53.5	47.8	64.4	69.7	62.6	84.4	92.3
33.6%	35.2%	36.2%	34.9%	37.0%	46.6%	39.3%	29.2%
66.4%	64.8%	63.8%	65.1%	63.0%	53.4%	60.7%	70.8%
70.7%	68.6%	67.7%	62.3%	60.4%	70.0%	65.1%	58.7%
17.1%	18.4%	18.1%	15.5%	20.6%	21.1%	22.6%	26.3%
5 355	5 693	5 505	5 249	4 362	3 762	3 275	2 665
4 016	3 942	4 013	3 961	3 292	2 621	2 210	1 820
3 572	3 661	3 716	3 648	2 955	2 297	1 911	1 542
47 142	52 010	51 550	50 941	46 572	37 365	34 224	26 300
17 157	18 415	18 226	18 758	17 891	16 227	12 854	10 095
36.4%	35.4%	35.4%	36.8%	38.4%	43.4%	37.7%	38.4%
9 136	9 828	10 251	9 319	9 117	4 866	5 028	^
22 610	24 461	25 344	24 441	21 934	14 573	12 133	10 650
109 189	110 678	96 776	88 878	74 081	48 828	52 749	56 121
15.3%	16.7%	17.5%	16.8%	15.9%	16.2%	15.3%	24.7%
10.5%	11.0%	11.6%	11.6%	11.3%	10.1%	9.2%	14.8%
8.8%	8.8%	9.3%					
7.4%							
14.9%	15.5%	16.1%	15.9%	15.6%	14.2%	13.9%	14.7%
11.0%	10.8%	11.6%	11.9%	12.0%	10.8%	10.0%	10.4%
9.4%	8.9%	9.3%					
7.8%							
0.68%	0.84%	1.12%	1.27%	1.16%	1.08%	0.51%	0.17%
2.30%	2.73%	3.31%	4.66%	3.98%	3.28%	1.29%	0.92%
10.3x	11.6x	11.3x	11.3x	12.5x	13.0x	13.8x	12.2x
4.3x	4.7x	4.5x	4.7x	5.4x	6.2x	5.8x	5.5x
72.0%	71.5%	67.8x	72.4%	76.2%	103.6%	98.4%	89.1%
37.9	36.1	31.8	43.2	45.1	42.4	56.9	53.3
33.8	31.0	26.8	37.7	40.1	41.2	49.7	52.3
34.3	31.7	25.7	49.7	44.0	38.5	57.7	54.7
32.3	29.8	24.3	46.7	41.5	36.1	54.0	50.4
19.0	18.0	17.0	17.0	16.0	13.0	25.0	23.0
2.0	2.0	1.9	2.5	2.8	3.3	2.3	2.3
376.0	384.2	392.0	416.0	364.0	308.8	260.6	216.0
309.0	310.9	317.0	343.8	324.1	266.3	215.0	178.6
862.6	856.0	809.6	759.8	686.3	634.6	606.2	563.8
891.7	884.8	874.0	810.0	741.0	713.2	657.6	609.3
485	459	382	478	539	292	339	658
4 325	4 061	3 340	3 872	3 993	2 083	2 229	4 009
8 258	8 151	7 781	7 237	6 123	5 951	6 333	5 430
17.56	13.96	12.27	10.88	11.11	13.58	16.17	14.20
16.12	13.44	11.85	11.16	12.38	14.83	14.31	13.38

° *Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.*

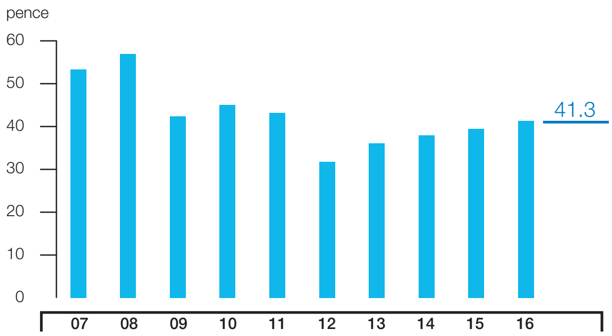
\# *For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006.*

ø *Information prior to 2008 is shown before non-controlling interests and thereafter post other non-controlling interests.*

Track record

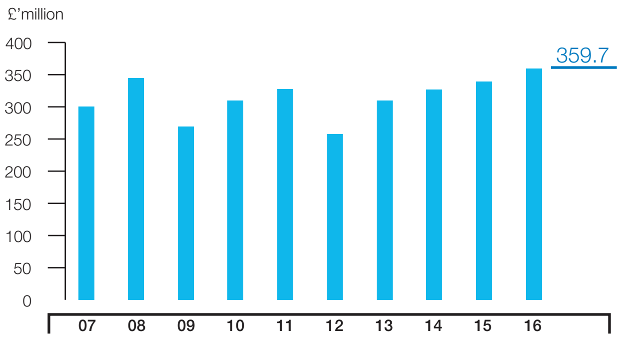
Up 4.8% to 41.3 pence

ADJUSTED EARNINGS PER SHARE



Up 6.0% to £359.7 million

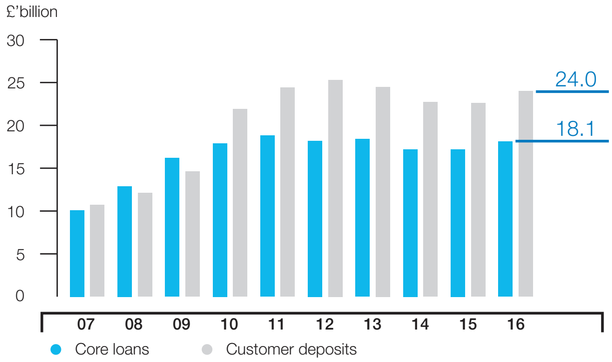
ADJUSTED EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS



Core loans: up 5.4% to £18.1 billion since 31 March 2015 – an increase of 15.9% on a currency neutral basis*

Deposits: up 6.3% to £24.0 billion since 31 March 2015 – an increase of 16.6% on a currency neutral basis*

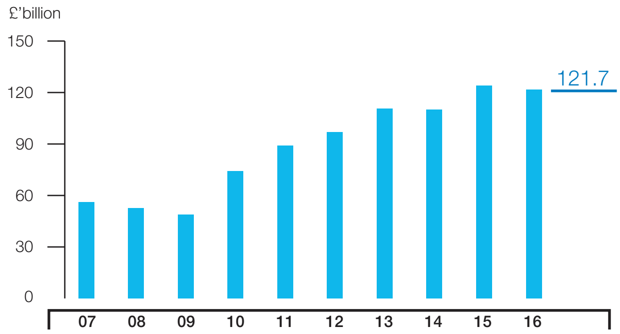
CORE LOANS AND CUSTOMER DEPOSITS



Down 2.0% to £121.7 billion since 31 March 2015 – an increase of 3.8% on a currency neutral basis*

Net inflows of £5.3 billion

THIRD-PARTY ASSETS UNDER MANAGEMENT



* *Currency neutral basis: calculation assumes that the closing exchange rates of the group's relevant exchange rates, as reflected on page 26, remain the same at 31 March 2016 when compared to 31 March 2015.*

Financial targets

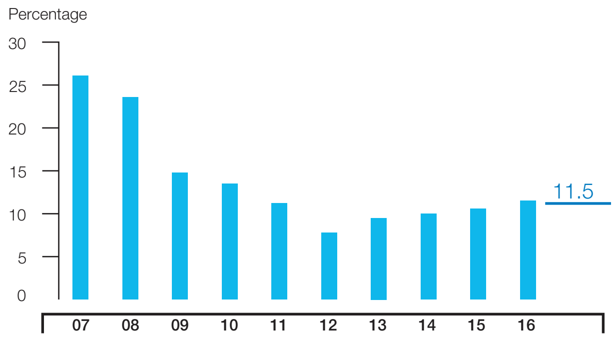
Target

**We have set the following target over the medium to long term:
Group ROE: 12% to 16% over a rolling five-year period in Pounds Sterling**

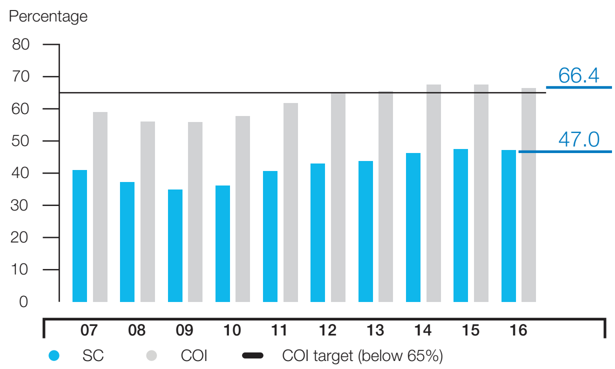
Target

**We have set the following target over the medium to long term:
Group COI ratio: less than 65% in Pounds Sterling**

ROE*



COST TO INCOME RATIO (COI) AND STAFF COMPENSATION TO OPERATING INCOME RATIO (SC)



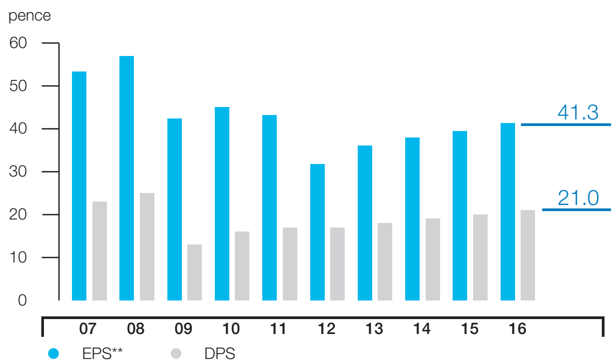
Target

In the medium to long term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling

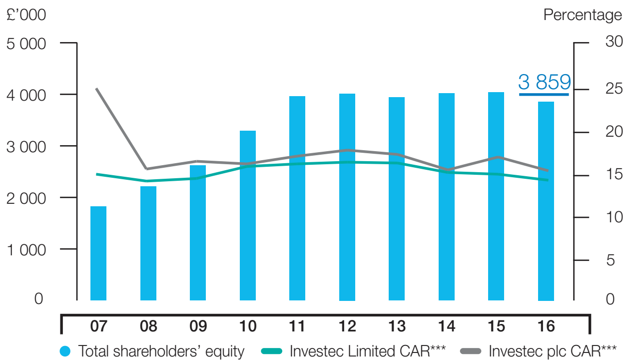
Target

**We intend to maintain a sufficient level of capital to satisfy regulatory requirements, as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long term.
We target a capital adequacy ratio range of between 14% and 17% on a consolidated basis for Investec plc and Investec Limited, and we target a minimum tier 1 ratio of 11.0% and a common equity tier 1 ratio above 10.0%**

ADJUSTED EARNINGS PER SHARE (EPS) AND DIVIDENDS PER SHARE (DPS)



TOTAL SHAREHOLDERS' EQUITY AND CAPITAL ADEQUACY RATIOS (CAR)



* *ROE is post-tax return on adjusted average shareholders' equity as calculated on page 64.*

** *Adjusted EPS before goodwill, acquired intangibles and non-operating items as defined on page 202.*

*** *Capital adequacy figures prior to 2008 are disclosed under Basel I. Investec Limited's numbers have been reported in terms of Basel III since 31 March 2013, and Investec plc has been reporting in terms of Basel III since 31 March 2014.*

Note:
The numbers shown in the financial targets graphs on this page are for the years ended 31 March, unless otherwise stated.

An overview of the operating environment impacting our business

South Africa

OUR VIEWS

South Africa remains institutionally sound, with solid ratings from the World Economic Forum's Global Competitiveness Survey, as the strength of its auditing and reporting standards are ranked first, and the regulation of its securities exchange (JSE) second, in the world

South Africa faced another difficult year in 2015, as the slump in the commodity cycle intensified, along with the slower growth of key trading partners (notably China), while domestically the most severe drought in 25 years occurred. The commodity and manufacturing sectors saw an industrial sector recession, and GDP growth consequently slipped further to 1.3% year on year from last year's 1.5% year on year. GDP per capita fell for the first time since the 2009 recession, dropping to R56 169 in real terms from R56 198 and gross national income per capita continued its declining trend which began in 2013.

1.3%	1.5%
2015/16 Economic growth	2014/15 Economic growth
2016 R56 169	2015 R56 198

GDP per capita has fallen

Furthermore, South Africa is placed third in terms of the efficacy of its corporate boards, and has incubated a large number of companies to international level, with protection of minority shareholder interests also third globally. South Africa's banking sector is ranked eighth with deep, liquid, sophisticated markets and consistent, sound budgetary policies which allow South Africa to be a key contributor in the global bond market. The International Budget Partnership's latest Open Budget Index ranks South Africa third among 88 countries, after only New Zealand and Sweden. However, from 2011 South Africa has seen credit rating downgrades from S&P on the deterioration in economic growth, and some fiscal slippage as the ratios deteriorated, although very recently a more conservative Budget was presented under the new Finance Minister, Pravin Gordhan.

The financial market upheaval in mid-December 2015 impacted by the abrupt replacement of previous Finance Minister Nhlanhla Nene by temporary Finance Minister van Rooyen drove the domestic currency, JSE and bond yields to elevated risk-aversion levels. Despite the appointment soon thereafter of Pravin Gordhan to the Finance Minister role, the Rand went into the mid-January global debt, commodities and equities market rout severely weakened, reaching a historic low of close to R17.00/USD, with the JSE dropping to 45 493. The mid-January rout occurred on growing fears of global recession as the commodity cycle, global trade volumes and world economic growth slumped lower. Foreigners have proved net sellers of South Africa's portfolio assets from mid-December to end March 2016 on domestic economic growth concerns, fears of credit rating downgrades and expectations of higher interest rates in the US. In particular, the credit rating agencies are reassessing South Africa's creditworthiness in terms of its downward economic growth trajectory and rising government debt ratios.

Indeed, the unsupportive global environment for a commodity exporter risks the South African economy stalling this year, if not entering a technical recession, along with the global economic slowdown. Besides the global headwinds, the domestic economy also faces some real constraints in terms of skills shortages, a restrictive labour market and infrastructure, although meaningful progress has begun on alleviating electricity supply constraints. South Africa has seen its World Bank ranking on the ease of doing business slip, but structural improvements could see an improved ability to reduce unemployment and inequality, and eliminate poverty. The advent of 2016 heralded a closer working relationship between government and business, which if successful will allow a more rapid progression of upward social mobility, as occurred in the earlier years of the country's democracy.

United Kingdom

OUR VIEWS

The continued recovery has also been evident in the labour market where the unemployment rate has fallen to 5.1%

GDP now stands above its pre-crisis peak.

2.2%	2.8%
2015/16 Economic growth	2014/15 Economic growth
2016 £28 644	2015 £28 132

GDP per capita has risen

The fiscal year witnessed a continued recovery in the UK economy, with the first quarter of 2016 seeing the thirteenth consecutive quarter of expansion. Once again, the last year has seen household consumption as the driving factor behind the recovery, although investment also contributed positively.

1.7 million people are now unemployed in the UK, down one million from the peak of 2.7 million seen in 2011. Employment has been firm through the year, although the pace of employment growth slowed somewhat over the second half of 2015.

The inflation backdrop has been subdued, with headline CPI inflation falling into negative territory, troughing at -0.1%, and averaging just +0.1% across the fiscal year as a whole. There are two primary reasons for the softness in the inflation readings, one being the significant fall in energy prices since quarter four 2014, the other being the strength in the Pounds Sterling over much of 2015. Given the temporary nature of these factors, inflation should gradually trend back to the Bank of England's target of 2% over the medium term.

UK monetary policy remained on hold throughout the period, with the Bank rate steady at 0.50%, marking the seventh year of record low interest rates. At the same time the level of outstanding asset purchases was maintained at £375 billion. Given the current subdued nature of inflation, as well as rising downside risks to the global outlook there has been little appetite for raising interest rates among the Monetary Policy Committee, with any future tightening dependent on the committee's confidence that inflation is returning to target in the medium term.

Activity in the housing market continued to recover over the course of the year with transactions and mortgage approvals rising to within 10% of their long-run averages, underpinned by easing credit conditions and households' confidence in the outlook. Meanwhile, prices continued to trend upwards, standing 4.8% higher on year on year levels as the fundamental backdrop of a supply and demand imbalance supported prices.

As the financial year closed the biggest point of uncertainty hanging over the economy was the UK's referendum on EU membership, with the vote set to take place on 23 June 2016. Uncertainty over the vote outcome and the potential ramifications of a leave vote represents the primary risk to the UK outlook.

Australia

OUR VIEWS

Australian GDP continued to grow at an annual pace, slightly below trend at 2.5% in 2015 (2.6% over the financial year).

On a quarterly basis the year witnessed a degree of variation as swings in GDP were driven by weather-related export volatility.

The Australian Dollar fell to its lowest level since 2009 during the year, reaching $0.68 versus the US Dollar, as it continued to be correlated to movements in commodity prices, which for much of 2015/16 witnessed significant falls. Despite the fall in the Australian Dollar providing support to the export sector, headwinds to the economy remain, primarily from the decline in commodity prices. Certainly the low commodity price environment is hurting investment, with the latest official estimates suggesting that 2015/16 capital expenditure in the mining sector may be 30% lower than in 2014/15.

Rebalancing in the economy has continued over the year. Outside of the mining sector services have continued to see expansion, while household consumption has also witnessed positive growth, albeit at below trend levels. The labour market has also seen improvements with the unemployment rate falling to 5.7%, its lowest level since July 2013. Meanwhile the upward trend in house prices seen in recent years continued in 2015, with national prices rising over 9%.

Amidst headwinds to the economy, below trend growth and subdued inflation the Reserve Bank of Australia cut the official policy rate (Cash rate) to a new record low of 2.00% in May 2015.

An overview of the operating environment impacting our business *(continued)*

United States

OUR VIEWS

A range of indicators continued to show the labour market witnessing sustained strength as non-farm payrolls growth averaged US$233 000 a month over the last year and unemployment fell to 5.0% from 5.4% at the end of the last fiscal year

The US economy grew by 2.4% in the calendar year 2015, equalling the expansion seen in 2014.

Growth in the first quarter of 2016 had been disappointing at an annualised rate of 0.5%, reflecting the continued drag from net trade, inventories and also business investment. In terms of the overall recovery, household consumption remains the predominant driver of growth and remains relatively robust.

Following more than seven years of record low interest rates, the Federal Reserve began tightening policy in December 2015, raising the Federal Funds Target range by 0.25% to 0.25% – 0.50%. However, as the financial year closed, the Federal Reserve had refrained from taking further action, citing potential downside risks from global economic and financial developments. Further policy tightening over the forthcoming period will be very much driven by the evolution of the economy and, in particular, inflation.

Given the tightening in labour market conditions wage growth has begun to firm, although it remains below historical trends.

Inflation has remained below the Federal Reserve's 2% goal over the year, with the targeted measure of inflation currently standing at just 0.8%. However, there are tentative signs that previous disinflationary pressures from a strong US Dollar over 2015 and falling energy prices are beginning to fade. Meanwhile domestic factors, including a strengthening labour market point to a background of inflationary pressures.

Eurozone

OUR VIEWS

Following a year of policy easing, 2015/16 witnessed the European Central Bank (ECB) going even further in providing monetary stimulus, driven by weak inflation and rising deflationary risks.

Over the fiscal year, headline CPI inflation averaged just +0.1%, a considerable margin below the ECB's target of 'below, but close to 2%' as the collapse in wholesale energy prices weighed and the still gradual recovery meant the inflation outlook remained subdued.

Having taken the historic step of introducing a negative deposit rate in June 2014, the ECB cut the key policy rates further, with the deposit rate ending the fiscal year at -0.40% and the main refinancing rate at 0.0%. Non-standard policy measures were also expanded with the central bank increasing the size of its asset purchase programme to €80 billion per month, which is now set to run until March 2017. The ECB also expanded the universe of eligible assets for purchase to corporate bonds, resulting in a significant rally in Euro-denominated corporate debt. Additionally, a new four-year secured lending facility (TLTRO II) was introduced, providing cheap funding to Eurozone banks.

The economic background has been one of gradual growth, with the Euro area registering its third consecutive year of expansion: calendar 2015 recorded GDP growth of 1.5%. Household consumption has been positive, helped by improving confidence and the level of unemployment gradually coming down, although the latter remains elevated at 10.2%. Meanwhile investment has also returned to growth. Credit growth has been encouraging over the year, with lending to both households and corporates firming to multi-year highs, supported by improving credit conditions.

Greece remained a point of concern over the year, as the introduction of capital controls, a referendum on a third bailout and the re-election of the leftist party Syriza in a coalition all contributed to a period of uncertainty. Ultimately a third (€86 billion) bailout package was agreed between the Greek government and its creditors. In a departure from previous Euro crisis episodes, while local Greek markets were impacted, contagion to the rest of the Eurozone was limited, with yields in peripheral Euro area markets contained. Away from Greece there was better news as Cyprus became the latest country to exit its assistance programme, following Ireland, Portugal and Spain which exited in prior years.

An overview of the operating environment impacting our business *(continued)*

Global stock markets

OUR VIEWS

Equity markets began the financial year in a buoyant mood, with the UK's FTSE 100 breaking through the significant 7 000 point milestone to set a new high during April 2015. These gains reflected the belief that global economic growth was set to accelerate and Europe and emerging economies were managing their challenges.

But that early optimism turned into a challenging year as a whole for financial markets, with the price of risky assets lower, in general, than when the year began. After a surge in the middle of 2015, the Shanghai share index in China was 20% lower by financial year end. In the Eurozone, the Euro Stoxx 50 index slid 19%. The UK's FTSE All Share declined 7%. In the US, the S&P 500 was more resilient, ending the year 0.4% lower. Commodity prices slid too, especially the oil price, where declines were driven partly by Saudi Arabia's continued bid to maintain market share by keeping output high and prices low.

This pattern of declines (oil supply issues notwithstanding) reflects two major global economic risks. The first relates to China, where issues came to a head last August. A depreciation of the Chinese Yuan triggered a sell-off in equity markets worldwide as investors fretted about a Chinese 'hard landing'. However, after a volatile few weeks, markets recovered as it turned out that global economic fundamentals appeared to remain relatively sound.

The second risk, of a broader, deflationary global slowdown, particularly in the Euro area, sharpened in January and February 2016. The immediate trigger for a downward lurch in global markets was a sell-off in Eurozone banking stocks. In part, this could have been driven by fears about the impact of the ECB's negative interest rate policy on banks' profitability. More generally, a worry emerged that central banks and other policymakers are running out of scope to combat economic stagnation and deflation.

Over and above these two global worries, the removal of Finance Minister Nene in South Africa in December 2015 caused the JSE All Share and Banking indices to fall by over 20% in a matter of days, with little recovery experienced over the month that followed, although the JSE All Share ended March 2016 in line with the prior year's level.

Partly as a result of last year's market gyrations, our view is that risks to the global outlook have become more tilted to the downside. Various organisations, such as the OECD, IMF and World Bank, appear to concur. But our view is that economic fundamentals remain on a steady, if unspectacular, footing – a view borne out by the 'hard' data, which have continued to point to sustained economic growth. Consistent with, and in part because of, the data remaining broadly on track, the last few weeks of the financial year saw equity markets recover most of their January and February losses.

Operating environment

THE TABLE BELOW PROVIDES AN OVERVIEW OF SOME KEY STATISTICS THAT SHOULD BE CONSIDERED WHEN REVIEWING OUR OPERATIONAL PERFORMANCE

	Year ended 31 March 2016	Year ended 31 March 2015	% change	Average over the year 1 April 2015 to 31 March 2016
Market indicators				
FTSE All share	3 395	3 664	(7.3%)	3 500
JSE All share	52 250	52 182	0.1%	51 705
S&P	2 060	2 068	(0.4%)	2 033
Nikkei	16 759	19 207	(12.7%)	18 844
Dow Jones	17 685	17 776	(0.5%)	17 306
Rates				
UK overnight	0.41%	0.42%		0.46%
UK 10 year	1.42%	1.58%		1.81%
UK clearing banks base rate	0.50%	0.50%		0.50%
LIBOR – three month	0.59%	0.57%		0.59%
SA R186	9.10%	7.80%		8.17%
Rand overnight	6.92%	6.30%		6.45%
SA prime overdraft rate	10.50%	9.25%		9.61%
JIBAR – three month	7.23%	6.11%		6.43%
US 10 year	1.79%	1.93%		2.12%
Commodities				
Gold	US$1 233/oz	US$1 188/oz	3.8%	US$1 151/oz
Brent crude oil	US$40/bbl	US$56/bbl	(28.6%)	US$49/bbl
Platinum	US$976/oz	US$1 129/oz	(13.6%)	US$983/oz
Macro-economic				
UK GDP (% change over the period)	2.2%	2.8%		
UK per capita GDP (£, calendar year)	28 644	28 132	1.8%	
South Africa GDP (% change over the period)	1.3%	1.5%		
South Africa per capita GDP (real value in Rands, historical revised)	56 169	56 198	(0.1%)	

Sources: Datastream, Bloomberg, Office for National Statistics, SARB Quarterly Bulletin.

Key income drivers

We provide a wide range of financial products and services to a select client base in three principal markets, the UK and Europe, South Africa and Asia/Australia. We are organised as a network comprising three principal business divisions: Asset Management, Wealth & Investment and Specialist Banking

There are therefore a number of key income drivers for our business which are discussed below and alongside.

ASSET MANAGEMENT

Key income drivers

- Fixed management fees as a percentage of assets under management
- Variable performance fees.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movements in the value of the assets in underlying client portfolios
- Performance of portfolios against set benchmarks
- Net flows.

WEALTH & INVESTMENT

Key income drivers

- Investment management fees levied as a percentage of assets under management
- Commissions earned for executing transactions for clients.

Income statement – primarily reflected as

- Fees and commissions.

Income impacted primarily by

- Movement in the value of assets in underlying client portfolios
- The level of investment activity undertaken on behalf of clients, which, in turn, is affected by, among other things, the performance of the global stock markets (which drives investment opportunities), the equity investment risk appetite of our clients, tax considerations and market liquidity.

SPECIALIST BANKING

Key income drivers	Income statement – primarily reflected as	Income impacted primarily by
– Lending activities	– Net interest income – Fees and commissions.	– Size of portfolios – Clients' capital and infrastructural investments – Client activity – Credit spreads – Shape of yield curve.
– Cash and near cash balances	– Net interest income – Trading income arising from balance sheet management activities.	– Capital employed in the business and capital adequacy targets – Asset and liability management policies and risk appetite – Regulatory requirements – Credit spreads.
– Deposit and product structuring and distribution	– Net interest income – Fees and commissions.	– Distribution channels – Ability to create innovative products – Regulatory requirements – Credit spreads.
– Investments made (including listed and unlisted equities; debt securities; investment properties) – Gains or losses on investments – Dividends received.	– Net interest income – Investment income.	– Macro- and micro-economic market conditions – Availability of profitable exit routes – Whether appropriate market conditions exist to maximise gains on sale – Attractive investment opportunities.
– Advisory services	– Fees and commissions.	– The demand for our specialised advisory services, which, in turn, is affected by applicable tax, regulatory and other macro- and micro-economic fundamentals.
– Derivative sales, trading and hedging	– Fees and commissions – Trading income arising from customer flow.	– Client activity – Market conditions/volatility – Asset and liability creation – Product innovation – Market risk factors, primarily volatility and liquidity.
– Transactional banking services	– Net interest income – Fees and commissions.	– Levels of activity – Ability to create innovative products – Appropriate systems infrastructure.

An overview of the principal risks relating to our operations

The most material and significant risks we face, which the board and senior management believe could have an impact on our operations, financial performance, viability and prospects are summarised briefly below with further details provided in volumes one and two of the integrated annual report. The board, through its various sub-committees, has performed a robust assessment of these principal risks. For additional information pertaining to the management and monitoring of these principal risks, see the references provided. Regular reporting of these risks is made to senior management, the executives and the board at the group risk and capital committee (GRCC) and board risk and capital committee (BRCC).

The group's board approved risk appetite framework is provided on page 11. The board recognises even with sound appetite and judgement that extreme events can happen that are completely outside of the board's control. It is however, necessary to assess these events and their impact and how they may be mitigated by changing the risk appetite framework if necessary. It is policy to regularly carry out multiple stress testing scenarios which in theory test extreme, but plausible events and from that assess and plan what can be done to mitigate the potential outcome.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Credit and counterparty risk		
Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement thereby resulting in a loss to the group.	• Independent credit committees exist in each geography where we assume credit risk. These committees operate under board-approved delegated limits, policies and procedures. • There is a high level of executive involvement and non-executive review and oversight in the credit decision-making forums. • Our credit exposures are to a select target market comprising high-income and high net worth individuals, established corporates, and medium-sized enterprises. • Our risk appetite continues to favour lower risk, income-based lending, with exposures well collateralised and credit risk taken over a short to medium term. • Investec has a limited appetite for unsecured debt, thus the credit risk mitigation technique most commonly used is the taking of collateral, with a strong preference for tangible assets. • Portfolio reviews (including stress testing analyses) are undertaken on all material businesses, where the portfolios are analysed to assess any migration in portfolio quality, highlight any vulnerabilities, identify portfolio concentrations and make appropriate recommendations, such as a reduction in risk appetite limits or specific exposures.	Pages 15 to 45 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Country risk		
Country risk refers to the risk of lending to a counterparty operating in a particular country or the risk inherent in sovereign exposure, i.e. the risk of exposure to loss caused by events in other countries. Country risk covers all forms of lending or investment activity whether to/with individuals, corporates, banks or governments.	• Exposures are only to politically stable jurisdictions that we understand and have preferably operated in before. • There is little appetite for exposures outside of the group's pre-existing core geographies or target markets. • The group limits exposures to peripheral European countries. • In certain cases, we may make use of political risk insurance to mitigate exposure where deemed necessary.	Page 15 in volume two.
Investment risk		
Investment risk in the banking book arises primarily from the group's principal investments (private equity) and property investment activities, where the group invests in largely unlisted companies and select property investments, with risk taken directly on the group's balance sheet.	• Independent credit and investment committees exist in each geography where we assume investment risk. • Risk appetite limits and targets are set to limit our exposure to equity and investment risk. • As a matter of course, concentration risk is avoided and investments are well spread across geographies and industries.	Pages 46 to 52 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Market risk in the trading book		
Traded market risk is the risk that the value of a portfolio of instruments changes as a result of changes in underlying market risk factors such as interest rates, equity prices, commodity prices, exchange rates and volatilities.	• To manage, measure and mitigate market risk, we have independent market risk management teams in our core geographies where we assume market risk. • The focus of our trading activities is primarily on supporting client activity. Our strategic intent is that proprietary trading should be limited and that trading should be conducted largely to facilitate clients in deal execution. • Within our trading activities, we act as principal with clients or the market. Market risk, therefore, exists where we have taken on principal positions resulting from market-making, underwriting, investments and limited proprietary trading in the foreign exchange, capital and money markets. The focus of these businesses is primarily on supporting client activity. • Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, value at risk (VaR), stressed VaR (sVaR), expected tail loss (ETL) and extreme value theory (EVT). Stress testing and scenario analysis are used to simulate extreme conditions to supplement these core measures.	Pages 53 to 59 in volume two.
Liquidity risk		
Liquidity risk is the risk that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, without incurring unacceptable losses. This includes repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution specific and market-wide events.	• Each geographic entity must be self-sufficient from a funding and liquidity standpoint. • Our banking entities in South Africa and the UK are ring-fenced from one another and are required to meet the regulatory liquidity requirements in the jurisdictions in which they operate. • We maintain a liquidity buffer in the form of unencumbered cash, government or rated securities (typically eligible for repurchase with the central bank), and near cash well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. • The maintenance of sustainable prudent liquidity resources takes precedence over profitability. • We target a diversified funding base, avoiding undue concentrations by investor type, maturity, market source, instrument and currency. • Stable customer deposits must fully fund our core loan book, with little reliance therefore placed on wholesale funding. • The group does not rely on committed funding lines for protection against unforeseen interruptions to cash flow. • The balance sheet risk management team independently monitors key daily funding metrics and liquidity ratios to assess potential risks to the liquidity position, which further act as early warning indicators of potential normal market disruption. • Daily liquidity stress tests are carried out.	Pages 60 to 69 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Capital risk		
The risk that we do not have sufficient capital to meet regulatory requirements or that capital is inefficiently deployed across the group.	• Both the Investec Limited and Investec plc groups operate an approach to capital management that utilises both regulatory capital as appropriate to that jurisdiction and internal capital, which is an internal risk-based assessment of capital requirements. • The determination of target capital is driven by our risk profile, strategy and risk appetite, taking into account the regulatory and market factors applicable to the group. • At the most fundamental level, we seek to balance our capital consumption between prudent capitalisation in the context of the group's risk profile and optimisation of shareholder returns. • Our internal capital framework is designed to manage and achieve this balance. • The framework has been approved by the board and is managed by the DLC capital committee, which is responsible for oversight of the management of capital on a regulatory and an internal capital basis.	Pages 80 to 95 in volume two.
Non-trading interest rate risk		
Non-trading interest rate risk, otherwise known as interest rate risk in the banking book, is the impact on net interest earnings and sensitivity to economic value as a result of unexpected adverse movements in interest rates arising from the execution of our core business strategies and the delivery of products and services to our customers. Non-trading interest rate risk in the banking book is an inherent consequence of conducting banking activities, and arises from the provision of retail and wholesale (non-trading) banking products and services.	• The management of interest rate risk in the banking book is centralised within the Central Treasury function. Treasury is mandated by the board to actively manage the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. • Together with the business, the treasurer develops strategies regarding changes in the volume, composition, pricing and interest rate characteristics of assets and liabilities to mitigate the interest rate risk and ensure a high degree of net interest margin stability over an interest rate cycle. These are presented, debated and challenged in the liability product and pricing forum and the asset and liability committee (ALCO). • Our non-trading interest rate risk policy dictates that long-term non-trading interest rate risk is materially eliminated. In accordance with the policy, interest rate swaps are used to swap fixed deposits and loans into variable rate in the wholesale market. • The balance sheet risk management team independently measures and analyses both traditional interest rate repricing mismatch and net present value (NPV) sensitivity to changes in interest rate risk factors, detailing the sources of interest rate exposure.	Pages 69 to 73 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Operational risk		
Operational risk is defined as any instance where there is potential or actual impact to the group resulting from failed internal processes, people, systems or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences. Operational risk includes key aspects such as: cybersecurity; information security; financial crime; technology; and process failure.	• An independent Group Operational Risk Management function ensures that operational risk policies and procedures are developed and applied consistently and effectively throughout the group. • Business unit management, supported by operational risk managers who operate at a business unit level, are responsible for embedding and implementing operational risk practices and policies. • All personnel are adequately skilled at both a business unit and a group level.	Pages 74 to 78 in volume two.
Reputational and strategic risk		
Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made by the board and also arises as a result of other risks manifesting and not being mitigated.	• We have various policies and practices to mitigate reputational risk, including strong values that are regularly and proactively reinforced. • Strategic and reputational risk is mitigated as much as possible through detailed processes and governance/escalation procedures from business units to the board, and from regular, clear communication with shareholders, customers and all stakeholders. • A disclosure and public communications policy has been approved by the board.	Page 79 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Conduct risk		
Conduct risk means the risk that detriment is caused to the group, its customers, its counterparties or the market, as a result of inappropriate execution of business activities.	• Investec's approach to conduct risk is driven by our values and philosophies, ensuring that Investec operates in the wholesale arena and markets with integrity and puts the well-being of Investec clients at the heart of how the business is run. • Investec ensures that its products and services are scrutinised and regularly reviewed to identify any issues early on and to make sure they are escalated for appropriate resolution and, where necessary, remedial action. • Investec's conduct risk policy aims to create an environment for consumer protection and market integrity within the business, supported with the right conduct risk management framework. • Customer and market conduct committees exist in South Africa and the UK, with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.	Pages 79 and 80 in volume two.
Compliance, governance and regulatory risk		
The risks of changing legislation, regulation, policies, voluntary codes of practice and their interpretation in the markets in which we operate can have a significant impact on the group's operations, business prospects, costs, liquidity and capital requirements.	• Investec remains focused on complying with the highest levels of compliance to professional standards and integrity in each of our jurisdictions. Our culture is a major component of our compliance framework and is supported by robust policies, processes and talented professionals who ensure that the interests of our customers and shareholders remain at the forefront of everything we do. • We have independent compliance functions in each of our core operating jurisdictions, which ensure that the group implements the required processes, practices and policies to adhere to applicable regulations and legislation. • A global compliance forum exists which establishes and standardises group standards where applicable.	Pages 100 and 101 in volume two.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Legal risk		
Legal risk is the risk of loss resulting from any of our rights not being fully enforceable or from our obligations not being properly performed. This includes our rights and obligations under contracts entered into with counterparties.	• A legal risk forum is constituted in each significant legal entity within the group to ensure we keep abreast of developments and changes in the nature and extent of our activities, and to benchmark our processes against best practice. • We have a central independent in-house legal team with embedded business units' legal officers where business volumes or needs dictate. • This is supplemented by a pre-approved panel of third party firms to be utilised where necessary.	Page 79 in volume two.
Business risk		
Business risk means the risk that external market factors create income volatility.	• The risk of loss caused by income volatility is mitigated through diversification of income sources, reducing concentration of income from any one type of business or geography and maintaining a flexible cost base. • Group strategy is directed towards generating and sustaining a diversified income base for the group. • In the instance where income falls we retain the flexibility to reduce costs (particularly variable remuneration), thereby maintaining a competitive cost to income ratio.	Pages 32 to 37.

PRINCIPAL RISKS	KEY MITIGATING ACTIONS	FURTHER INFORMATION PROVIDED
Environmental, social and economic risk		
The risk that our lending and investment activities give rise to unintended environmental, social and economic consequences.	• Investec has a broad-based approach to sustainability, which runs beyond recognising our own footprint on the environment and includes our many corporate social investment activities and our funding and investing activities. • This is not merely for business reasons but also our recognition of a broader responsibility to our environment and society. • Accordingly, sustainability risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. • There is also oversight by the social and ethics committee on social and environmental issues.	Pages 142 to 158 and in our sustainability report.
People risk		
The risk that we may be unable to recruit, retain and motivate key personnel.	• We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance. • We invest significantly in a number of opportunities for developing and upskilling employees, and in leadership programmes to develop current and future leaders of the group. • Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD), which serve to supplement the ongoing people focus of our individual business units. • The Investec careers and HR teams are mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.	Pages 145 to 149 and in our sustainability report.

Emerging and other risks

In addition to the principal risks outlined above, the risks below may have the potential to impact and/or influence our principal risks and consequently the operations, financial performance, viability and prospects of the group. A number of these risks are beyond the group's control and are considered in our capital plans, stress testing analyses and budget processes, where applicable. These emerging risks are briefly highlighted below and should be read in the context of our approach to risk management and our overall group risk appetite framework (refer to volume two of the integrated annual report).

Additional risks and uncertainties not presently known to us or that we currently deem immaterial may in the future also negatively impact our business operations.

- **Macro-economic and geopolitical risks**: The group is subject to inherent risks arising from general macro-economic and geopolitical conditions in the countries in which it operates, including in particular the UK and South Africa, as well as global economic and geopolitical conditions.

A macro-economic overview is provided on pages 32 to 37, and the impact of changes in the external environment during our financial year is discussed in the respective divisional sections on pages 92, 98, 107 and 108.

- **Fluctuations in exchange rates could have an adverse impact on the group's results of operations**: The group's reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial position of individual companies are reported in the local currencies of the countries in which they are domiciled, including Rand, Australian dollars, Euros and US dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in the group's financial statements. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used. Exchange rates between local currencies and Pounds Sterling have fluctuated significantly during recent periods. The most significant impact arises from the volatility of the Rand.

Further information is provided on page 26.

- **The group's borrowing costs and its access to the debt capital markets depend significantly on its credit ratings**: Rating agencies have, in the past, altered their ratings of all or a majority of the participants in a given industry as a result of the risks affecting that industry. A reduction in the group's respective banking entities long- or short-term credit ratings could increase their borrowing costs, limit their access to the capital markets and trigger additional collateral requirements in derivative contracts and other secured funding arrangements.

The group has recently received rating upgrades as discussed on page 8 in volume two.

- **The group may be exposed to pension risk in relation to its UK operations**: Pension risk arises from obligations arising from defined benefit pension schemes where the group is required to fund any deficit in the schemes. There are two defined benefit pension schemes within the group and both are closed to new business.

Refer to page 79 in volume two for further information.

- **The financial services industry in which the group operates is intensely competitive**: The financial services industry is competitive and the group faces substantial competition in all aspects of its business. The group has developed leading positions in many of its core areas of activity, but does not take competition lightly, and our strategic objectives continue to focus on building business depth; providing the best integrated solution to our clients; and leveraging our digitisation strategy in order to remain competitive.

Refer to pages 14 to 17 for further information.

Two emerging risks which attracted particular attention during the year, and which were incorporated into our stress tests include:

- **A UK exit from the European Union**: A referendum will be held in the UK on 23 June 2016 on whether the UK will remain in the European Union. The group faces risks associated with a vote to exit the European Union. For example, because a significant proportion of the regulatory regime applicable to the group in the UK and anticipated regulatory reform is derived from EU directives and regulations, a vote in favour of the UK exiting the European Union could materially change the legal framework applicable to the group's UK operations, including in relation to its regulatory capital requirements. In addition, a UK exit from the European Union could result in restrictions on the movement of capital and the mobility of personnel.
- **The geopolitical events that unfolded in December 2015 in South Africa and the potential sovereign rating downgrade for South Africa to below investment grade:** The financial market upheaval in mid-December 2015 impacted by the abrupt replacement of previous Finance Minister Nhlanhla Nene by temporary Finance Minister van Rooyen drove the domestic currency, JSE and bond yields to elevated risk-aversion levels. Despite the appointment soon thereafter of Pravin Gordhan to the Finance Minister role, the Rand went into the mid-January global debt, commodities and equities market rout severely weakened, reaching a historic low of close to R17.00/USD, with the JSE dropping to 45 493. From 2011 South Africa has seen credit rating downgrades from S&P on the deterioration in economic growth, and some fiscal slippage as the ratios deteriorated, although very recently a more conservative Budget was seen under the new Finance Minister, Pravin Gordhan. The credit rating agencies are reassessing South Africa's creditworthiness in terms of its downward economic growth trajectory and rising government debt ratios.

Further information is provided on page 32.

Statutory income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the year under review.

Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 85 to 108.

TOTAL OPERATING INCOME

Total operating income before impairment losses on loans and advances declined by 0.9% to £1 939.5 million (2015: £1 957.5 million).

£'000	31 March 2016	% of total income	31 March 2015	% of total income	% change
Net interest income	573 769	29.6%	634 977	32.4%	(9.6%)
Net fee and commission income	1 061 625	54.7%	1 089 043	55.6%	(2.5%)
Investment income	170 408	8.8%	128 334	6.6%	32.8%
Trading income arising from					
– customer flow	110 227	5.7%	106 313	5.4%	3.7%
– balance sheet management and other trading activities	11 377	0.6%	(13 424)	(0.6%)	> 100.0%
Other operating income	12 090	0.6%	12 236	0.6%	(1.2%)
Total operating income before impairments	**1 939 496**	**100.0%**	**1 957 479**	**100.0%**	**(0.9%)**

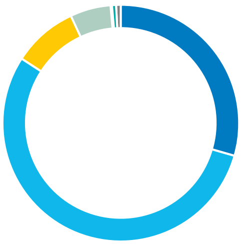
The following table sets out information on total operating income before impairment losses on loans and advances by geography for the year under review.

£'000	31 March 2016	% of total income	31 March 2015	% of total income	% change
UK and Other	1 128 374	58.2%	1 127 081	57.6%	0.1%
Southern Africa	811 122	41.8%	830 398	42.4%	(2.3%)
Total operating income before impairments	**1 939 496**	**100.0%**	**1 957 479**	**100.0%**	**(0.9%)**

The following table sets out information on total operating income before impairment losses on loans and advances by division for the year under review.

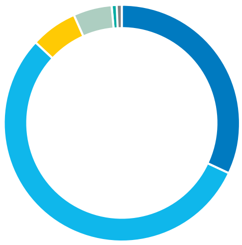
£'000	31 March 2016	% of total income	31 March 2015	% of total income	% change
Asset Management	421 615	21.7%	436 059	22.3%	(3.3%)
Wealth & Investment	324 500	16.7%	313 217	16.0%	3.6%
Specialist Banking	1 193 381	61.6%	1 208 203	61.7%	(1.2%)
Total operating income before impairments	**1 939 496**	**100.0%**	**1 957 479**	**100.0%**	**(0.9%)**

% OF TOTAL OPERATING INCOME BEFORE IMPAIRMENTS



31 March 2016
£1 939.5 million total operating income before impairments

29.6%	Net interest income
54.7%	Net fee and commission income
8.8%	Investment income
5.7%	Trading income arising from customer flow
0.6%	Trading income arising from balance sheet management and other trading activities
0.6%	Other operating income



31 March 2015
£1 957.5 million total operating income before impairments

32.4%	Net interest income
55.6%	Net fee and commission income
6.6%	Investment income
5.4%	Trading income arising from customer flow
(0.6%)	Trading income arising from balance sheet management and other trading activities
0.6%	Other operating income

NET INTEREST INCOME

Net interest income decreased by 9.6% to £573.8 million (2015: £635.0 million) largely due to a lower return earned on the legacy portfolios which are running down; the sales of Investec Bank (Australia) Limited, Kensington UK and Start Irish operations; and the depreciation of the Rand against Pounds Sterling. This was partially offset by strong book growth and an increase in margin earned on early redemption of loans, reflecting higher activity levels.

£'000	31 March 2016	31 March 2015	Variance	% change
Asset Management	3 904	4 307	(403)	(9.4%)
Wealth & Investment	7 330	6 556	774	11.8%
Specialist Banking	562 535	624 114	(61 579)	(9.9%)
Net interest income	**573 769**	**634 977**	**(61 208)**	**(9.6%)**

A further analysis of interest received and interest paid is provided in the tables below.

For the year to 31 March 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 622 577	47 481	6 952 692	292 563	12 575 269	340 044
Core loans and advances	2	7 803 602	427 601	10 315 213	826 999	18 118 815	1 254 600
Private client		3 510 327	150 060	6 856 533	550 044	10 366 860	700 104
Corporate, institutional and other clients		4 293 275	277 541	3 458 680	276 955	7 751 955	554 496
Other debt securities and other loans and advances		697 875	74 010	573 692	29 445	1 271 567	103 455
Other interest-earning assets	3	–	–	9 730	7 541	9 730	7 541
Total interest-earning assets		**14 124 054**	**549 092**	**17 851 327**	**1 156 548**	**31 975 381**	**1 705 640**

Notes:
1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost in UK and Other.*

For the year to 31 March 2016 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	2 484 617	(106 707)	3 184 183	(85 888)	5 668 800	(192 595)
Customer accounts (deposits)		10 800 668	(124 569)	13 243 613	(703 399)	24 044 281	(827 968)
Other interest-bearing liabilities	5	–	–	85 884	(15 494)	85 884	(15 494)
Subordinated liabilities		597 309	(56 871)	537 574	(38 943)	1 134 883	(95 814)
Total interest-bearing liabilities		**13 882 594**	**(288 147)**	**17 051 254**	**(843 724)**	**30 933 848**	**(1 131 871)**
Net interest income			**260 945**		**312 824**		**573 769**
Net interest margin (local currency)			**1.8%***		**1.9%**		

For the year to 31 March 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest income	Southern Africa Balance sheet value	Southern Africa Interest income	Total group Balance sheet value	Total group Interest income
Cash, near cash and bank debt and sovereign debt securities	1	5 878 855	48 967	6 214 823	274 165	12 093 678	323 132
Core loans and advances	2	7 061 117	424 071	10 127 793	808 754	17 188 910	1 232 825
Private client		3 341 861	169 272	6 726 853	524 190	10 068 714	693 462
Corporate, institutional and other clients		3 719 256	254 799	3 400 940	284 564	7 120 196	539 363
Other debt securities and other loans and advances		775 651	101 816	426 552	23 758	1 202 203	125 574
Other interest-earning assets	3	411 983	94 612	368 613	14 724	780 596	109 336
Total interest-earning assets		**14 127 606**	**669 466**	**17 137 781**	**1 121 401**	**31 265 387**	**1 790 867**

For the year to 31 March 2015 £'000	Notes	UK and Other Balance sheet value	UK and Other Interest expense	Southern Africa Balance sheet value	Southern Africa Interest expense	Total group Balance sheet value	Total group Interest expense
Deposits by banks and other debt-related securities	4	1 997 208	(41 869)	2 905 400	(51 519)	4 902 608	(93 388)
Customer accounts (deposits)		10 298 493	(157 813)	12 316 375	(702 722)	22 614 868	(860 535)
Other interest-bearing liabilities	5	330 526	(82 421)	396 336	(16 503)	726 862	(98 924)
Subordinated liabilities		596 923	(59 881)	581 376	(43 162)	1 178 299	(103 043)
Total interest-bearing liabilities		**13 223 150**	**(341 984)**	**16 199 487**	**(813 906)**	**29 422 637**	**(1 155 890)**
Net interest income			**327 482**		**307 495**		**634 977**
Net interest margin (local currency)			**2.0%**		**1.9%**		

Notes:

1. *Comprises (as per the balance sheet) cash and balances at central banks; loans and advances to banks; non-sovereign and non-bank cash placements; reverse repurchase agreements and cash collateral on securities borrowed; sovereign debt securities; and bank debt securities.*
2. *Comprises (as per the balance sheet) loans and advances to customers; and own originated loans and advances to customers securitised.*
3. *Comprises (as per the balance sheet) other securitised assets. In the current year no securitised assets are held at amortised cost outside of Southern Africa.*
4. *Comprises (as per the balance sheet) deposits by banks; debt securities in issue; repurchase agreements, and cash collateral on securities lent.*
5. *Comprises (as per the balance sheet) liabilities arising on securitisation of own originated assets; and liabilities arising on securitisation. In the current year no liabilities on securitisation are held at amortised cost in UK and other.*

* *Impacted by sales of businesses as discussed on page 26.*

NET FEE AND COMMISSION INCOME

Net fee and commission income decreased by 2.5% to £1 061.6 million (2015: £1 089.0 million) largely as a result of lower fees earned in the UK corporate business following a strong prior year. The deal pipeline has, however, remained sound. This was partially offset by a good performance from the corporate treasury, corporate structuring and property fund management businesses in South Africa as well as the acquisition of Blue Strata (rebranded Investec Import Solutions). In addition, growth in fees in the global private banking business was supported by increased client activity.

£'000	31 March 2016	31 March 2015	Variance	% change
Asset Management	415 528	428 555	(13 027)	(3.0%)
Wealth & Investment	309 080	299 663	9 417	3.1%
Specialist Banking	337 017	360 825	(23 808)	(6.6%)
Net fee and commission income	**1 061 625**	**1 089 043**	**27 418**	**(2.5%)**

Further information on net fees by type of fee and geography is provided in the tables below.

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	**520 245**	**204 363**	**724 608**
Fund management fees/fees for assets under management	567 257	178 549	745 806
Private client transactional fees	54 258	34 664	88 922
Fee and commission expense	(101 270)	(8 850)	(110 120)
Specialist Banking net fee and commission income	**189 513**	**147 504**	**337 017**
Corporate and institutional transactional and advisory services	164 088	130 089	294 177
Private client transactional fees	28 141	30 966	59 107
Fee and commission expense	(2 716)	(13 551)	(16 267)
Net fee and commission income	**709 758**	**351 867**	**1 061 625**
Annuity fees (net of fees payable)	542 128	275 058	817 186
Deal fees	167 630	76 809	244 439

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group
Asset management and wealth management businesses net fee and commission income	**505 772**	**222 446**	**728 218**
Fund management fees/fees for assets under management	540 050	201 372	741 424
Private client transactional fees	59 566	32 302	91 868
Fee and commission expense	(93 844)	(11 230)	(105 074)
Specialist Banking net fee and commission income	**225 325**	**135 500**	**360 825**
Corporate and institutional transactional and advisory services	219 870	115 220	335 090
Private client transactional fees	25 019	32 856	57 875
Fee and commission expense	(19 564)	(12 576)	(32 140)
Net fee and commission income	**731 097**	**357 946**	**1 089 043**
Annuity fees (net of fees payable)	541 327	276 143	817 470
Deal fees	189 770	81 803	271 573

INVESTMENT INCOME

Investment income increased by 32.8% to £170.4 million (2015: £128.3 million) as a result of higher earnings from the UK debt securities portfolio, improved results from the Hong Kong portfolio and a sound performance from the group's unlisted investment portfolio.

£'000	31 March 2016	31 March 2015	Variance	% change
Asset Management	44	22	22	100.0%
Wealth & Investment	6 072	4 123	1 949	47.3%
Specialist Banking	164 292	124 189	40 103	32.3%
Investment income	**170 408**	**128 334**	**42 074**	**32.8%**

Further information on investment income is provided in the tables below.

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group
Realised	44 135	240 167	284 302
Unrealised	(2 311)	(131 813)	(134 124)
Dividend income	15 419	13 037	28 456
Funding and other net related income/(costs)	4 877	(13 103)	(8 226)
Investment income	**62 120**	**108 288**	**170 408**

For the year to 31 March 2016 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**41 300**	**23 675**	**1 282**	**(4 137)**	**62 120**
Realised	10 319	31 143	–	2 673	44 135
Unrealised	15 562	(7 468)	1 282	(11 687)	(2 311)
Dividend income	15 419	–	–	–	15 419
Funding and other net related income	–	–	–	4 877	4 877
Southern Africa	**76 824**	**9 166**	**20 628**	**1 670**	**108 288**
Realised	227 043	3 052	9 121	951	240 167
Unrealised	(149 102)	6 114	11 507	(332)	(131 813)
Dividend income	12 977	–	–	60	13 037
Funding and other net related income	(14 094)	–	–	991	(13 103)
Total investment income/(loss)	**118 124**	**32 841**	**21 910**	**(2 467)**	**170 408**

* *Including embedded derivatives (warrants and profit shares).*

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group
Realised	80 014	65 746	145 760
Unrealised	(90 296)	48 097	(42 199)
Dividend income	5 878	24 808	30 686
Funding and other net related costs	2 194	(8 107)	(5 913)
Investment income/(loss)	**(2 210)**	**130 544**	**128 334**

For the year to 31 March 2015 £'000	Investment portfolio (listed and unlisted equities)*	Debt securities (sovereign, bank and other)	Investment properties	Other asset categories	Total
UK and Other	**(7 577)**	**(14 681)**	**8 726**	**11 322**	**(2 210)**
Realised	63 395	8 494	–	8 125	80 014
Unrealised	(76 850)	(23 175)	8 726	1 003	(90 296)
Dividend income	5 878	–	–	–	5 878
Funding and other net related costs	–	–	–	2 194	2 194
Southern Africa	**83 168**	**12 055**	**29 910**	**5 411**	**130 544**
Realised	42 214	3 814	19 741	(23)	65 746
Unrealised	29 358	8 241	10 169	329	48 097
Dividend income	24 808	–	–	–	24 808
Funding and other net related income	(13 212)	–	–	5 105	(8 107)
Total investment income/(loss)	**75 591**	**(2 626)**	**38 636**	**16 733**	**128 334**

* *Including embedded derivatives (warrants and profit shares).*

TRADING INCOME

Trading income arising from customer flow increased by 3.7% to £110.2 million (2015: £106.3 million) while trading income arising from balance sheet management and other trading activities reflected a profit of £11.4 million (2015: loss of £13.4 million) largely due to foreign currency gains (these are largely offset in non-controlling interests as discussed on page 61).

Arising from customer flow

£'000	31 March 2016	31 March 2015	Variance	% change
Wealth & Investment	316	1 024	(708)	(69.1%)
Specialist Banking	109 911	105 289	4 622	4.4%
Trading income arising from customer flow	**110 227**	**106 313**	**3 914**	**3.7%**

Arising from balance sheet management and other trading activities

£'000	31 March 2016	31 March 2015	Variance	% change
Asset Management	1 668	1 485	183	12.3%
Wealth & Investment	509	574	(65)	(11.3%)
Specialist Banking	9 200	(15 483)	24 683	> 100.0%
Trading profit/(loss) arising from balance sheet management and other trading activities	**11 377**	**(13 424)**	**24 801**	**> 100.0%**

OTHER OPERATING INCOME

Other operating income includes associate income and income earned on operating lease rentals.

IMPAIRMENT LOSSES ON LOANS AND ADVANCES

Impairments on loans and advances decreased from £128.4 million to £109.5 million, with the credit loss ratio on core loans and advances amounting to 0.62% (2015: 0.68%). Since 31 March 2015, gross defaults have improved from £608.4 million to £466.1 million due to redemptions and write-offs. The percentage of default loans (net of impairments, but before taking collateral into account) to core loans and advances amounted to 1.54% (2015: 2.07%). The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.35 times (2015: 1.37 times).

Further information is provided on page 33 in volume two.

£'000	31 March 2016	31 March 2015	Variance	% change
UK and Other	(84 217)	(102 707)	18 490	(18.0%)
Southern Africa	(25 299)	(25 674)	375	(1.5%)
Total impairment losses on loans and advances	**(109 516)**	**(128 381)**	**18 865**	**(14.7%)**
Impairment losses on loans and advances in home currency				
Southern Africa (R'million)	(520)	(456)	(64)	14.0%

OPERATING COSTS

The ratio of total operating costs to total operating income was 66.4% (2015: 67.6%). Total operating costs declined by 2.7% to £1 287.0 million (2015: £1 322.7 million) reflecting a reduction in costs arising from the sale of certain businesses, partially offset by an increase in headcount and business infrastructure expenses across divisions to support increased activity and growth initiatives and an increase in variable remuneration given increased profitability in certain businesses.

£'000	31 March 2016	% of total expenses	31 March 2015	% of total expenses	% change
Staff costs	(912 435)	70.8%	(927 980)	70.1%	(1.7%)
– fixed	(581 847)	45.1%	(590 896)	44.6%	(1.5%)
– variable	(330 588)	25.7%	(337 084)	25.5%	(1.9%)
Business expenses	(177 642)	13.8%	(193 529)	14.6%	(8.2%)
Premises expenses (excluding depreciation)	(58 847)	4.6%	(63 201)	4.8%	(6.9%)
Equipment expenses (excluding depreciation)	(57 780)	4.5%	(54 433)	4.1%	6.1%
Marketing expenses	(59 737)	4.6%	(58 833)	4.4%	1.5%
Depreciation and impairment of property, plant, equipment and software	(20 580)	1.6%	(24 729)	1.9%	(16.8%)
Total operating costs	**(1 287 021)**	**99.9%**	**(1 322 705)**	**99.9%**	**(2.7%)**
Depreciation on operating leased assets	(2 165)	0.1%	(1 535)	0.1%	41.0%
Total expenses	**(1 289 186)**	**100.0%**	**(1 324 240)**	**100.0%**	**(2.6%)**

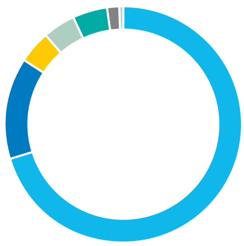
The following table sets out certain information on total expenses by geography for the year under review.

£'000	31 March 2016	% of total expenses	31 March 2015	% of total expenses	% change
UK and Other	(865 797)	67.2%	(897 121)	67.7%	(3.5%)
Southern Africa	(423 389)	32.8%	(427 119)	32.3%	(0.9%)
Total expenses	**(1 289 186)**	**100.0%**	**(1 324 240)**	**100.0%**	**(2.6%)**

The following table sets out certain information on total expenses by division for the year under review.

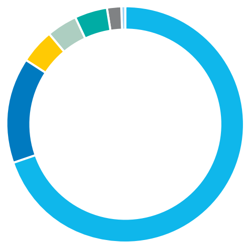
£'000	31 March 2016	% of total expenses	31 March 2015	% of total expenses	% change
Asset Management	(286 832)	22.2%	(287 084)	21.7%	(0.1%)
Wealth & Investment	(238 765)	18.5%	(234 436)	17.7%	1.8%
Specialist Banking	(717 784)	55.7%	(763 408)	57.6%	(6.0%)
Group costs	(45 805)	3.6%	(39 312)	3.0%	16.5%
Total expenses	**(1 289 186)**	**100.0%**	**(1 324 240)**	**100.0%**	**2.6%**

% OF TOTAL EXPENSES



31 March 2016
£1 289.2 million total expenses

70.8%	Staff costs
13.8%	Business expenses
4.6%	Premises expenses
4.5%	Equipment expenses
4.6%	Marketing expenses
1.6%	Depreciation
0.1%	Depreciation on operating leased assets



31 March 2015
£1 324.2 million total expenses

70.1%	Staff costs
14.6%	Business expenses
4.8%	Premises expenses
4.1%	Equipment expenses
4.4%	Marketing expenses
1.9%	Depreciation
0.1%	Depreciation on operating leased assets

OPERATING PROFIT BEFORE GOODWILL, ACQUIRED INTANGIBLES, NON-OPERATING ITEMS TAXATION AND AFTER OTHER NON-CONTROLLING INTERESTS

As a result of the foregoing factors, our operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests increased by 2.5% from £493.2 million to £505.6 million.

The following tables set out information on operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests by geography and by division for the year under review.

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	76 853	57 930	134 783	(9.5%)	26.7%
Wealth & Investment	63 127	22 608	85 735	8.8%	17.0%
Specialist Banking	78 043	252 837	330 880	8.6%	65.4%
	218 023	**333 375**	**551 398**	**3.6%**	**109.1%**
Group costs	(35 160)	(10 645)	(45 805)	16.5%	(9.1%)
Total group	**182 863**	**322 730**	**505 593**	**2.5%**	**100.0%**
Other non-controlling interest – equity			35 201		
Operating profit			**540 794**		
% change	**26.9%**	**(7.5%)**	**2.5%**		
% of total	**36.2%**	**63.8%**	**100.0%**		

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	75 491	73 484	148 975	30.2%
Wealth & Investment	56 871	21 910	78 781	16.0%
Specialist Banking	41 795	262 918	304 713	61.8%
	174 157	**358 312**	**532 469**	**108.0%**
Group costs	(30 048)	(9 264)	(39 312)	(8.0%)
Total group	**144 109**	**349 048**	**493 157**	**100.0%**
Other non-controlling interest – equity			11 701	
Operating profit			**504 858**	
% of total	**29.2%**	**70.8%**	**100.0%**	

Key income drivers in our core businesses

The information below reflects our key income drivers in our core businesses.

ASSET MANAGEMENT

Global business (in Pounds Sterling)	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Operating margin	32.0%	34.2%	34.7%	34.5%	35.7%	37.0%
Net inflows in funds under management as a % of opening funds under management	4.1%	4.6%	3.7%	6.7%	8.8%	16.0%
Average income yield earned on funds under management^	0.55%	0.60%	0.60%	0.62%	0.62%	0.66%

WEALTH & INVESTMENT

Global business (in Pounds Sterling)	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Operating margin	26.4%	25.2%	22.9%	20.3%	19.7%	25.9%
Net organic growth in funds under management as a % of opening funds under management	4.5%	6.6%	3.5%	2.0%	(5.3%)	6.2%
Average income yield earned on funds under management^	0.71%	0.72%	0.71%	0.66%	0.61%	0.55%
UK and Other^^ (in Pounds Sterling)						
Operating margin	24.6%	22.7%	20.1%	17.3%	16.3%	24.5%
Net organic growth in funds under management as a % of opening funds under management	4.5%	7.1%	5.1%	1.3%	(7.4%)	3.5%
Average income yield earned on funds under management^	0.87%	0.89%	0.89%	0.86%	0.80%	0.68%
South Africa (in Rands)						
Operating margin	33.1%	35.1%	33.9%	31.3%	28.5%	28.9%
Net organic growth in discretionary funds under management as a % of opening discretionary funds under management	10.4%	8.5%	13.6%	13.9%	8.7%	6.0%
Average income yield earned on funds under management^*	0.45%	0.41%	0.41%	0.37%	0.39%	0.41%

* *A large portion of the funds under management are non-discretionary funds.*

^ *The average income yield on funds under management represents the total operating income for the period as a percentage of the average of opening and closing funds under management. This calculation does not take into account the impact of market movements throughout the period on funds under management or the timing of acquisitions and disposals during the respective periods.*

^^ *'Other' comprises European Wealth Management, Investec Wealth & Investment Ireland (formerly NCB), which was acquired on 12 June 2012 and Investec Wealth & Investment Channel Islands.*

SPECIALIST BANKING – STATUTORY BASIS

Global business (in Pounds Sterling)	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Cost to income ratio	60.1%*	63.1%*	63.2%*	63.1%	62.4%	60.1%
ROE post-tax^	10.1%	8.6%	7.9%	6.4%	5.1%	8.2%
ROE post-tax (ongoing business)^	13.0%	12.8%	11.9%	–	–	–
Growth in net core loans	5.4%	0.2%^^	(6.8%)	1.0%	(2.8%)	4.8%
Growth in risk-weighted assets	2.2%	(4.9%)^^	(6.0%)	4.7%	1.5%	13.3%
Defaults (net of impairments as a % of core loans)	1.54%	2.07%	2.30%	2.73%	3.31%	4.66%
Credit loss ratio on core loans	0.62%	0.68%	0.68%	0.84%	1.12%	1.27%
UK and Other# (in Pounds Sterling)						
Cost to income ratio	73.4%*	78.9%*	72.5%*	69.0%	68.3%	64.1%
ROE post-tax^	5.5%	2.1%	3.6%	1.7%	(1.8%)	2.6%
ROE post-tax (ongoing business)**^	11.4%	9.6%	10.9%	–	–	–
Growth in net core loans	10.5%	(14.1%)^^	(0.3%)	6.6%	0.3%	6.2%
Growth in risk-weighted assets	6.7%	(15.5%)^^	0.4%	7.7%	4.6%	9.6%
Defaults (net of impairments as a % of core loans)	2.19%	3.00%	3.21%	3.75%	4.10%	5.67%
Credit loss ratio on core loans	1.13%	1.16%	0.99%	1.16%	1.65%	2.05%
Southern Africa (in Rands)						
Cost to income ratio	46.8%*	47.2%*	51.0%*	55.5%	55.2%	54.7%
ROE post-tax^	15.1%*	15.2%*	12.5%*	10.0%	9.6%	10.7%
Growth in net core loans	19.7%	16.1%	10.6%	10.2%	6.6%	0.3%
Growth in risk-weighted assets	15.1%	8.3%	11.0%	16.5%	11.9%	13.8%
Defaults (net of impairments as a % of core loans)	1.05%	1.43%	1.46%	1.89%	2.73%	3.97%
Credit loss ratio on core loans	0.26%	0.28%	0.42%	0.61%	0.65%	0.71%

^ *Divisional ROEs are reported on a pre-tax basis. For the purpose of this calculation we have applied the group's effective tax rate to derive post-tax numbers. Capital as at 31 March 2016 was c.£1.1 billion in the UK and c.R27.4 billion in South Africa.*
^^ *Impacted by sale of assets.*
* *Excludes group costs.*
** *Further information is provided on pages 73 and 103.*
# *Includes UK, Europe, Australia and the legacy businesses.*

OVERVIEW OF THE YEAR

IMPAIRMENT OF GOODWILL

The current year's goodwill impairment relates to certain asset management businesses acquired in prior years.

Goodwill and intangible assets analysis – balance sheet information

£'000	31 March 2016	31 March 2015
UK and Other	**356 994**	**356 090**
Asset Management	88 045	88 045
Wealth & Investment	242 672	242 126
Specialist Banking	26 277	25 919
Southern Africa	**11 045**	**5 437**
Asset Management	1 149	3 320
Wealth & Investment	1 616	1 877
Specialist Banking	8 280	240
Total goodwill	**368 039**	**361 527**
Intangible assets	**148 280**	**147 227**
Total goodwill and intangible assets	**516 319**	**508 754**

AMORTISATION OF ACQUIRED INTANGIBLES

Amortisation of acquired intangibles of £16.2 million largely relates to the Wealth & Investment business and mainly comprises amortisation of amounts attributable to client relationships.

NET LOSS ON DISPOSAL OF SUBSIDIARIES

As part of the sale of Kensington (as discussed on page 26) a final net settlement amount was paid after the 31 March 2015 year end. As a result of this payment, a further loss before taxation of £4.8 million was recognised during the 2016 financial year.

TAXATION

The effective tax rate amounts to 19.1% (2015: 19.6%).

	Effective tax rates				
	2016	2015	31 March 2016 £'000	31 March 2015 £'000	% change
UK and Other	19.8%	22.3%	(35 335)	(28 362)	24.6%
Southern Africa	18.7%	18.7%	(67 867)	(70 661)	(4.0%)
Tax	**19.1%**	**19.6%**	**(103 202)**	**(99 023)**	**4.2%**

PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

Profit attributable to non-controlling interests mainly comprises:

- £16.5 million profit attributable to non-controlling interests in the Asset Management business
- £37.6 million profit attributable to non-controlling interests in the Investec Property Fund Limited
- A reduction of £2.5 million relating to Euro-denominated preferred securities issued by a subsidiary of Investec plc which were reflected on the balance sheet as part of non-controlling interests. The transaction was hedged and a forex transaction loss arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to non-controlling interests. These securities were redeemed on 24 June 2015.

EARNINGS ATTRIBUTABLE TO SHAREHOLDERS

As a result of the foregoing factors, earnings attributable to shareholders increased from £245.5 million to £368.5 million.

DIVIDENDS AND EARNINGS PER SHARE

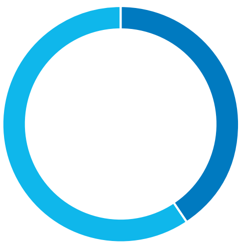
Information with respect to dividends and earnings per share is provided on pages 57 to 59 in volume three.

Statutory balance sheet analysis

Since 31 March 2015:

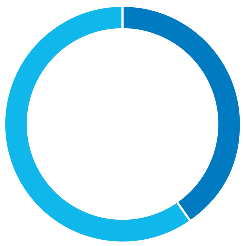
- Total shareholders' equity (including non-controlling interests) decreased by 4.5% to £3.9 billion largely due to the depreciation of the Rand against Pounds Sterling
- Net asset value per share decreased 3.4% to 352.3 pence and net tangible asset value per share (which excludes goodwill and intangible assets) decreased by 4.5% to 294.3 pence
- The return on adjusted average shareholders' equity increased from 10.6% to 11.5%.

ASSETS BY GEOGRAPHY



31 March 2016
£45 352 million total assets

- 40.8% UK and Other
- 59.2% Southern Africa



31 March 2015
£44 353 million total assets

- 40.5% UK and Other
- 59.5% Southern Africa

OVERVIEW OF THE YEAR

Statutory net tangible asset value per share

The group's net tangible asset value per share is reflected in the table below.

£'000	31 March 2016	31 March 2015
Shareholders' equity	3 360 287	3 500 837
Less: perpetual preference shares issued by holding companies	(300 258)	(326 693)
Less: goodwill and intangible assets (excluding software)	(503 996)	(494 111)
Net tangible asset value	**2 556 033**	**2 680 033**
Number of shares in issue (million)	908.8	899.4
Treasury shares (million)	(40.3)	(29.5)
Number of shares in issue in this calculation (million)	**868.5**	**869.9**
Net tangible asset value per share (pence)	**294.3**	**308.1**
Net asset value per share (pence)	**352.3**	**364.9**

Statutory return on risk-weighted assets

The group's return on risk-weighted assets is reflected in the table below.

	31 March 2016	31 March 2015	Average	31 March 2014	Average
Adjusted earnings attributable to ordinary shareholders before goodwill, acquired intangibles and non-operating items (£'000)	**359 732**	**339 523**		**326 923**	
Investec plc risk-weighted assets (£'million)	12 297	11 608	11 953	13 711	12 660
Investec Limited risk-weighted assets^ (£'million)	14 626	14 992	14 809	14 125	14 559
Total risk-weighted assets (£'million)	**26 923**	**26 600**	**26 762**	**27 836**	**27 219**
Return on average risk-weighted assets	**1.34%**	**1.25%**		**1.14%**	
^Investec Limited risk-weighted assets (R'million)	**309 052**	**269 466**	**289 259**	**248 040**	**258 753**

Capital management and allocation

We hold capital in excess of regulatory requirements targeting a minimum common equity tier 1 capital ratio of 10% and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited.

Further information is provided on pages 80 to 95 in volume two.

A SUMMARY OF CAPITAL ADEQUACY AND LEVERAGE RATIOS

As at 31 March 2016	Investec plc°*	IBP°*	Investec Limited*^	IBL*
Common equity tier 1 (as reported)	9.7%	12.2%	9.6%	10.6%
Common equity tier 1 (fully loaded)^^	9.7%	12.2%	9.6%	10.6%
Tier 1 (as reported)	10.7%	12.2%	10.7%	11.0%
Total capital adequacy ratio (as reported)	15.1%	17.2%	14.0%	14.6%
Leverage ratio** – permanent capital	7.0%	7.7%	7.4%#	7.5%#
Leverage ratio** – current	7.0%	7.7%	6.9%#	7.3%#
Leverage ratio** – 'fully loaded'^^	6.3%	7.7%	6.3%#	7.1%#

As at 31 March 2015	Investec plc°*	IBP°*	Investec Limited*	IBL*
Common equity tier 1 (as reported)	10.2%	12.2%	9.6%	11.0%
Common equity tier 1 (fully loaded)^^	10.2%	12.2%	9.5%	10.9%
Tier 1 (as reported)	11.9%	12.2%	11.3%	11.4%
Total capital adequacy ratio (as reported)	16.7%	17.6%	14.7%	15.4%
Leverage ratio** – permanent capital	8.1%	7.6%	8.5%#	8.5%#
Leverage ratio** – current	7.7%	7.6%	8.1%#	8.3%#
Leverage ratio** – 'fully loaded'^^	6.6%	7.6%	7.2%#	8.0%#

* *Where: IBP is Investec Bank plc consolidated and IBL is Investec Bank Limited. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL.*

° *The capital adequacy disclosures follow Investec's normal basis of presentation so as to show a consistent basis of calculation across the jurisdictions in which the group operates. For Investec plc and Investec Bank plc this does not include the deduction of foreseeable dividends when calculating common equity tier 1 as now required under the Capital Requirements Regulation and European Banking Authority technical standards. The impact of the final proposed ordinary and preference dividends totalling £46 million for Investec plc and £34 million for Investec Bank plc would be 40bps and 30bps lower, respectively. At 31 March 2015 the impact of the final proposed ordinary and preference dividends totalling £57 million for Investec plc and £15 million for IBP was 50bps and 10bps lower, respectively.*

^^ *Based on the group's understanding of current and draft regulations. 'Fully loaded' is based on Basel III capital requirements as fully phased in by 2022.*

** *The leverage ratios are calculated on an end-quarter basis.*

Based on revised BIS rules.

^ *Investec Limited's capital information includes unappropriated profits. If unappropriated profits are excluded from capital information, Investec Limited's common equity tier 1 ratio would be 16bps lower.*

Return on equity by country and business – statutory

£'000	31 March 2016	31 March 2015	Average	31 March 2014	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	3 060 029	3 174 144	3 117 087	3 241 406	3 207 775
Goodwill and intangible assets (excluding software)	(503 996)	(494 111)	(499 054)	(577 816)	(535 964)
Adjusted tangible shareholders' equity	**2 556 033**	**2 680 033**	**2 618 033**	**2 663 590**	**2 671 811**

£'000	31 March 2016	31 March 2015
Operating profit*	540 794	504 858
Non-controlling interests	(51 730)	(29 885)
Accrued preference dividends, adjusted for currency hedge	(26 130)	(36 427)
Revised operating profit	**462 934**	**438 546**
Taxation on operating profit before goodwill and acquired intangibles	(103 202)	(99 023)
Adjusted attributable earnings to ordinary shareholders*	**359 732**	**339 523**
Pre-tax return on average adjusted shareholders' equity	14.9%	13.7%
Post-tax return on average adjusted shareholders' equity	11.5%	10.6%
Pre-tax return on average adjusted tangible shareholders' equity	17.7%	16.4%
Post-tax return on average adjusted tangible shareholders' equity	13.7%	12.7%

* *Before goodwill, acquired intangibles and non-operating items.*

Return on equity on an ongoing basis is provided on page 80.

Return on equity by geography

£'000	UK and Other	Southern Africa	Total group	UK and Other ongoing**
Operating profit*	178 360	362 434	540 794	256 695
Taxation on operating profit before goodwill and acquired intangibles	(35 335)	(67 867)	(103 202)	(50 284)
Non-controlling interests	(5 760)	(45 970)	(51 730)	(5 760)
Accrued preference dividend adjusted for currency hedge	(5 663)	(20 467)	(26 130)	(5 663)
Adjusted attributable earnings to ordinary shareholders – 31 March 2016	**131 602**	**228 130**	**359 732**	**194 988**
Adjusted attributable earnings to ordinary shareholders – 31 March 2015	90 810	248 713	339 523	161 197
Ordinary shareholders' equity – 31 March 2016	**1 717 892**	**1 342 137**	**3 060 029**	**1 647 872**
Goodwill and intangible assets (excluding software)	(475 300)	(28 696)	(503 996)	(475 300)
Tangible ordinary shareholders' equity – 31 March 2016	**1 242 592**	**1 313 441**	**2 556 033**	**1 172 572**
Ordinary shareholders' equity – 31 March 2015	**1 764 017**	**1 410 127**	**3 174 144**	**1 675 247**
Goodwill and intangible assets (excluding software)	(488 674)	(5 437)	(494 111)	(488 674)
Tangible ordinary shareholders' equity – 31 March 2015	**1 275 343**	**1 404 690**	**2 680 033**	**1 186 573**
Ordinary shareholders' equity – 31 March 2014	**1 942 284**	**1 299 122**	**3 241 406**	**1 562 284**
Goodwill and intangible assets (excluding software)	(571 257)	(6 559)	(577 816)	(571 257)
Tangible ordinary shareholders' equity – 31 March 2014	**1 371 027**	**1 292 563**	**2 663 590**	**991 027**
Average ordinary shareholders' equity – 31 March 2016	**1 740 955**	**1 376 132**	**3 117 087**	**1 661 559**
Average ordinary shareholders' equity – 31 March 2015	1 853 151	1 354 624	3 207 775	1 618 766
Average tangible shareholders' equity – 31 March 2016	**1 258 967**	**1 359 066**	**2 618 033**	**1 179 572**
Average tangible shareholders' equity – 31 March 2015	**1 323 184**	**1 348 627**	**2 671 811**	**1 088 799**
Post-tax return on average ordinary shareholders' equity – 31 March 2016	**7.6%**	**16.6%**	**11.5%**	**11.7%**
Post-tax return on average ordinary shareholders' equity – 31 March 2015	**4.9%**	**18.4%**	**10.6%**	**10.0%**
Post-tax return on average tangible shareholders' equity – 31 March 2016	**10.5%**	**16.8%**	**13.7%**	**16.5%**
Post-tax return on adjusted tangible shareholders' equity – 31 March 2015	**6.9%**	**18.4%**	**12.7%**	**14.8%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2016	**9.6%**	**21.5%**	**14.9%**	**14.8%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2015	**6.4%**	**23.6%**	**13.7%**	**12.8%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2016	**13.3%**	**21.8%**	**17.7%**	**20.8%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2015	**9.0%**	**23.7%**	**16.4%**	**19.0%**

* *Before goodwill, acquired intangibles and non-operating items.*
** *Excluding the remaining UK legacy business as shown on page 83.*

Return on equity by business*

£'000	Asset Management	Wealth & Investment^	Specialist Banking	Specialist Banking ongoing**
Operating profit#	**134 783**	**85 735**	**330 880**	**409 215**
Notional return on regulatory capital	3 202	1 587	(4 789)	(4 789)
Notional cost of statutory capital	(4 887)	(9 139)	14 026	14 026
Cost of subordinated debt	(1 262)	(822)	2 084	2 084
Cost of preference shares	(499)	(237)	(25 394)	(25 394)
Adjusted earnings – 31 March 2016	**131 337**	**77 124**	**316 807**	**395 142**
Adjusted earnings – 31 March 2015	**146 504**	**69 872**	**279 667**	**367 213**
Ordinary shareholders' equity – 31 March 2016	**171 629**	**246 302**	**2 483 048**	**2 413 028**
Goodwill and intangible assets (excluding software)	(89 194)	(203 534)	(52 220)	(52 220)
Tangible ordinary shareholders' equity – 31 March 2016	**82 435**	**42 768**	**2 430 828**	**2 360 808**
Ordinary shareholders' equity – 31 March 2015	**160 648**	**255 318**	**2 599 130**	**2 510 360**
Goodwill and intangible assets (excluding software)	(91 365)	(216 017)	(27 679)	(27 679)
Tangible ordinary shareholders' equity – 31 March 2015	**69 283**	**39 301**	**2 571 451**	**2 482 681**
Ordinary shareholders' equity – 31 March 2014	**147 123**	**292 650**	**2 642 583**	**2 098 875**
Goodwill and intangible assets (excluding software)	(92 391)	(229 279)	(97 096)	(97 096)
Tangible ordinary shareholders' equity – 31 March 2014	**54 732**	**63 371**	**2 545 487**	**2 001 779**
Average ordinary shareholders' equity – 31 March 2016	**166 139**	**250 810**	**2 541 088**	**2 461 693**
Average ordinary shareholders' equity – 31 March 2015	153 886	273 984	2 620 856	2 304 617
Average tangible shareholders' equity – 31 March 2016	**75 859**	**41 035**	**2 501 139**	**2 421 744**
Average tangible shareholders' equity – 31 March 2015	62 008	51 336	2 558 469	2 242 229
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2016	**79.1%**	**30.7%**	**12.5%**	**16.1%**
Pre-tax return on adjusted average ordinary shareholders' equity – 31 March 2015	95.2%	25.5%	10.7%	15.9%
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2016	**173.1%**	**187.9%**	**12.7%**	**16.3%**
Pre-tax return on average tangible ordinary shareholders' equity – 31 March 2015	236.3%	136.1%	10.9%	16.4%

* *The return on equity by business is based on the level of internal capital required by each business, inclusive of an allocation of any surplus capital held by the group. The operating profit is adjusted to reflect a capital structure that includes common equity, additional tier 1 capital instruments and subordinated debt.*

^ *Wealth & Investment is consistent with the group computation, except for an adjustment of £159.1 million between ordinary shareholders' funds and goodwill, which represents historical accounting gains with a corresponding effective increase in goodwill and intangible assets. These gains were excluded from group adjusted earnings.*

** *Excluding the remaining UK legacy business as shown on page 83.*

\# *Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.*

Number of employees

By division – permanent employees	31 March 2016	31 March 2015
Asset Management		
UK and Other	473	457
Southern Africa*	992	977
Total	**1 465**	**1 434**
Wealth & Investment		
UK and Other	1 218	1 164
Southern Africa	314	297
Total	**1 532**	**1 461**
Specialist Banking		
UK and Other	2 010	1 939
Southern Africa	3 414	2 925
Total	**5 424**	**4 864**
Total number of permanent employees	**8 421**	**7 759**

* *Includes Silica employees, its third party administration business.*

By geography	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
UK and Other	3 701	3 560	3 671	3 827	3 625	3 036
Southern Africa	4 720	4 199	3 986	3 748	3 661	3 680
Temporary employees and contractors	545	495	601	576	495	521
Total number of employees	**8 966**	**8 254**	**8 258**	**8 151**	**7 781**	**7 237**

OVERVIEW OF THE YEAR

Statutory operating profit (before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests) per employee

By division	Asset Management	Wealth & Investment	Specialist Banking	Total group
Number of employees – 31 March 2016	**1 543**	**1 597**	**5 826**	**8 966**
Number of employees – 31 March 2015	1 508	1 533	5 213	8 254
Number of employees – 31 March 2014	1 468	1 383	5 407	8 258
Average employees – year to 31 March 2016	**1 525**	**1 565**	**5 520**	**8 610**
Average employees – year to 31 March 2015	1 488	1 458	5 310	8 256
Operating profit* – year to 31 March 2016 (£'000)	**134 783**	**85 735**	**330 880**	**551 398**
Operating profit* – year to 31 March 2015 (£'000)	148 975	78 781	304 713	532 469
Operating profit per employee^ – 31 March 2016 (£'000)	**88.4^^**	**54.8**	**59.9**	**58.7**
Operating profit per employee^ – 31 March 2015 (£'000)	100.1^^	54.0	57.4	59.7

By geography	UK and Other	Southern Africa	Total group
Number of employees – 31 March 2016	**3 869**	**5 097**	**8 966**
Number of employees – 31 March 2015	3 729	4 525	8 254
Number of employees – 31 March 2014	3 854	4 404	8 258
Average employees – year to 31 March 2016	**3 799**	**4 811**	**8 610**
Average employees – year to 31 March 2015	3 791	4 465	8 256
Operating profit – year to 31 March 2016 (£'000)	**182 863**	**322 730**	**505 593**
Operating profit – year to 31 March 2015 (£'000)	144 109	349 048	493 157
Operating profit per employee^ – 31 March 2016 (£'000)	**48.1**	**67.1**	**58.7**
Operating profit per employee^ – 31 March 2015 (£'000)	38.0	78.2	59.7

* *Operating profit excludes group costs.*
^ *Based on average number of employees over the year.*
^^ *For Investec Asset Management, operating profit per employee includes Silica, its third party administration business.*

Total third party assets under management

£'million	31 March 2016	31 March 2015
Asset Management	**75 679**	**77 510**
UK and Other	51 076	50 622
Southern Africa	24 603	26 888
Wealth & Investment	**45 459**	**46 076**
UK and Other	29 769	29 562
Southern Africa	15 690	16 514
Property activities	**436**	**412**
Southern Africa	210	244
Australia	226	168
UK and other funds	**109**	**108**
	121 683	**124 106**

A FURTHER ANALYSIS OF THIRD PARTY ASSETS UNDER MANAGEMENT

At 31 March 2016 £'million	UK and Other	Southern Africa	Total
Asset Management	**51 076**	**24 603**	**75 679**
Mutual funds	18 289	11 388	29 677
Segregated mandates	32 787	13 215	46 002
Wealth & Investment	**29 769**	**15 690**	**45 459**
Discretionary	21 747	4 945	26 692
Non-discretionary	8 022	10 745	18 767
Property activities	**226**	**210**	**436**
UK and other funds	**109**	**–**	**109**
	81 180	**40 503**	**121 683**

At 31 March 2015 £'million	UK and Other	Southern Africa	Total
Asset Management	**50 622**	**26 888**	**77 510**
Mutual funds	19 398	11 179	30 577
Segregated mandates	31 224	15 709	46 933
Wealth & Investment	**29 562**	**16 514**	**46 076**
Discretionary	21 602	4 974	26 576
Non-discretionary	7 960	11 540	19 500
Property activities	**168**	**244**	**412**
UK and other funds	**108**	**–**	**108**
	80 460	**43 646**	**124 106**

OVERVIEW OF THE YEAR

Ongoing information

The tables that follow provide information on our ongoing results.

	Results in Pounds Sterling			Results in Rand		
	Year to 31 March 2016	Year to 31 March 2015	% change	Year to 31 March 2016	Year to 31 March 2015	% change
Operating profit before taxation* (million)	£583.9	£580.7	0.6%	R12 114	R10 374	16.8%
Adjusted earnings attributable to shareholders** (million)	£423.1	£409.9	3.2%	R8 773	R7 325	19.8%
Adjusted earnings per share**	48.6p	47.5p	2.3%	1 008c	849c	18.7%

* Before goodwill, acquired intangibles, non-operating items and after other non-controlling interests.
** Before goodwill, acquired intangibles, non-operating items and after non-controlling interests.

CONSOLIDATED SUMMARISED ONGOING INCOME STATEMENT

For the year to £'000	31 March 2016	31 March 2015	Variance	% change
Net interest income	571 929	539 041	32 888	6.1%
Net fee and commission income	1 058 340	1 090 435	(32 095)	(2.9%)
Investment income	169 915	151 848	18 067	11.9%
Trading income arising from				
– customer flow	110 879	106 588	4 291	4.0%
– balance sheet management and other trading activities	11 617	(13 041)	24 658	> 100.0%
Other operating income	12 090	12 188	(98)	(0.8%)
Total operating income before impairment losses on loans and advances	**1 934 770**	**1 887 059**	**47 711**	**2.5%**
Impairment losses on loans and advances	(41 368)	(39 352)	(2 016)	5.1%
Operating income	**1 893 402**	**1 847 707**	**45 695**	**2.5%**
Operating costs	(1 272 108)	(1 254 009)	(18 099)	1.4%
Depreciation on operating leased assets	(2 165)	(1 294)	(871)	67.3%
Operating profit before goodwill, acquired intangibles and non-operating items	**619 129**	**592 404**	**26 725**	**4.5%**
Profit attributable to Asset Management non-controlling interests	(16 529)	(18 184)	1 655	(9.1%)
Profit attributable to other non-controlling interests	(35 201)	(11 701)	(23 500)	> 100.0%
Operating profit before taxation	**567 399**	**562 519**	**4 880**	**0.9%**
Taxation on operating profit before goodwill and acquired intangibles	(118 151)	(116 182)	(1 969)	1.7%
Preference dividends accrued	(26 130)	(36 427)	10 297	(28.3%)
Adjusted attributable earnings to ordinary shareholders	**423 118**	**409 910**	**13 208**	**3.2%**
Adjusted earnings per share (pence)	48.6	47.5		2.3%
Cost to income ratio	65.8%	66.5%		
Number of weighted average shares (million)	870.5	862.7		

OVERVIEW OF THE YEAR

RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT

For the year to 31 March 2016 £'000	Statutory as disclosed^	Removal of:** UK legacy business excluding sale assets	Removal of:** Sale assets UK	Removal of:** Sale assets Australia	Ongoing business
Net interest income	573 769	1 840	–	–	571 929
Net fee and commission income	1 061 625	3 285	–	–	1 058 340
Investment income	170 408	493	–	–	169 915
Trading income arising from					
– customer flow	110 227	(652)	–	–	110 879
– balance sheet management and other trading activities	11 377	(240)	–	–	11 617
Other operating income	12 090	–	–	–	12 090
Total operating income before impairment losses on loans and advances	**1 939 496**	**4 726**	**–**	**–**	**1 934 770**
Impairment losses on loans and advances	(109 516)	(68 148)			(41 368)
Operating income	**1 829 980**	**(63 422)**	**–**	**–**	**1 893 402**
Operating costs	(1 287 021)	(14 913)	–	–	(1 272 108)
Depreciation on operating leased assets	(2 165)	–	–	–	(2 165)
Operating profit before goodwill, acquired intangibles and non-operating items	**540 794**	**(78 335)**	**–**	**–**	**619 129**
Profit attributable to Asset Management non-controlling interests	(16 529)	–	–	–	(16 529)
Profit attributable to other non-controlling interests	(35 201)	–	–	–	(35 201)
Operating profit before taxation	**489 064**	**(78 335)**	**–**	**–**	**567 399**
Taxation on operating profit before goodwill and acquired intangibles*	(103 202)	14 949	–	–	(118 151)
Preference dividends accrued	(26 130)	–	–	–	(26 130)
Adjusted attributable earnings to ordinary shareholders	**359 732**	**(63 386)**	**–**	**–**	**423 118**
Adjusted earnings per share (pence)	41.3				48.6
Cost to income ratio	66.4%				65.8%
Number of weighted average shares (million)	870.5				870.5

* *Applying the group's effective statutory taxation rate of 19.1%.*
^ *Refer to page 22 in volume three.*
**
- *The results of the businesses sold, i.e. Investec Bank (Australia) Limited, the UK Kensington business and the Start (Irish) mortgage business.*
- *The remaining legacy business in the UK.*

RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT

		Removal of:**			
For the year to 31 March 2015 £'000	**Statutory as disclosed^**	**UK legacy business excluding sale assets**	**Sale assets UK**	**Sale assets Australia**	**Ongoing business**
Net interest income	634 977	12 526	71 143	12 267	539 041
Net fee and commission income	1 089 043	756	(4 876)	2 728	1 090 435
Investment income	128 334	(16 204)	(5 443)	(1 867)	151 848
Trading income arising from					
– customer flow	106 313	350	(415)	(210)	106 588
– balance sheet management and other trading activities	(13 424)	19	(248)	(154)	(13 041)
Other operating income	12 236	–	–	48	12 188
Total operating income before impairment losses on loans and advances	**1 957 479**	**(2 553)**	**60 161**	**12 812**	**1 887 059**
Impairment losses on loans and advances	(128 381)	(83 468)	(4 085)	(1 476)	(39 352)
Operating income	**1 829 098**	**(86 021)**	**56 076**	**11 336**	**1 847 707**
Operating costs	(1 322 705)	(21 648)	(34 245)	(12 803)	(1 254 009)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill, acquired intangibles and non-operating items	**504 858**	**(107 669)**	**21 590**	**(1 467)**	**592 404**
Profit attributable to Asset Management non-controlling interests	(18 184)	–	–	–	(18 184)
Profit attributable to other non-controlling interests	(11 701)	–	–	–	(11 701)
Operating profit before taxation	**474 973**	**(107 669)**	**21 590**	**(1 467)**	**562 519**
Taxation on operating profit before goodwill and acquired intangibles*	(99 023)	21 103	(4 232)	288	(116 182)
Preference dividends accrued	(36 427)	–	–	–	(36 427)
Adjusted attributable earnings to ordinary shareholders	**339 523**	**(86 566)**	**17 358**	**(1 179)**	**409 910**
Adjusted earnings per share (pence)	39.4				47.5
Cost to income ratio	67.6%				66.5%
Number of weighted average shares (million)	862.7				862.7

* *Applying the group's effective taxation rate of 19.6%.*

^ *Refer to page 22 in volume three.*

**
- *The results of the businesses sold, i.e. Investec Bank (Australia) Limited, the UK Kensington business and the Start (Irish) mortgage business.*
- *The remaining legacy business in the UK.*

RECONCILIATION FROM STATUTORY SUMMARISED INCOME STATEMENT TO ONGOING SUMMARISED INCOME STATEMENT FOR THE UK AND OTHER SPECIALIST BANKING BUSINESS

For the year to 31 March 2016 £'000	UK and Other Specialist Banking statutory as disclosed^	Removal of:** UK legacy business excluding sale assets	Sale assets UK	Sales assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	256 591	1 840	–	–	254 751
Net fee and commission income	189 513	3 285	–	–	186 228
Investment income	56 303	493	–	–	55 810
Trading income arising from					
– customer flow	92 348	(652)	–	–	93 000
– balance sheet management and other trading activities	(9 875)	(240)	–	–	(9 635)
Other operating income	10 797	–	–	–	10 797
Total operating income before impairment losses on loans and advances	**595 677**	**4 726**	**–**	**–**	**590 951**
Impairment losses on loans and advances	(84 217)	(68 148)	–	–	(16 069)
Operating income	**511 460**	**(63 422)**	**–**	**–**	**574 882**
Operating costs	(435 771)	(14 913)	–	–	(420 858)
Depreciation on operating leased assets	(2 149)	–	–	–	(2 149)
Operating profit before goodwill, acquired intangibles and non-operating items	**73 540**	**(78 335)**	**–**	**–**	**151 875**
Profit attributable to other non-controlling interests	4 503	–	–	–	4 503
Operating profit before taxation	**78 043**	**(78 335)**	**–**	**–**	**156 378**

For the year to 31 March 2015 £'000	UK and Other Specialist Banking statutory as disclosed^	Removal of:** UK legacy business excluding sale assets	Sale assets UK	Sales assets Australia	UK and Other Specialist Banking ongoing business
Net interest income	320 973	12 526	71 143	12 267	225 037
Net fee and commission income	225 325	756	(4 876)	2 728	226 717
Investment income	(5 696)	(16 204)	(5 443)	(1 867)	17 818
Trading income arising from					
– customer flow	87 364	350	(415)	(210)	87 639
– balance sheet management and other trading activities	(30 043)	19	(248)	(154)	(29 660)
Other operating income	9 227	–	–	48	9 179
Total operating income before impairment losses on loans and advances	**607 150**	**(2 553)**	**60 161**	**12 812**	**536 730**
Impairment losses on loans and advances	(102 707)	(83 468)	(4 085)	(1 476)	(13 678)
Operating income	**504 443**	**(86 021)**	**56 076**	**11 336**	**523 052**
Operating costs	(477 969)	(21 648)	(34 245)	(12 803)	(409 273)
Depreciation on operating leased assets	(1 535)	–	(241)	–	(1 294)
Operating profit before goodwill, acquired intangibles and non-operating items	**24 939**	**(107 669)**	**21 590**	**(1 467)**	**112 485**
Profit attributable to other non-controlling interests	16 856	–	–	–	16 856
Operating profit before taxation	**41 795**	**(107 669)**	**21 590**	**(1 467)**	**129 341**

^ *Refer to pages 45 and 47 in volume three.*

** • *The results of the businesses sold, i.e. Investec Bank (Australia) Limited, the UK Kensington business and the Start (Irish) mortgage business.*
• *The remaining legacy business in the UK.*

SEGMENTAL GEOGRAPHICAL AND BUSINESS ANALYSIS OF OPERATING PROFIT BEFORE GOODWILL, ACQUIRED INTANGIBLES, NON-OPERATING ITEMS, TAXATION AND AFTER OTHER NON-CONTROLLING INTERESTS – ONGOING BUSINESS

For the year to 31 March 2016 £'000	UK and Other	Southern Africa	Total group	% change	% of total
Asset Management	76 853	57 930	134 783	(9.5%)	23.1%
Wealth & Investment	63 127	22 608	85 735	8.8%	14.7%
Specialist Banking	156 378	252 837	409 215	4.3%	70.1%
	296 358	**333 375**	**629 733**	**1.6%**	**107.9%**
Group costs	(35 160)	(10 645)	(45 805)	16.5%	(7.9%)
Total group	**261 198**	**322 730**	**583 928**	**0.6%**	**100.0%**
Other non-controlling interest – equity			35 201		
Operating profit			**619 129**		
% change	**12.8%**	**(7.5%)**	**0.6%**		
% of total	**44.7%**	**55.3%**	**100.0%**		

For the year to 31 March 2015 £'000	UK and Other	Southern Africa	Total group	% of total
Asset Management	75 491	73 484	148 975	25.7%
Wealth & Investment	56 871	21 910	78 781	13.6%
Specialist Banking	129 341	262 918	392 259	67.5%
	261 703	**358 312**	**620 015**	**106.8%**
Group costs	(30 048)	(9 264)	(39 312)	(6.8%)
Total group	**231 655**	**349 048**	**580 703**	**100.0%**
Other non-controlling interest – equity			11 701	
Operating profit			**592 404**	
% of total	**39.9%**	**60.1%**	**100.0%**	

A RECONCILIATION OF THE UK AND OTHER SPECIALIST BANKING'S OPERATING PROFIT: ONGOING VS STATUTORY BASIS

£'000	31 March 2016	31 March 2015	% change
Total ongoing UK and Other Specialist Banking per above	**156 378**	**129 341**	**20.9%**
UK legacy remaining	(78 335)	(107 669)	27.2%
UK sale assets	–	21 590	(> 100.0%)
Australian sale assets	–	(1 467)	> 100.0%
Total UK and Other Specialist Banking per statutory accounts	**78 043**	**41 795**	**86.7%**

ONGOING SEGMENTAL GEOGRAPHIC ANALYSIS – SUMMARISED INCOME STATEMENT

For the year to £'000	31 March 2016 UK and Other	31 March 2016 Southern Africa	31 March 2016 Total	31 March 2015 UK and Other	31 March 2015 Southern Africa	31 March 2015 Total
Net interest income	259 105	312 824	571 929	231 546	307 495	539 041
Net fee and commission income	706 473	351 867	1 058 340	732 489	357 946	1 090 435
Investment income	61 627	108 288	169 915	21 304	130 544	151 848
Trading income arising from						
– customer flow	93 333	17 546	110 879	88 534	18 054	106 588
– balance sheet management and other trading activities	(7 743)	19 360	11 617	(27 803)	14 762	(13 041)
Other operating income	10 853	1 237	12 090	10 591	1 597	12 188
Total operating income before impairment losses on loans and advances	**1 123 648**	**811 122**	**1 934 770**	**1 056 661**	**830 398**	**1 887 059**
Impairment losses on loans and advances	(16 069)	(25 299)	(41 368)	(13 678)	(25 674)	(39 352)
Operating income	**1 107 579**	**785 823**	**1 893 402**	**1 042 983**	**804 724**	**1 847 707**
Operating costs	(848 735)	(423 373)	(1 272 108)	(826 890)	(427 119)	(1 254 009)
Depreciation on operating leased assets	(2 149)	(16)	(2 165)	(1 294)	–	(1 294)
Operating profit before goodwill, acquired intangibles and non-operating items	**256 695**	**362 434**	**619 129**	**214 799**	**377 605**	**592 404**
Profit attributable to other non-controlling interests	4 503	(39 704)	(35 201)	16 856	(28 557)	(11 701)
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**261 198**	**322 730**	**583 928**	**231 655**	**349 048**	**580 703**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)	(10 053)	(8 131)	(18 184)
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**250 935**	**316 464**	**567 399**	**221 602**	**340 917**	**562 519**
Cost to income ratio	75.7%	52.2%	65.8%	78.4%	51.4%	66.5%

ONGOING SEGMENTAL BUSINESS AND GEOGRAPHIC ANALYSIS – SUMMARISED INCOME STATEMENT

	Asset Management			Wealth & Investment		
For the year to 31 March 2016 £'000	**UK and Other**	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**
Net interest income	290	3 614	3 904	4 064	3 266	7 330
Net fee and commission income	275 252	140 276	415 528	244 993	64 087	309 080
Investment income	–	44	44	5 817	255	6 072
Trading income arising from						
– customer flow	–	–	–	333	(17)	316
– balance sheet management and other trading activities	1 656	12	1 668	236	273	509
Other operating income	(1 135)	1 606	471	1 191	2	1 193
Total operating income before impairment losses on loans and advances	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**276 063**	**145 552**	**421 615**	**256 634**	**67 866**	**324 500**
Operating costs	(199 210)	(87 622)	(286 832)	(193 507)	(45 258)	(238 765)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and non-operating items	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**76 853**	**57 930**	**134 783**	**63 127**	**22 608**	**85 735**
Profit attributable to Asset Management non-controlling interests	(10 263)	(6 266)	(16 529)	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**66 590**	**51 664**	**118 254**	**63 127**	**22 608**	**85 735**
Cost to income ratio	72.2%	60.2%	68.0%	75.4%	66.7%	73.6%

Specialist Banking			Group costs			
UK and Other	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**	**Total group**
254 751	305 944	560 695	–	–	–	571 929
186 228	147 504	333 732	–	–	–	1 058 340
55 810	107 989	163 799	–	–	–	169 915
93 000	17 563	110 563	–	–	–	110 879
(9 635)	19 075	9 440	–	–	–	11 617
10 797	(371)	10 426	–	–	–	12 090
590 951	**597 704**	**1 188 655**	**–**	**–**	**–**	**1 934 770**
(16 069)	(25 299)	(41 368)	–	–	–	(41 368)
574 882	**572 405**	**1 147 287**	**–**	**–**	**–**	**1 893 402**
(420 858)	(279 848)	(700 706)	(35 160)	(10 645)	(45 805)	(1 272 108)
(2 149)	(16)	(2 165)	–	–	–	(2 165)
151 875	**292 541**	**444 416**	**(35 160)**	**(10 645)**	**(45 805)**	**619 129**
4 503	(39 704)	(35 201)	–	–	–	(35 201)
156 378	**252 837**	**409 215**	**(35 160)**	**(10 645)**	**(45 805)**	**583 928**
–	–	–	–	–	–	(16 529)
156 378	**252 837**	**409 215**	**(35 160)**	**(10 645)**	**(45 805)**	**567 399**
71.5%	46.8%	59.1%	n/a	n/a	n/a	65.8%

ONGOING SEGMENTAL BUSINESS AND GEOGRAPHIC ANALYSIS – SUMMARISED INCOME STATEMENT

	Asset Management			Wealth & Investment		
For the year to 31 March 2015 £'000	**UK and Other**	**Southern Africa**	**Total**	**UK and Other**	**Southern Africa**	**Total**
Net interest income	300	4 007	4 307	6 209	347	6 556
Net fee and commission income	267 111	161 444	428 555	238 661	61 002	299 663
Investment income	–	22	22	3 486	637	4 123
Trading income arising from						
– customer flow	–	–	–	895	129	1 024
– balance sheet management and other trading activities	1 501	(16)	1 485	356	218	574
Other operating income	136	1 554	1 690	1 276	1	1 277
Total operating income before impairment losses on loans and advances	**269 048**	**167 011**	**436 059**	**250 883**	**62 334**	**313 217**
Impairment losses on loans and advances	–	–	–	–	–	–
Operating income	**269 048**	**167 011**	**436 059**	**250 883**	**62 334**	**313 217**
Operating costs	(193 557)	(93 527)	(287 084)	(194 012)	(40 424)	(234 436)
Depreciation on operating leased assets	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles and non-operating items	**75 491**	**73 484**	**148 975**	**56 871**	**21 910**	**78 781**
Profit attributable to other non-controlling interests	–	–	–	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after other non-controlling interests	**75 491**	**73 484**	**148 975**	**56 871**	**21 910**	**78 781**
Profit attributable to Asset Management non-controlling interests	(10 053)	(8 131)	(18 184)	–	–	–
Operating profit before goodwill, acquired intangibles, non-operating items and after non-controlling interests	**65 438**	**65 353**	**130 791**	**56 871**	**21 910**	**78 781**
Cost to income ratio	71.9%	56.0%	65.8%	77.3%	64.9%	74.8%

Specialist Banking			Group costs			
UK and Other	Southern Africa	Total	UK and Other	Southern Africa	Total	Total group
225 037	303 141	528 178	–	–	–	539 041
226 717	135 500	362 217	–	–	–	1 090 435
17 818	129 885	147 703	–	–	–	151 848
87 639	17 925	105 564	–	–	–	106 588
(29 660)	14 560	(15 100)	–	–	–	(13 041)
9 179	42	9 221	–	–	–	12 188
536 730	**601 053**	**1 137 783**	**–**	**–**	**–**	**1 887 059**
(13 678)	(25 674)	(39 352)	–	–	–	(39 352)
523 052	**575 379**	**1 098 431**	**–**	**–**	**–**	**1 847 707**
(409 273)	(283 904)	(693 177)	(30 048)	(9 264)	(39 312)	(1 254 009)
(1 294)	–	(1 294)	–	–	–	(1 294)
112 485	**291 475**	**403 960**	**(30 048)**	**(9 264)**	**(39 312)**	**592 404**
16 856	(28 557)	(11 701)	–	–	–	(11 701)
129 341	**262 918**	**392 259**	**(30 048)**	**(9 264)**	**(39 312)**	**580 703**
–	–	–	–	–	–	(18 184)
129 341	**262 918**	**392 259**	**(30 048)**	**(9 264)**	**(39 312)**	**562 519**
76.4%	47.2%	60.9%	n/a	n/a	n/a	66.5%

RETURN ON EQUITY – ONGOING BASIS

£'000	31 March 2016	31 March 2015	Average	31 March 2014	Average
Calculation of average shareholders' equity					
Ordinary shareholders' equity	2 990 009	3 085 374	3 037 692	2 861 406	2 973 390
Goodwill and intangible assets (excluding software)	(503 996)	(494 111)	(499 054)	(577 816)	(535 964)
Adjusted tangible shareholders' equity	**2 486 013**	**2 591 263**	**2 538 638**	**2 283 590**	**2 437 426**

£'000	31 March 2016	31 March 2015
Operating profit*	619 129	592 404
Non-controlling interests	(51 730)	(29 885)
Accrued preference dividends, adjusted for currency hedge	(26 130)	(36 427)
Revised operating profit	**541 269**	**526 092**
Taxation on operating profit before goodwill and acquired intangibles	(118 151)	(116 182)
Adjusted attributable earnings to ordinary shareholders*	**423 118**	**409 910**
Pre-taxation return on average adjusted shareholders' equity	17.8%	17.7%
Post-taxation return on average adjusted shareholders' equity	13.9%	13.8%
Pre-taxation return on average adjusted tangible shareholders' equity	21.3%	21.6%
Post-taxation return on average adjusted tangible shareholders' equity	16.7%	16.8%

* *Before goodwill, acquired intangibles and non-operating items.*

AN ANALYSIS OF CORE LOANS AND ADVANCES TO CUSTOMERS AND ASSET QUALITY BY GEOGRAPHY – ONGOING BUSINESS

	UK and Other		Southern Africa		Total group	
£'000	31 March 2016	31 March 2015*	31 March 2016	31 March 2015*	31 March 2016	31 March 2015*
Gross core loans and advances to customers	**7 242 345**	**6 378 070**	**10 358 572**	**10 191 424**	**17 600 917**	**16 569 494**
Total impairments	**(21 838)**	**(12 391)**	**(43 359)**	**(63 631)**	**(65 197)**	**(76 022)**
Specific impairments	(20 838)	(11 391)	(32 240)	(54 086)	(53 078)	(65 477)
Portfolio impairments	(1 000)	(1 000)	(11 119)	(9 545)	(12 119)	(10 545)
Net core loans and advances to customers	**7 220 507**	**6 365 679**	**10 315 213**	**10 127 793**	**17 535 720**	**16 493 472**
Average gross core loans and advances to customers	6 810 208	5 872 862	10 274 998	9 598 894	17 085 206	15 471 756
Total income statement charge for impairments on core loans and advances	**(17 806)**	**(7 241)**	**(25 538)**	**(27 359)**	**(43 344)**	**(34 600)**
Gross default loans and advances to customers	49 795	38 843	152 135	208 247	201 930	247 090
Specific impairments	(20 838)	(11 391)	(32 240)	(54 086)	(53 078)	(65 477)
Portfolio impairments	(1 000)	(1 000)	(11 119)	(9 545)	(12 119)	(10 545)
Defaults net of impairments before collateral held	**27 957**	**26 452**	**108 776**	**144 616**	**136 733**	**171 068**
Collateral and other credit enhancements	34 777	28 736	175 051	207 561	209 828	236 297
Net default loans and advances to customers (limited to zero)	**–**	**–**	**–**	**–**	**–**	**–**
Ratios						
Total impairments as a % of gross core loans and advances to customers	0.30%	0.19%	0.42%	0.62%	0.37%	0.46%
Total impairments as a % of gross default loans	43.86%	31.90%	28.50%	30.56%	32.29%	30.77%
Gross defaults as a % of gross core loans and advances to customers	0.69%	0.61%	1.47%	2.04%	1.15%	1.49%
Defaults (net of impairments) as a % of net core loans and advances to customers	0.39%	0.42%	1.05%	1.43%	0.78%	1.04%
Net defaults as a % of net core loans and advances to customers	–	–	–	–	–	–
Credit loss ratio (i.e. income statement impairment charge on core loans as a % of average gross core loans and advances)	0.26%	0.12%	0.26%	0.28%	0.26%	0.22%

* *The 31 March 2015 disclosures have been adjusted to reflect the allocation of the portfolio impairment to the legacy portfolio in the UK.*

A RECONCILIATION OF CORE LOANS AND ADVANCES: STATUTORY BASIS AND ONGOING BASIS

		Removal of:**	
£'000	Statutory as disclosed^	UK Legacy business excluding sale assets	Ongoing business
31 March 2016			
Gross core loans and advances to customers	**18 305 365**	**704 448**	**17 600 917**
Total impairments	(186 550)	(121 353)	(65 197)
Specific impairments	(154 031)	(100 953)	(53 078)
Portfolio impairments	(32 519)	(20 400)	(12 119)
Net core loans and advances to customers	**18 118 815**	**583 095**	**17 535 720**
31 March 2015			
Gross core loans and advances to customers	**17 440 985**	**871 491**	**16 569 494**
Total impairments	(252 075)	(176 053)	(76 022)
Specific impairments	(208 348)	(142 871)	(65 477)
Portfolio impairments	(43 727)	(33 182)	(10 545)
Net core loans and advances to customers	**17 188 910**	**695 438**	**16 493 472**

^ *Refer to page 33 in volume two.*
** *The remaining legacy business in the UK.*

OVERVIEW OF THE YEAR

THE LEGACY BUSINESS IN THE UK SPECIALIST BANK COMPRISES:

- Assets put on the bank's books pre-2008 where market conditions post the financial crisis materially impacted the business model
- Assets written prior to 2008 with very low/negative margins
- Assets relating to business we are no longer undertaking.

LEGACY BUSINESS – OVERVIEW OF RESULTS

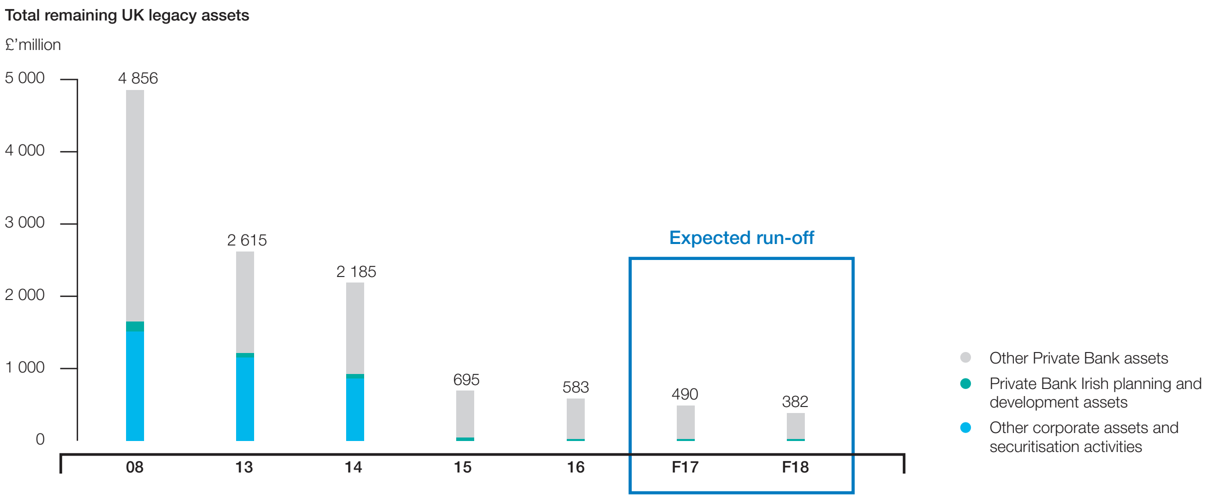
Since 31 March 2015 the group's legacy portfolio in the UK has continued to be actively managed down from £695 million to £583 million largely through redemptions and write-offs. The total legacy business over the year reported a loss before taxation of £78.3 million (2015: £107.7 million). The remaining legacy portfolio will continue to be managed down as the group sees opportunities to clear the portfolio. Management believes that the remaining legacy book will take a further two to four years to clear. Total net defaults in the legacy book amount to £143 million (31 March 2015: £185 million).

AN ANALYSIS OF ASSETS WITHIN THE LEGACY BUSINESS

£'million	31 March 2016 Total net assets (after impairments)	31 March 2016 Total balance sheet impairment	31 March 2015 Total net assets (after impairments)	31 March 2015 Total balance sheet impairment
Private Bank Irish planning and development assets	23	14	47	50
Other Private Bank assets	560	107	648	126
Total other legacy assets	**583**	**121**	**695**	**176**
Performing	440	–	510	–
Non-performing	143	121*	185	176*

* *Included in balance sheet impairments is a group portfolio impairment of £20.4 million (31 March 2015: £33.2 million). The 31 March 2015 disclosures have been adjusted to reflect the allocation of this portfolio impairment to the legacy portfolio.*

EXPECTED RUN-OFF OF LEGACY ASSETS



Two

Divisional review

Investec is a focused specialist bank and asset manager striving to be distinctive in all that it does

Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.

We seek to maintain an appropriate balance between revenue earned from operational risk businesses and revenue earned from financial risk businesses. This ensures that we are not over reliant on any one part of our business to sustain our activities and that we have a large recurring revenue base that enables us to navigate through varying cycles and to support our long-term growth objectives.

Our current strategic objectives include increasing the proportion of our non-lending revenue base which we largely intend to achieve through the continued strengthening and development of our wealth and asset management businesses.

ASSET MANAGEMENT

What we do

Equities
Fixed Income
Multi Asset
Alternative

Where we operate

Africa
Americas
Asia Pacific
Europe
UK

WEALTH & INVESTMENT

What we do

Portfolio management
Stockbroking
Alternative investments
Investment advisory services
Electronic trading services
Retirement and succession planning

Where we operate

Southern Africa
Hong Kong
UK and Europe

SPECIALIST BANKING

What we do

Private Banking activities
Corporate and Institutional Banking activities
Investment activities
Property activities
Group Services and Other activities

Where we operate

Australia
Hong Kong
India
Southern Africa
UK and Europe
USA

Integrated global management structure

GLOBAL EXECUTIVE

Chief executive officer	Stephen Koseff	**Executive director**	Hendrik du Toit
Managing director	Bernard Kantor	**Group risk and finance director**	Glynn Burger

Global Roles

GEOGRAPHICAL BUSINESS LEADERS	Specialist Banking	Asset Management	Wealth & Investment
South Africa Glynn Burger Richard Wainwright **United Kingdom** David van der Walt Steve Elliott	Ciaran Whelan David van der Walt	Hendrik du Toit	Steve Elliott

SUPPORT STRUCTURES

Human resources and organisational development
Marc Kahn

Corporate governance and compliance
Bradley Tapnack

Finance and risk management
Glynn Burger

Share schemes and secretarial
Les Penfold

DIVISIONAL REVIEW

At Investec ASSET MANAGEMENT, we want to assist people around the globe to retire with dignity or to meet their financial objectives by offering specialist, active investment expertise. Our clients include some of the world's largest private and public sector pension funds, insurers and corporates, and range from foundations and central banks to intermediaries serving individual investors. Our business is to manage our clients' investments to the highest standard possible by exceeding their investment and client service expectations

Global head: Hendrik du Toit

Established in South Africa in 1991, we have built a successful global investment management firm from emerging markets. We are still managed by our founding members whose tenure and continuity has balanced stability and growth.

Our investment team of over 180 investment professionals applies clear investment philosophies and processes across multiple asset classes. Our client group is organised across five geographically defined units serving our clients around the globe. These teams are supported by our global operations platform.

ANNUAL HIGHLIGHTS

Net inflows of £3.2bn (2015: £3.1bn)	Assets under management £75.7bn (2015: £77.5bn)
Operating profit before non-controlling interests decreased by 9.5% to £134.8 million, contributing 26.7% to group profit	Operating margin 32.0% (2015: 34.2%)

OUR value proposition

- Organically built an independent global platform from an emerging market base
- Independently managed entity within the Investec group
- Competitive investment performance in chosen specialities
- Global approach to:
  - Investing
  - Client base
  - Operations platform
- Institutional and advisor focus
- Unique and clearly understood culture
- Stable and experienced leadership.

WHAT we do

Global executive committee

Chief executive officer
Hendrik du Toit

Chief operating officer
Kim McFarland

Global head of client group
John Green

Co-chief investment officer
Domenico (Mimi) Ferrini

Co-chief investment officer
John McNab

Capabilities and organisational structure

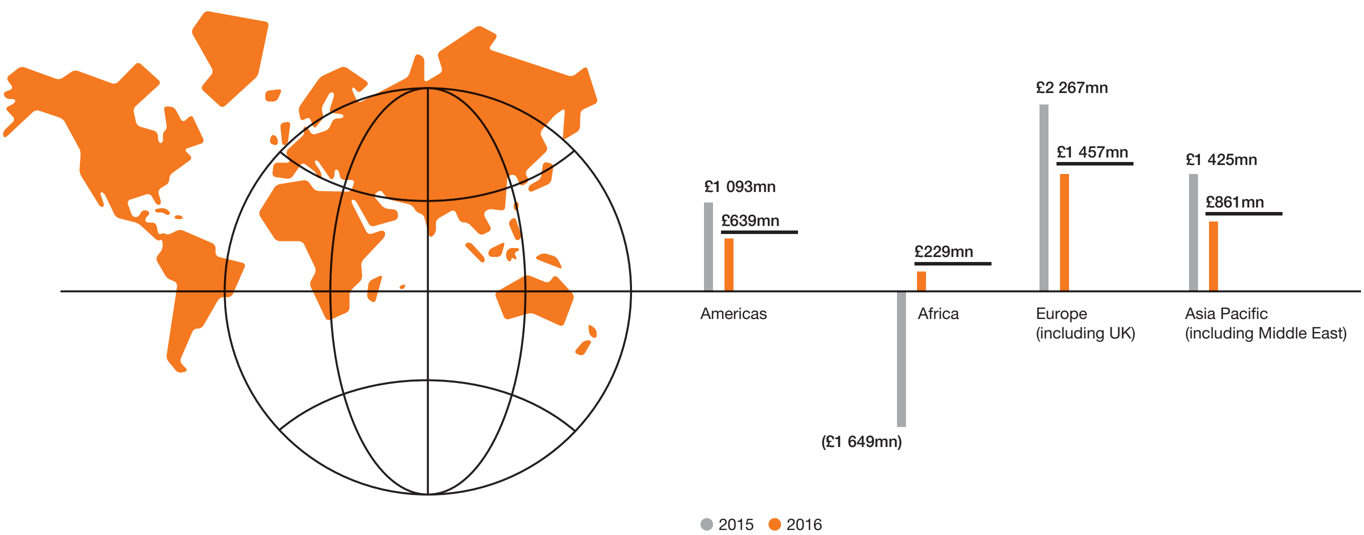
EQUITIES	FIXED INCOME	MULTI ASSET	ALTERNATIVES
– Global – Regional – Emerging – Frontier	– Developed – Emerging – Multi-strategy – Absolute return	– Global solutions – Emerging market solutions – Income solutions	– Commodities – Private equity – Private debt – Real estate – Infrastructure debt

Client groups

United Kingdom	Africa	Americas	Asia Pacific	Europe

Global operations platform

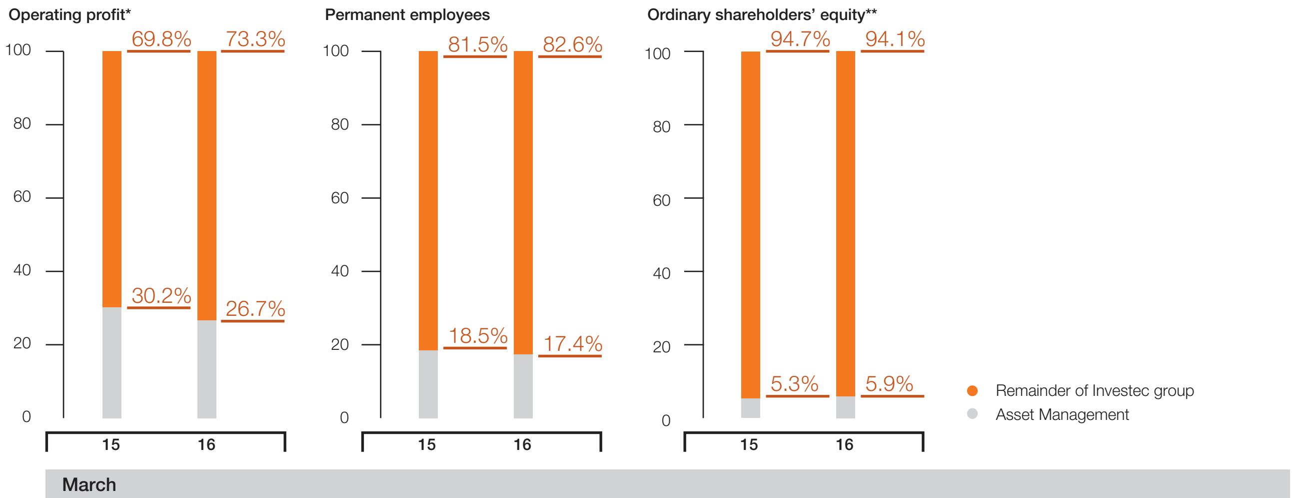
WHERE we operate



NET FLOWS BY GEOGRAPHY

Financial years to 31 March 2015 and 31 March 2016.

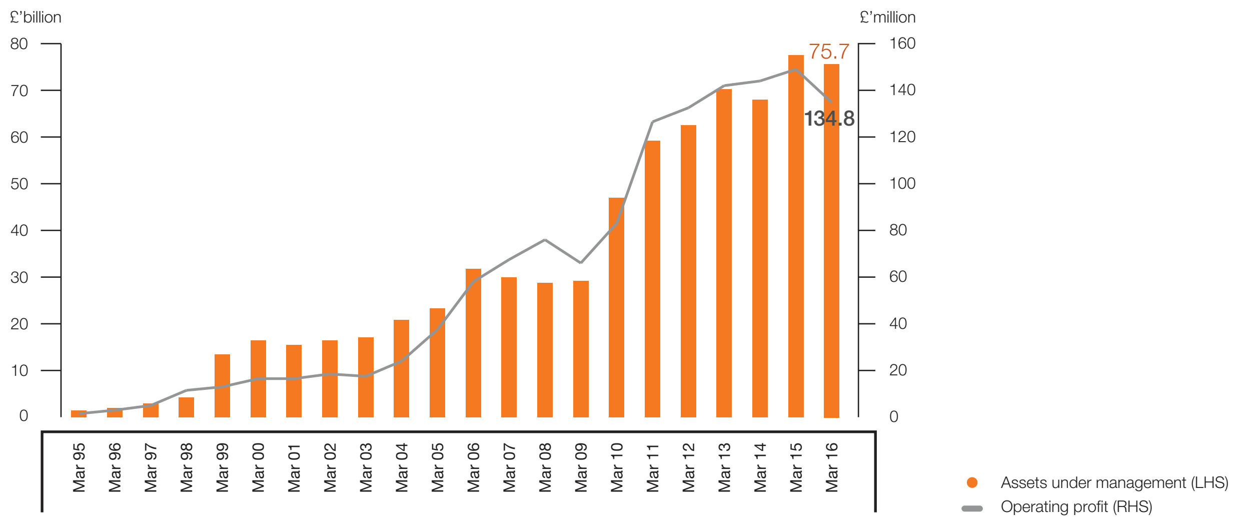
FINANCIAL ANALYSIS



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

** As calculated on page 66, based on regulatory capital requirements.

HISTORICAL FINANCIAL PERFORMANCE



Income statement analysis

£'000	31 March 2016	31 March 2015	Variance	% change
Net interest income	3 904	4 307	(403)	(9.4%)
Net fee and commission income	415 528	428 555	(13 027)	(3.0%)
Investment income	44	22	22	100.0%
Trading income arising from balance sheet management and other trading activities	1 668	1 485	183	12.3%
Other operating income	471	1 690	(1 219)	(72.1%)
Total operating income	**421 615**	**436 059**	**(14 444)**	**(3.3%)**
Operating costs	(286 832)	(287 084)	252	(0.1%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and before non-controlling interests	**134 783**	**148 975**	**(14 192)**	**(9.5%)**
Profit attributable to Asset Management non-controlling interests**	(16 529)	(18 184)	1 655	(9.1%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**118 254**	**130 791**	**(12 537)**	**(9.6%)**
UK and Other	66 590	65 438	1 152	1.8%
Southern Africa	51 664	65 353	(13 689)	(20.9%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after non-controlling interests	**118 254**	**130 791**	**(12 537)**	**(9.6%)**
Selected returns and key statistics				
Ordinary shareholders' equity*	171 629	160 648	10 981	6.8%
ROE (pre-tax)*	79.1%	95.2%		
Return on tangible equity (pre-tax)*	173.1%	236.3%		
Operating margin	32.0%	34.2%		
Operating profit per employee (£'000)*^	144.8	169.5	(24.7)	(14.6%)

* *As calculated on pages 66 and 68, based on regulatory capital requirements.*

** *Earnings after tax attributable to non-controlling interests includes the portion of earnings attributable to the 15% shareholding in the business by employees.*

^ *Operating profit per employee excludes Silica, our third party administration business.*

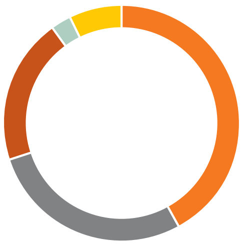
The variance in operating profit over the year can be explained as follows:

- Global market declines and volatility, emerging market currency weaknesses and, in particular, the Rand's depreciation impacted our net fee and commission income
- Performance fees decreased over the year (to £25.5 million) as compared with the prior year (£30.5 million)
- Against this backdrop, our operating profit before non-controlling interests declined by 9.5%
- However, we continue to invest for the long term and do not focus on short-term earnings.

Assets under management and net flows

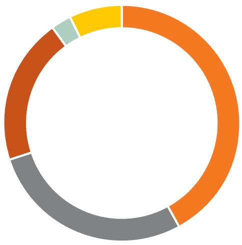
£'million	AUM 31 March 2016	Net inflows	AUM 31 March 2015
Equities	31 993	1 738	32 494
Fixed Income	21 485	1 196	21 950
Multi Asset	14 620	(98)	15 122
Alternatives	2 525	95	2 657
Third party funds on advisory platform	5 056	255	5 287
Total	**75 679**	**3 186**	**77 510**

ASSETS UNDER MANAGEMENT BY ASSET CLASS



31 March 2016

- 42% Equities
- 28% Fixed Income
- 20% Multi Asset
- 3% Alternatives
- 7% Third party funds on advisory platform



31 March 2015

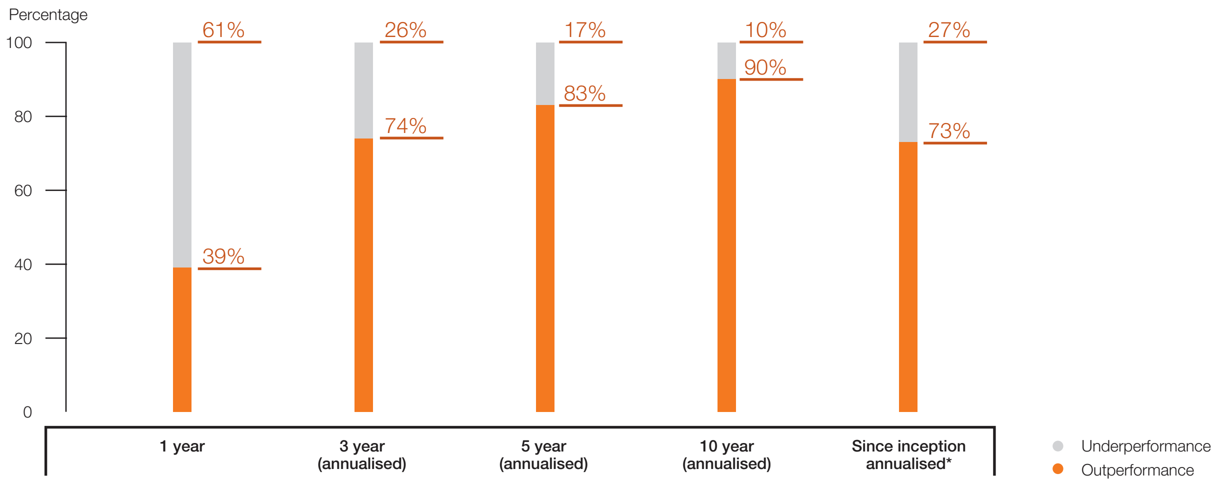
- 42% Equities
- 28% Fixed Income
- 20% Multi Asset
- 3% Alternatives
- 7% Third party funds on advisory platform

Investment performance

All of our investment capabilities are managed with the simple aim of delivering performance which meets or exceeds our clients' expectations around agreed, well-defined return and risk parameters. We measure our investment performance relative to peer groups and against benchmarks over one, three, five and ten-year periods, and since inception. Our long-term track record remains competitive.

DIVISIONAL REVIEW

OVERALL FIRM PERFORMANCE



Source: Calculated by Investec Asset Management from StatPro composites. Performance to 31 March 2016.

* *Since inception date of each portfolio, only annualised if inception date is older than 12 months.*

Note: Outperformance (underperformance) is calculated as the sum of the total market values for those portfolios that have positive active returns (negative active returns) expressed as a percentage of total assets under management. Market values for the indicated date are used for all periods shown.

INDEPENDENT recognition

Winner of the Raging Bull Award for Top South African General Equity Fund

Winner of the Raging Bull Award for Top Performing South African Multi Asset Equity Fund over the past two decades

Winner of Global Investor's Asset Management Firm of the Year (Emerging Markets)

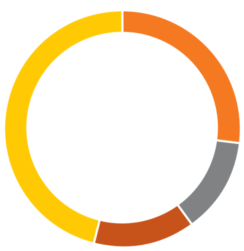
Winner of Global Investor's Equity Manager of the Year (Emerging Markets)

Winner of European Pensions Emerging Markets Manager of the Year

Winner of Professional Pensions Investment Awards Multi Asset Manager of the Year

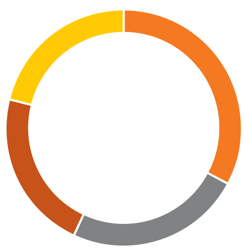
Winner of Professional Pensions Investment Awards Emerging Market Debt Manager of the Year

MUTUAL FUNDS INVESTMENT PERFORMANCE



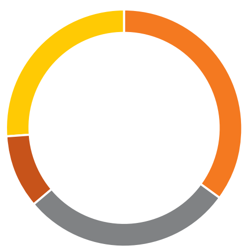
One year

27%	First quartile
13%	Second quartile
14%	Third quartile
46%	Fourth quartile



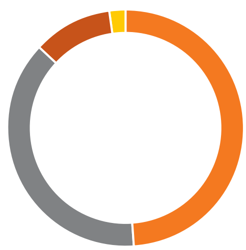
Three year

33%	First quartile
24%	Second quartile
22%	Third quartile
21%	Fourth quartile



Five year

35%	First quartile
29%	Second quartile
10%	Third quartile
26%	Fourth quartile



Ten year

49%	First quartile
38%	Second quartile
11%	Third quartile
2%	Fourth quartile

Source: Calculated from Morningstar data by value; excludes cash and cash plus funds. Performance to 31 March 2016.
Note: All Investec Asset Management Fund ranges relative to other funds in the same sector.

QUESTIONS and answers

Hendrik du Toit

CHIEF EXECUTIVE OFFICER

Can you give us an overview of the market environment in which you have operated over the past financial year?

Markets were characterised by weakness in financial asset prices, especially emerging market equities and currencies. The weakness in the Rand made a noticeable impact on our revenues. Clients are demanding more for the fees they pay. Although attractive and growing, our industry remains fiercely competitive which requires ongoing productivity increases to ensure margin retention. On top of this, regulatory initiatives continue across the globe, requiring additional investment in time, resources and reporting.

What have been the key developments in your business over the past financial year?

In spite of a difficult market environment, we concluded the year with net inflows of £3.2 billion which were achieved with good momentum in the Europe, Americas and Asia Pacific client groups. Furthermore, there was a turnaround in our Africa client group which generated positive net flows over the year, after outflows in the prior year.

We continued to attract and retain the very best talent in the business while maintaining stability across our firm. We have made good progress in diversifying our offering to the market, thereby improving the quality of our revenue stream.

On the back of excellent investment performance and renewed enthusiasm, our South African business is well positioned for a resumption of growth.

During the final quarter of the financial year, market conditions changed significantly, which impacted our investment performance figures negatively. In general, this was a tough quarter for active managers. However, as long-term investors using well-tested investment processes, we are confident that we will continue to deliver value for our clients.

What are your strategic objectives in the coming financial year?

Our primary objective remains unchanged: we want to assist people around the globe to retire with dignity or meet their financial objectives. We aim to manage our clients' money to the highest possible standard and in line with their expectations and product and strategy specifications.

We will continue to organically develop our investment capabilities, operate across channels and approach our growth sustainably, based on client needs and medium to long-term targets. Over the coming year, we are particularly focused on building our advisor business alongside our successful Institutional business and diversifying our growth drivers.

Above all, this is a people business and for this reason, we continue to invest in our people and nurture the culture that binds us together.

What is your outlook for the coming financial year?

We have a long-term horizon and do not manage our business for the short term. We believe that the opportunity for growth over the next five years is significant.

After 25 successful years, our momentum is positive and we are confident about the long term future of our business.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

In our role as a global asset manager, our primary goal is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this by assuming a stewardship role which includes exercising the client's ownership rights. We believe that each investment should be looked at individually, but also that the managers of our various strategies have the right to integrate material environmental, social and governance (ESG) considerations into their decision-making in a manner that is consistent with the mandates they have from our clients. This approach benefits both our clients and the social realms in which we invest and operate.

Investec **WEALTH & INVESTMENT** offers its clients comfort in its scale, international reach and depth of investment processes. Investec Wealth & Investment is one of the UK's leading private client investment managers and the largest in South Africa

Global head: Steve Elliott
UK head: Jonathan Wragg
South Africa head: Henry Blumenthal
Switzerland head: Peter Gyger
Ireland head: Eddie Clarke

Further detail on the Wealth & Investment management structure is available on our website: www.investec.com

The business specialises in wealth management, portfolio management, private office and stockbroking services for individuals, families, trusts and charities.

Investec Wealth & Investment is one of the UK's leading private client investment managers, the largest in South Africa, has a significant European presence and is developing its operations internationally.

ANNUAL HIGHLIGHTS

Operating profit up 8.8% to £85.7mn, contributing 17.0% to group profit	Assets under management down only 1.3% since March 2015 to £45.5bn, despite falls in the UK equity markets and the impact of the weaker Rand
Operating margin 26.4% (2015: 25.2%) positively impacted by investment gains	Net new flows of £2.1bn (2015: £2.7bn)

OUR value proposition

- Investec Wealth & Investment has been built via the acquisition and integration of businesses and organic growth over a long period of time
- Well-established platforms in the UK, South Africa, Switzerland, Ireland and Guernsey
- The business currently has four distinct channels: direct, intermediaries, charities and international, and is progressing with the development of its online capabilities to form a fifth 'digital' distribution channel
- Strategy to internationalise within jurisdictions where the Investec group already has an established business
- Focus is on organic growth in our key markets and enhancing our range of services for the benefit of our clients.

WHAT we do

UK and Europe

Investments and savings

- Discretionary and advisory portfolio management services for private clients
- Specialist investment management services for charities, pension schemes and trusts
- Independent financial planning advice for private clients
- Specialist portfolio management services for international clients.

Pensions and retirement

- Discretionary investment management for company pension and Self Invested Personal Pensions (SIPPs)
- Advice and guidance on pension schemes, life assurance and income protection schemes.

Financial planning

- Succession planning
- ISAs
- Retirement planning.

The European operations are conducted through Investec Wealth & Investment Limited in the UK, Investec Bank Switzerland, Investec Wealth & Investment Ireland and in Guernsey through Investec Wealth & Investment Channel Islands.

Over 1 200 staff operate from offices located throughout the UK and Europe, with combined funds under management of £29.8 billion. Investec Wealth & Investment is one of the UK's leading providers of private client investment management services.

Southern Africa

Investec Wealth & Investment South Africa provides portfolio management, wealth management and stockbroking services for private clients, charities, pension funds and trusts, operating from eight offices across South Africa with R104.5 billion of discretionary and annuity managed assets and a further R227.0 billion of funds under various other forms of administration.

WHERE we operate

UK and Europe

Brand well recognised

Established platforms in the UK, Switzerland, Republic of Ireland and Guernsey

One of the UK's leading private client investment managers

Proven ability to attract and recruit investment managers

Asia

Developing Wealth & Investment capability in Hong Kong

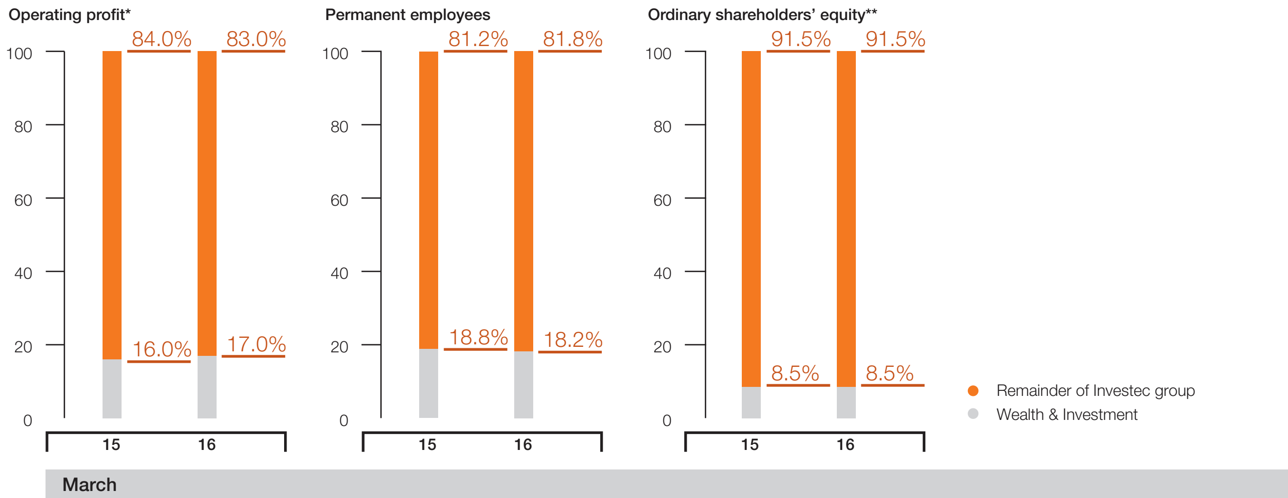
South Africa and Mauritius

Strong brand and positioning

Largest player in the South African market

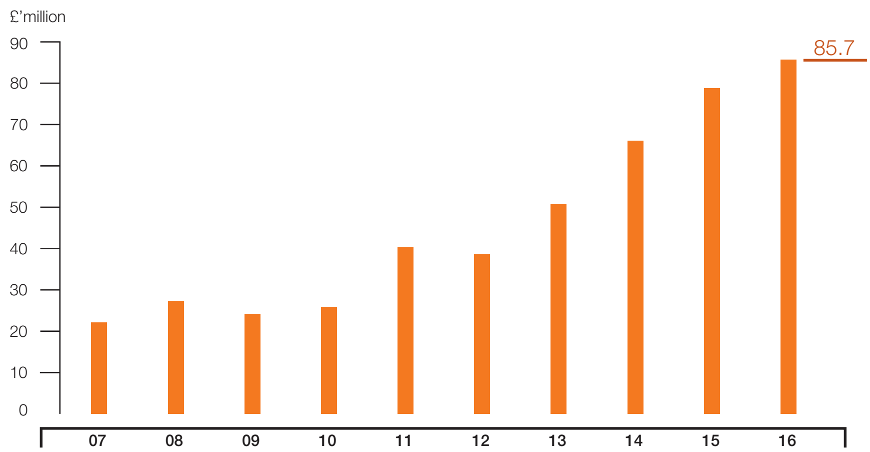
Newly launched Wealth & Investment capability in Mauritius

FINANCIAL ANALYSIS



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.
** As calculated on page 66, based on regulatory capital requirements.

OPERATING PROFIT^ — TRACK RECORD



^ Trend reflects numbers as at the year ended 31 March. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008, amounts have not been adjusted for non-controlling interests.

Income statement analysis

£'000	31 March 2016	31 March 2015	Variance	% change
Net interest income	7 330	6 556	774	11.8%
Net fee and commission income	309 080	299 663	9 417	3.1%
Investment income	6 072	4 123	1 949	47.3%
Trading income arising from				
– customer flow	316	1 024	(708)	(69.1%)
– balance sheet management and other trading activities	509	574	(65)	(11.3%)
Other operating income	1 193	1 277	(84)	(6.6%)
Total operating income	**324 500**	**313 217**	**11 283**	**3.6%**
Operating costs	(238 765)	(234 436)	(4 329)	1.8%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**85 735**	**78 781**	**6 954**	**8.8%**
UK and Europe	63 127	56 871	6 256	11.0%
Southern Africa	22 608	21 910	698	3.2%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation after other non-controlling interests	**85 735**	**78 781**	**6 954**	**8.8%**
Selected returns and key statistics				
Ordinary shareholders' equity*	246 302	255 318	(9 016)	(3.5%)
ROE (pre-tax)*	30.7%	25.5%		
Return on tangible equity (pre-tax)*	187.9%	136.1%		
Operating margin	26.4%	25.2%		
Operating profit per employee (£'000)*	54.8	54.0		

* *As calculated on pages 66 and 68, based on regulatory capital requirements.*

The variance in operating profit over the year can be explained as follows:

- The UK and Europe business continued to generate solid net inflows of funds under management. Headline operating profit benefited from a £6.1 million revaluation of the business's holding in the Irish Stock Exchange, with underlying operating profit remaining relatively flat despite weaker equity markets and a period of negative investor sentiment
- The South African business posted an operating profit of R465 million, an increase of 19.2% (in Rand terms) over the prior year, benefiting from higher average funds under management and solid discretionary and annuity asset net inflows. The business has experienced an increase in costs, reflecting investment in operations to support future growth initiatives.

Analysis of key earnings drivers (funds under management)

£'million	31 March 2016	31 March 2015	% change
UK and Europe	**29 769**	**29 562**	**0.7%**
Discretionary	21 747	21 602	0.7%
Non-discretionary and other	8 022	7 960	0.8%
South Africa	**15 690**	**16 514**	**(5.0%)**
Discretionary and annuity assets	4 945	4 974	(0.6%)
Non-discretionary and other	10 745	11 540	(6.9%)
Total	**45 459**	**46 076**	**(1.3%)**

UK AND EUROPE: ANALYSIS OF KEY DRIVERS (FUNDS UNDER MANAGEMENT AND FLOWS)

Funds under management

£'million	31 March 2016	31 March 2015	% change
Investec Wealth & Investment Limited (UK)	**27 105**	**27 319**	**(0.8%)**
Discretionary	21 120	21 128	–
Non-discretionary	5 985	5 971	0.2%
Other#	–	220	(100.0%)
Rest of Europe	**2 664**	**2 243**	**18.8%**
Discretionary	627	474	32.3%
Non-discretionary	2 037	1 769	15.1%
Total	**29 769**	**29 562**	**0.7%**

'Other' comprised collectives funds which were disposed of during January 2016.

Further analysis of the Investec Wealth & Investment Limited UK business

Funds under management and flows

£'billion	31 March 2016	31 March 2015	% change
At the beginning of the year	**27.32**	**24.18**	
Inflows	3.38	2.90	
Outflows	(2.04)	(1.02)	
Market adjustment^	(1.26)	1.34	
Transfers^^	(0.03)	(0.08)	
Disposals*	(0.26)	–	
At the end of the year	**27.11**	**27.32**	**(0.8%)**
WMA Private Investors Balanced Index (at year end)	3 556	3 684	(3.5%)
Annualised underlying rate of net organic growth in total funds under management**	4.9%	7.8%	
% of total funds managed on a discretionary basis	77.9%	78.1%	

^ *Impact of market movement and relative performance.*
^^ *Reflects the transfer of clients from Investec Bank Switzerland and the reclassification of assets between jurisdictions.*
* *Reflects the disposal of funds relating to certain non-core operations.*
** *Net organic inflows less outflows (excluding acquired inflows and exceptional outflows) as a percentage of opening funds under management.*

SOUTH AFRICA: ANALYSIS OF KEY EARNINGS DRIVERS (FUNDS UNDER MANAGEMENT AND FLOWS)

Funds under management

R'million	31 March 2016	31 March 2015	% change
Discretionary and annuity assets	104 480	89 382	16.9%
Non-discretionary	227 033	207 379	9.5%
Total	**331 513**	**296 761**	**11.7%**

Net inflows at cost over the year

R'million	31 March 2016	31 March 2015
Discretionary and annuity assets	9 300	6 261
Non-discretionary	5 615	8 065
Total	**14 915**	**14 326**

QUESTIONS and answers

Steve Elliott

GLOBAL HEAD

Can you give us an overview of the market environment in which you have operated over the past financial year?

The year ended 31 March 2016 was a challenging one for the global financial markets. 2015/16 was characterised by weak global growth, a declining oil price, inflationary and deflationary concerns, unpredictability around interest rate trajectories, and not least geopolitical uncertainty in our regions and the world.

Refer to pages 32 to 37 for further information.

What have been the key developments in your business over the past financial year?

In the UK, our drive to enhance the digital aspects of our offering to clients remains a key feature for the business currently. The substantial task of building our digital channel (Investec Click & Invest), which will provide a discretionary investment management service based on the concept of simplified advice, and was announced in the previous financial year, is continuing to make good progress.

We are looking forward to the launch of this new offering which will supplement our core investment management service and reach out to individuals who may not otherwise have formed part of our traditional client base. Enhancements to the digital aspects of our core offering also remain very much in focus as we seek to ensure that our bespoke services meet the varying needs of all of our clients now and in the future.

As we build and enhance our core services in an increasingly competitive and regulated marketplace, it is right that we look to review those areas of our business which do not form part of our central offering. During the year, we have completed or have commenced the discontinuation of a number of small non-core elements of our UK offering. These include the disposal of the UK's small fund management operation and certain specialist investment services, which were acquired in 2012 as part of the wider Williams de Broë business, along with Venture Capital Trust management services.

The level of regulatory pressure remains high in the UK marketplace for investment management businesses and consolidation in the sector continues. We have maintained our appetite to pursue opportunities to recruit experienced investment managers who are attracted by the strength of our offering, where they share our culture and values and have the ability to contribute to the future success of the business.

We remain focused on delivering the high standards of client service on which our strategy for organic growth is built, along with increasing the appeal of our services to a wider potential client base through initiatives such as our Private Office service and coordination of our services with those of the Investec Private Bank.

In South Africa, we continued the implementation of our One Place strategy, which focuses on servicing clients' local and international banking needs, a particularly important role through the recent turbulent period. We have done so by leveraging off our international capabilities in Ireland, Switzerland, Hong Kong, Guernsey and the United Kingdom.

The roll out of our self-directed investment platform, Online Portfolio Manager, to all Investec Private Clients in South Africa was completed and is gaining traction, offering seamless local and international online investing, with the addition of Tax Free Savings Products being added at the end of the last tax year in February 2016. Online Portfolio Manager remains a key strategic digital initiative as part of our One Place strategy for our Private Clients. Enhancements for 2016/17 will include new investment products and easy to use investment tools.

Investec remains the only brand in South Africa that can truly deliver banking and investments, locally and internationally, in One Place.

This is evidenced by international recognition from both *Euromoney* and the *Financial Times* of London three years in a row (2014, 2015 and 2016) – Investec being rated as the best Private Bank & Wealth Manager in South Africa. This showcases that our strategy continues to deliver on client needs and our focus achieves 'Out of the Ordinary' service delivery to our private clients.

We have successfully partnered, on an exclusive basis in South Africa, with The Carlyle Group, to offer our high net worth private clients private equity to enhance and diversify their offshore assets. The development of 'Out of the Ordinary' exclusive investment opportunities for our high net worth private clients remains an important focus for us.

We identified an opportunity to help high net worth individuals with strategic philanthropy. Accordingly, we launched Investec Philanthropy Services in 2016, which offers a comprehensive 360 degree range of philanthropy services to individuals, families, businesses and non-profit organisations.

What are your strategic objectives in the coming financial year?

Reaching key milestones in the development and launch of our digital offering in the UK remains a key objective for the forthcoming financial year as we move closer to the launch of the Click & Invest service.

The UK business remains committed to the development and expansion of its financial planning capability and we continue to see this as a key and increasingly important part of our service within the UK, as the complexity of the personal financial world continues to increase.

In South Africa, we continue to reinforce our leading market position by focusing on our clients' needs and on internationalising the offering. Our strategy of working together with the Private Banking business to offer our private clients an integrated banking and investment solution, both locally and internationally, has proved successful and we will continue to enhance and improve this offering.

We are starting to gain traction with our Independent Financial Advisors' strategy in South Africa and look to develop it further by investing in dedicated resources to drive and build the business. We are also looking at the Philanthropy service to manage charitable funds.

Broadening our international presence in a measured and evolutionary way is something we are continuing to prioritise. The launch of our Asian operation hosted by the group's existing Hong Kong presence has now been completed and we look forward to achieving measured growth in this new offering over the coming year. The initial focus will be on the expatriate market via professional advisers; over time we look to broaden both our offering and client base. We also remain committed to our internationalisation programme with Switzerland as one of the service centres for our international clients.

The Wealth & Investment team in Dublin is integrated within the global investment process to ensure that we can meet the requirements of clients in a growing Irish economy. We continue to expand our regional presence in Ireland, with our operations represented at the Investec Cork offices launched during February 2016.

The continued success of our core business is built on achieving and maintaining high and consistent standards of client service, supported by a robust and well-resourced research capability and investment process. Our strategic priorities for the forthcoming financial year include initiatives which focus on the continuous development of these important areas.

The past financial year has been marked by a period of turbulence in the financial markets. We have built a business that has proved its resilience to adverse conditions in the past and we remain focused on those aspects of our business which drive and maintain us throughout periods of increased uncertainty.

What is your outlook for the coming financial year?

We continue to be mindful of the risk factors which remain in the global and domestic economies.

We are however confident in our strategy to invest for the future success of the business while remaining focused on the resilience of our business model to provide the balance that will optimise the performance of the business, over both the short and longer terms, while continuing to ensure that we deliver the most suitable client outcomes.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

Investec Wealth & Investment recently launched 'Investec philanthropy services'. This initiative offers advisory services to individuals, families, businesses and non-profit organisations with the aim of maximising their philanthropy objectives and achieving the most positive social impact with their charitable investments. Largely South African based, 'Investec philanthropy services' currently supports a number of private charitable foundations. The focus areas of the foundations vary, and include education, healthcare, welfare, social justice, the environment and conservation and animal welfare. An important service is the provision of due diligence on a non-profit organisation prior to the making of a grant. This is to ensure that the private foundations we look after support sustainable and effective organisations. With regard to non-profit organisations, which are clients of the Wealth & Investment business, we also provide services which include guidance on structuring, legal, tax and corporate governance issues.

DIVISIONAL REVIEW

Specialist expertise delivered with dedication and energy

Global heads:

David van der Walt
Ciaran Whelan

Further information on the Specialist Banking management structure is available on our website: www.investec.com

The specialist teams are well positioned to provide services for both personal and business needs right across Private Banking, Corporate and Institutional Banking, Investment and Property activities.

OUR value proposition

- High-quality specialist banking solution to corporate and private clients with leading positions in selected areas
- Provide high touch personalised service – ability to execute quickly
- Ability to leverage international, cross-border platforms
- Well positioned to capture opportunities between the developed and the emerging world – internationally mobile
- Strong ability to originate, manufacture and distribute
- Balanced business model with good business depth and breadth.

ANNUAL HIGHLIGHTS

Operating profit (ongoing) up 4.3% to £409.2mn	Operating profit (statutory) up 8.6% to £330.9mn
12.5% ROE (pre-tax) (statutory) (2015: 10.7%)	Loans and advances (statutory) £18.1bn
16.1% ROE (pre-tax) (ongoing) (2015: 15.9%)	Customer deposits (statutory) £24.0bn

WHAT we do

Focus on helping our clients create and preserve wealth	A highly valued partner and adviser to our clients	
High-income and high net worth private clients	**Corporates/government/institutional clients**	
Private Banking activities	**Investment activities**	**Corporate and Institutional Banking activities**
Transactional banking and foreign exchange Lending Deposits Investments	Principal investments Property investment fund management	Treasury and trading services Specialised lending, funds and debt capital markets Institutional research sales and trading Advisory
– Southern Africa – UK and Europe	– Australia – Hong Kong – Southern Africa – UK and Europe	– Australia – Hong Kong – India – Southern Africa – UK and Europe – USA

Natural linkages between the private client and corporate businesses

WHERE we operate

North America

Distribution platform

Growing advisory and PFI capabilities

UK and Europe

Brand well established

Sustainable business on the back of client activity

Hong Kong

Investment activities

Distribution platform

India

Established a presence in 2010

Facilitates the link between India, UK and South Africa

Mauritius

Established in 1997

Leading in corporate institutional and private client banking activities

South Africa

Strong brand and positioning

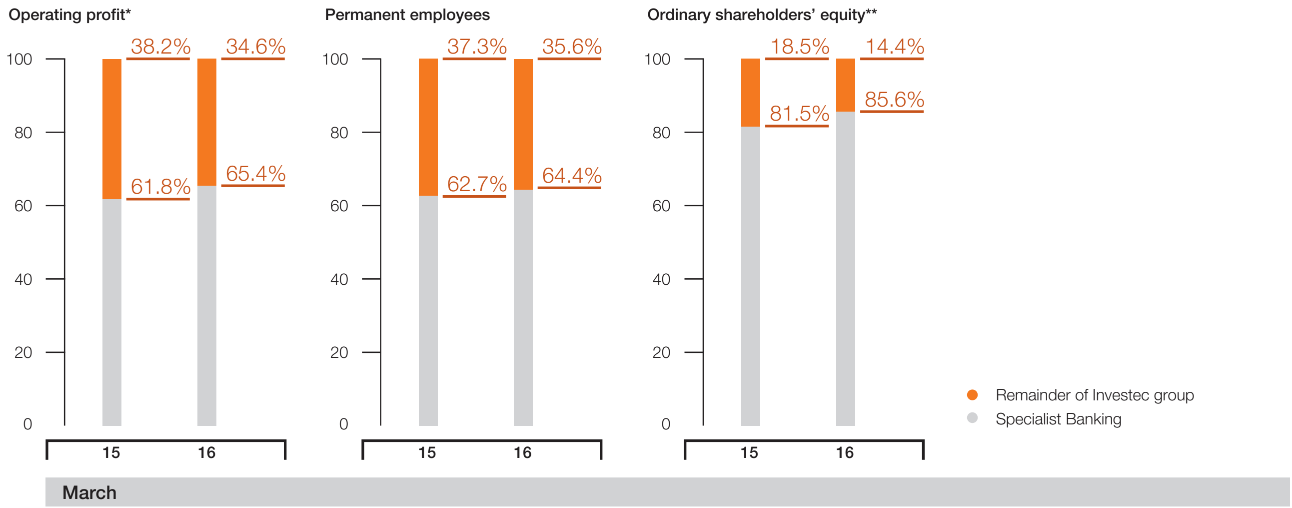
Leading in corporate institutional and private client banking activities

Australia

Experienced local teams in place with industry expertise

Focus is on entrenching position as a boutique operation

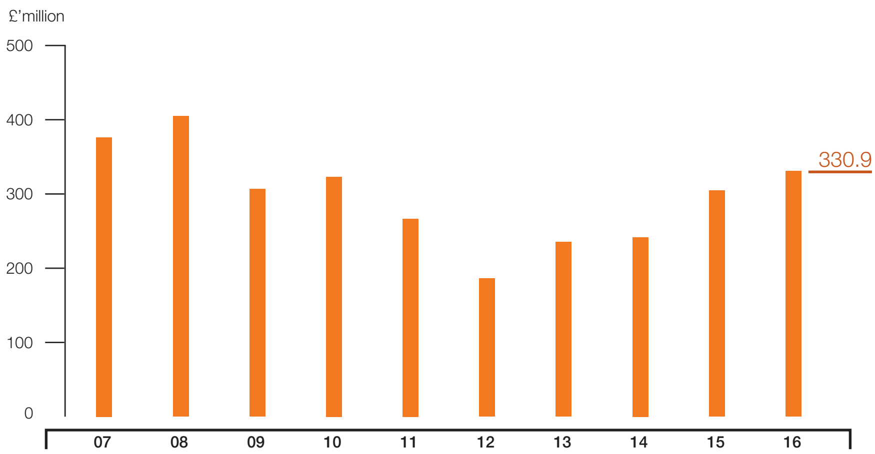
FINANCIAL ANALYSIS



* Before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests.

** As calculated on page 66, based on regulatory capital requirements.

OPERATING PROFIT^ — TRACK RECORD (STATUTORY)



^ Trend reflects numbers as at the year ended 31 March. Amounts from 2008 are shown before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests. Prior to 2008 amounts have not been adjusted for non-controlling interests.

Income statement analysis

£'000	31 March 2016	31 March 2015	Variance	% change
Net interest income	562 535	624 114	(61 579)	(9.9%)
Net fee and commission income	337 017	360 825	(23 808)	(6.6%)
Investment income	164 292	124 189	40 103	32.3%
Trading income arising from				
– customer flow	109 911	105 289	4 622	4.4%
– balance sheet management and other trading activities	9 200	(15 483)	24 683	> 100.0%
Other operating income	10 426	9 269	1 157	12.5%
Total operating income before impairment on loans and advances	**1 193 381**	**1 208 203**	**(14 822)**	**(1.2%)**
Impairment losses on loans and advances	(109 516)	(128 381)	18 865	(14.7%)
Operating income	**1 083 865**	**1 079 822**	**4 043**	**0.4%**
Operating costs	(715 619)	(761 873)	46 254	(6.1%)
Depreciation on operating leased assets	(2 165)	(1 535)	(630)	41.0%
Operating profit before goodwill, acquired intangibles and non-operating items and taxation	**366 081**	**316 414**	**49 667**	**15.7%**
Operating losses attributable to non-controlling interests	(35 201)	(11 701)	(23 500)	> 100.0%
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**330 880**	**304 713**	**26 167**	**8.6%**
UK and Other	78 043	41 795	36 248	86.7%
Ongoing^	156 378	129 341	27 037	20.9%
Legacy remaining^	(78 335)	(107 669)	29 334	27.2%
Sale assets^	–	20 123	(20 123)	(100.0%)
Southern Africa	252 837	262 918	(10 081)	(3.8%)
Operating profit before goodwill, acquired intangibles, non-operating items, taxation and after other non-controlling interests	**330 880**	**304 713**	**26 167**	**8.6%**
Selected returns and key statistics				
Ordinary shareholders' equity**	2 483 048	2 599 130	(116 082)	(4.5%)
Southern Africa	1 298 566	1 369 078	(70 512)	(5.2%)
Ongoing UK and Other	1 114 462	1 141 282	(26 820)	(2.3%)
Remaining Legacy	70 020	88 770	(18 750)	(21.1%)
Statutory ROE (pre-tax)**	12.5%	10.7%		
Ongoing ROE (pre-tax) **	16.1%	15.9%		
Southern Africa	17.4%	18.7%		
Ongoing UK and Other	14.2%	12.3%		
Cost to income ratio	60.1%	63.1%		
Operating profit per employee (£'000)**	**59.9**	**57.4**		

^ *Detailed income statement provided on page 73.*
** *As calculated on pages 66 and 68, based on regulatory capital requirements.*

The variance in the operating profit in the UK ongoing business over the year can be explained as follows:

- Net interest income increased as a result of growth in core loans and advances of 13.4% and an increase in margin earned on early redemption of loans, reflecting higher activity levels
- Net fee and commission income declined largely as a result of lower corporate fees earned following a strong prior year. The deal pipeline has, however, remained sound. This was partially offset by a sound performance from the private banking businesses
- Investment income increased due to higher earnings from the debt securities portfolio and improved results from the Hong Kong portfolio
- Trading income from customer flow improved reflecting increased client activity
- Other trading income includes the impact of accounting for the Euro-denominated preferred securities issued by a subsidiary of Investec plc, which were reflected on the balance sheet as part of non-controlling interests. The transaction was hedged and a forex transaction loss arising on the hedge is reflected in other trading income and the opposite impact is reflected in earnings attributable to non-controlling interests. These securities were redeemed on 24 June 2015
- Other operating income includes associate income and income earned on operating lease rentals
- Total operating income increased by 10.1%
- Impairments increased marginally. Further information is provided on page 34
- Operating expenses increased by 2.8% largely as a result of an increase in headcount and system infrastructure costs, notably in support of growing the private banking business.

The variance in the operating profit in Southern Africa over the year can be explained as follows:

Note: The analysis and variances described below for the South African Specialist Banking division are based on the Rand numbers reported.

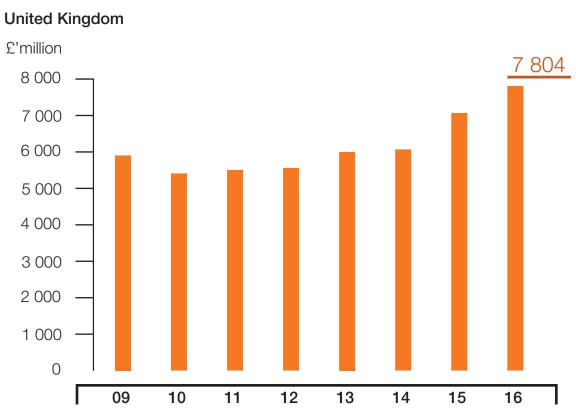
- Results in Pounds Sterling have been negatively impacted by the depreciation of the average Rand: Pounds Sterling exchange rate of 16.3% over the period. The Specialist Banking division reported operating profit before taxation of R5 290 million (2015: R4 695 million)
- Net interest income increased as a result of an increase in core loans and advances of 19.7%
- Net fee and commission income improved as a result of good performances from the private banking and property fund management businesses. A solid performance from the corporate lending, structuring and treasury teams as well as the acquisition of Blue Strata (rebranded Investec Import Solutions) supported strong growth in corporate fees
- Investment income was supported by a solid performance from the unlisted investments portfolio
- Trading income arising from customer flow increased, reflecting higher activity levels
- Total operating income increased by 16.0%
- Impairments increased, however, the credit loss ratio improved marginally to 0.26% (2015: 0.28%). Further information is provided on page 34
- Operating expenses increased by 14.1% largely as a result of increased variable remuneration given improved profitability, and an increase in headcount and system infrastructure costs to support growth initiatives.

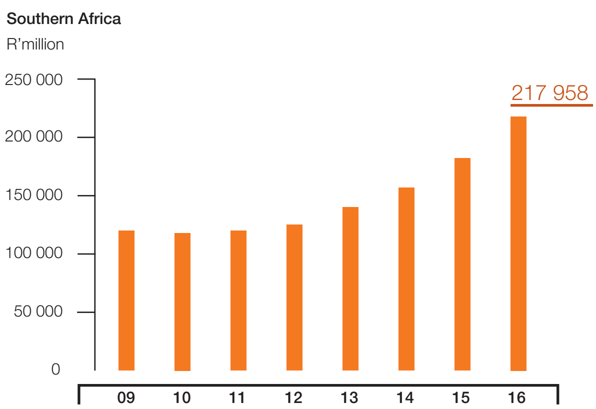
Analysis of key earnings drivers

NET CORE LOANS AND ADVANCES

	£'million			Home currency (million)		
	31 March 2016	31 March 2015	% change	31 March 2016	31 March 2015	% change
UK	7 804	7 061	10.5%	£7 804	£7 061	10.5%
Southern Africa	10 315	10 128	1.8%	R217 958	R182 058	19.7%
Total	**18 119**	**17 189**	**5.4%**			

NET CORE LOANS AND ADVANCES





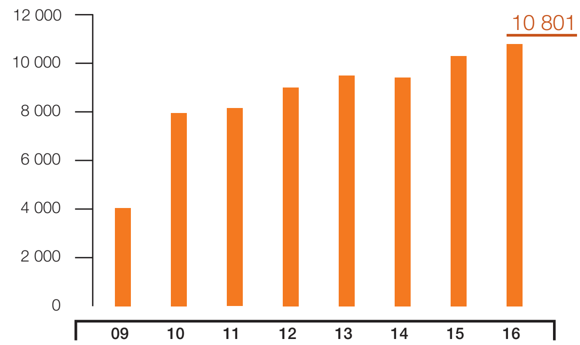
Trend reflects numbers as at the year ended 31 March.

TOTAL DEPOSITS

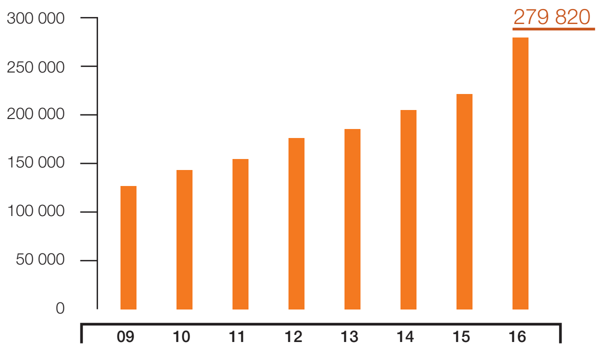
	£'million			Home currency (million)		
	31 March 2016	31 March 2015	% change	31 March 2016	31 March 2015	% change
UK	10 801	10 298	4.9%	£10 801	£10 298	4.9%
Southern Africa	13 243	12 317	7.5%	R279 820	R221 377	26.4%
Total	**24 044**	**22 615**	**6.3%**			

TOTAL DEPOSITS

United Kingdom
£'million



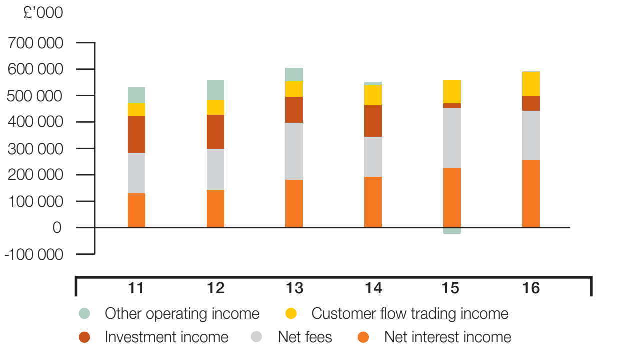
Southern Africa
R'million



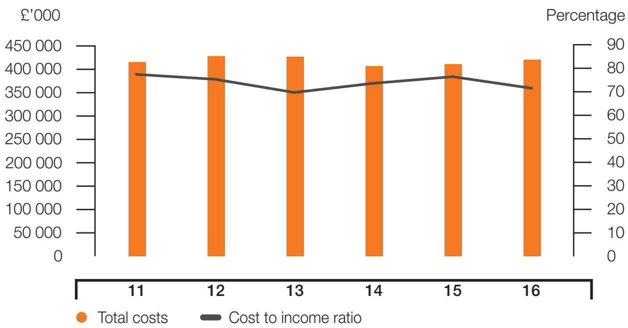
Trend reflects numbers as at the year ended 31 March.

UK Specialist Bank ongoing

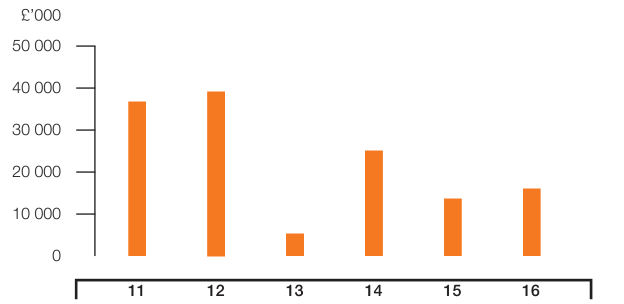
TOTAL OPERATING INCOME



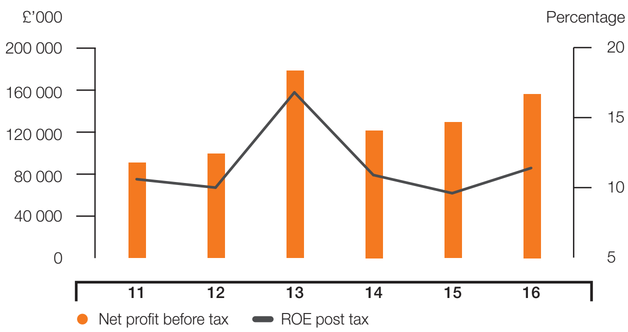
TOTAL COSTS



IMPAIRMENTS

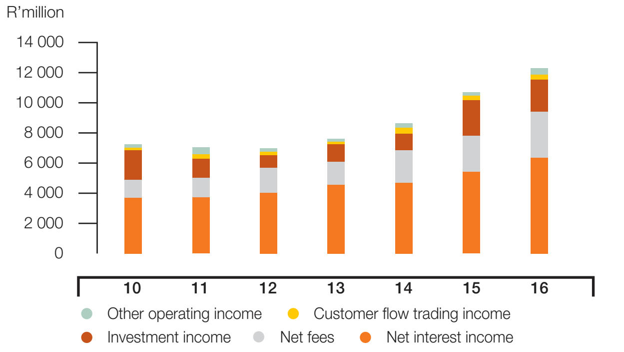


NET PROFIT BEFORE TAX AND ROE

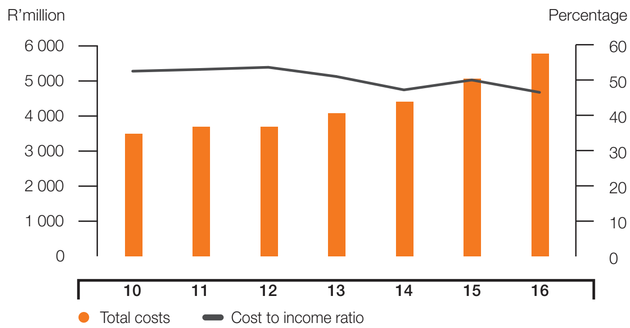


Southern Africa Specialist Bank ongoing

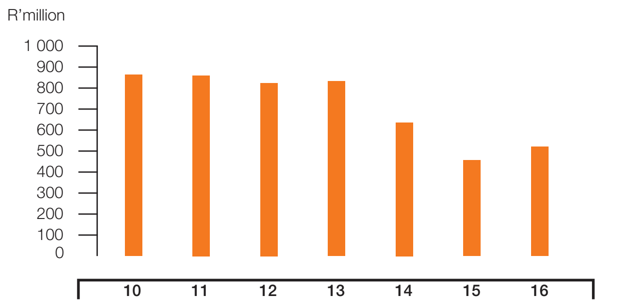
TOTAL OPERATING INCOME



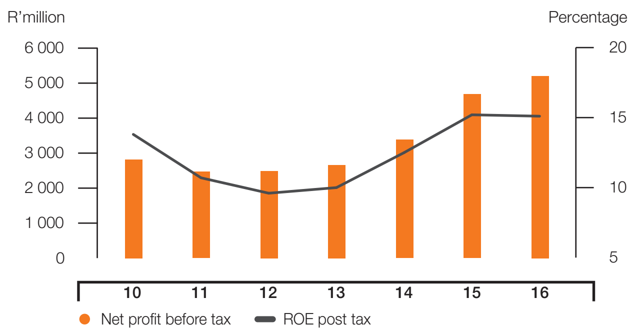
TOTAL COSTS



IMPAIRMENTS



NET PROFIT BEFORE TAX AND ROE



Trends in the above graphs are for the year ended 31 March, unless otherwise stated.

QUESTIONS and answers

David van der Walt
Ciaran Whelan

GEOGRAPHICAL BUSINESS LEADERS United Kingdom

Can you give us an overview of the market environment in which you have operated over the past financial year?

The year ended 31 March 2016 was a challenging one for the global financial markets. 2015/16 was characterised by weak global growth, a declining oil price, inflationary and deflationary concerns, unpredictability around interest rate trajectories, and not least geopolitical uncertainty in our regions and the world.

Refer to pages 32 to 37 for further information.

What have been the key developments in your business over the past financial year?

Notwithstanding the volatile markets, the Specialist Bank enjoyed high levels of activity and had a solid performance across the board.

Asset growth was well spread with no concentrations in any particular area. Overall property exposure reduced as a percentage of our book in line with our plans and the legacy book continued to reduce ahead of plan.

Although M&A activity was down on a relative basis, we were ranked number one in the mid-cap market for the number of deals and number four by value. In addition, we received a number of awards recognising our performance in the forex, structured products, asset finance and corporate lending businesses.

A number of credit rating agency upgrades were given in recognition of our good progress.

The Private Banking division continued to make progress in building its UK franchise and developing its client base. We have changed our target market to focus on high net worth and high-income earners rather than a more general focus on professionals. We strengthened our direct and intermediary business channels, which resulted in record levels of new mortgage originations and acquisition of high net worth private clients.

The structured property finance business continued to successfully support selected high net worth seasoned property investors and developers. Transaction volumes remained healthy and a number of joint venture projects were successfully concluded.

What are your strategic objectives in the coming financial year?

We will continue with our existing strategy of building and developing our client franchises with the primary focus on entrepreneurs, corporates and high net worth clients. The focus is on growing the client base and ensuring continued high levels of service to existing clients across our offering.

We will continue building out the infrastructure required to ensure our technology and digital offering matches the high standards of service we are targeting. In line with our ambition to grow the client base, we will be investing in various marketing strategies to ensure we reach our prospective clients.

What is your outlook for the coming financial year?

The environment remains very volatile for both macro-economic and political reasons. Despite this, we are continuing to meet our objectives and if the status quo continues, we would expect to see good top line growth, which is to some extent offset by the investment in building out the private banking franchise.

In the event of a 'Brexit' or failure of economic policy we would expect to see a significant slowdown in activity which would impact results negatively.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

We continue to focus on developing our people and investing in our communities and the environment, receiving a number of awards for our efforts in the past year. We are a finalist in the Business Charity Awards 2016 for community impact for our partnership with the Bromley by Bow Beyond Business incubator. With our support, the programme has launched over 60 new social enterprise businesses creating over 330 new jobs and generating combined annual turnover of over £5 million. We have also been highly commended on the Business Charity Awards Partnership (Financial Services) and Community Impact categories, for the Beyond Business programme. Our 2 Gresham Street office won our ninth Platinum award for our waste management in the City of London Corporation's Clean City Award Scheme. We continue to raise awareness around environmental concerns with staff through Team Green which was extended to 17 of our 19 offices in the UK as well as our Ireland office. Further, volunteerism remains core to our values and community efforts and through employees' ongoing support of the Amherst School initiative we have volunteered over 50 days per year consistently for the past six years amounting to approximately 2 100 hours overall.

QUESTIONS and answers

Richard Wainright

GEOGRAPHICAL BUSINESS LEADER — Southern Africa

Can you give us an overview of the market environment in which you have operated over the past financial year?

The year ended 31 March 2016 was a challenging one for the global financial markets. 2015/16 was characterised by weak global growth, a declining oil price, inflationary and deflationary concerns, unpredictability around interest rate trajectories, and not least geopolitical uncertainty in our regions and the world.

Refer to pages 32 to 37 for further information.

What have been the key developments in your business over the past financial year?

The South African specialist bank reported a positive performance with operating profit up 12.7% in Rands, driven by strong loan book growth in the corporate and private banking businesses. Good client activity supported the strong positive business momentum and franchise growth. The unlisted investment portfolio also performed well during the period.

We continue to benefit from the collaboration between the Private Bank and Wealth & Investment business, with international recognition from the *Financial Times* as the Best Private Bank and Wealth Manager in South Africa for the third year running. We have made good progress with our digitisation strategy which focuses on ensuring that we create a client experience that is both 'Out of the Ordinary' and 'high tech and high touch'. This is part of our strategy to deepen our strong relationships with our core client base, and offer them a broad spectrum of services and products.

What are your strategic objectives in the coming financial year?

We continue to build our franchise in our core client segments. Building and developing our client franchises remains integral to the growth and development of our organisation and we are committed to optimising the client experience, ensuring our target clients do more with us as an organisation.

Our strategic focus in Southern Africa remains the following:

- To continue to organically grow the transactional banking, property and private capital businesses
- To diversify our revenue streams in the corporate and institutional market
- Build sustainability through a diversified portfolio of businesses.

What is your outlook for the coming financial year?

Despite the current structural challenges in the South African economy, corporate activity continues to present opportunities. We have a strong financial sector and an active private sector, which will continue to support momentum in the specialist banking businesses.

How do you incorporate environmental, social and governance (ESG) considerations into your business?

Our flagship educational initiative in South Africa, Promaths, continues to outpace the national average for Mathematics and Science in the country. We continue to experience good momentum in our enterprise development programme (Young Treps) where selected entrepreneurs learn valuable skills in strategy, marketing and finance. Our employees remain vital in delivering on our promise to provide exceptional client experiences and hence we continue to focus on attracting, retaining and developing talent. In this regard, Investec was voted third most attractive employer in South Africa in the 2016 Universum Most Attractive Employer awards.

Three

Corporate governance
and corporate responsibility

Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure

Chairman's introduction

Dear Shareholder

I am pleased to present the 2016 annual corporate governance report which describes our approach to corporate governance.

Before looking in detail at our governance framework, I would like to make some comments on how the board has delivered against its priorities for the year, the board's composition and how the performance of the board has been evaluated, and about stakeholder engagement that has taken place during the year. In addition, I would like to specifically comment on changes that have taken place to ensure that we have in place the executive leadership essential for the long-term success of our business, and to look forward to our key areas of focus for 2016 and beyond. However, before that, I would like to provide some important context regarding our culture, values and philosophies, which are and will continue to be at the core of everything we do.

OUR CULTURE, VALUES AND PHILOSOPHIES

Sound corporate governance depends upon much more than processes and procedures, it fundamentally depends upon the people and the culture within an organisation. At Investec, sound corporate governance is embedded in our values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromising moral strength in order to promote and maintain trust. The board sets the tone from the top in the manner in which it conducts itself and oversees the structures and the framework for corporate governance. Each business area and every employee of the group is responsible for acting in accordance with our values and philosophies and we conduct our business and measure behaviour and practices against them so as to ensure that we demonstrate the characteristics of good governance.

THE PAST YEAR IN FOCUS

Composition of the board

In 2014, the board, on the recommendation of the nominations and directors' affairs committee (NOMDAC), implemented a structured refreshment programme so as to ensure that we are recruiting new independent non-executive directors and retiring some of our longer serving non-executive directors. A key challenge for the NOMDAC has been to implement this programme in such a manner so as to bring in new and diverse perspectives, while retaining the level of knowledge and experience necessary for the continued success of the group. The retirement and appointments in 2014 and 2015 of non-executive directors have enabled this, bringing a fresh outlook to the board and greater diversity of skills, backgrounds and thought. The retention of some of our longer serving non-executive directors has enabled continuity and stability, and I am grateful for their commitment to Investec. The NOMDAC continues to keep the composition of the board under review and will propose changes, as necessary, in order to retain the optimum attributes.

This year has seen some further change to the board

- In accordance with the structured refreshment programme agreed by the board, Haruko Fukuda did not seek re-election as a director at the 2015 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2015 annual general meeting
- Bradley Fried, who was appointed as a non-executive director on 1 April 2010, stepped down from the board with effect from 1 April 2016

Board and directors' effectiveness review

The board is committed to regularly evaluating its own effectiveness and that of its committees. In this light, the board undertakes an evaluation of its performance and that of its committees and individual directors annually, with independent external input to the process every third year. The board agreed that the 2016 review of the board's effectiveness would be facilitated by Professor Rob Goffee of the London Business School, an independent third party service provider. The findings of the 2016 review were presented to the board, an action plan developed and updates on progress made against these actions will be provided to the board on a regular basis.

Further details are on pages 119 and 121.

Management succession

Succession planning has remained a key area of focus during the year. Investec announced at the time we presented the group's interim results in November 2015 that, in pursuit of sustained growth across its businesses, the group restructured certain operating responsibilities with the aim of achieving the following broad objectives:

- To maintain differentiated businesses that are integrated and coordinated under the Investec brand, while focused on providing the best solution for the client
- To facilitate the growth of businesses with direct management responsibility and accountability
- To ensure talented future leaders are in place for the long-term success of the group.

Changes included the appointment of Ciaran Whelan and David van der Walt as joint global heads of the Specialist Bank, and the appointment of Richard Wainwright as chief executive officer of Investec Bank Limited in South Africa. Investec has always maintained a policy of growing talent from within, and the majority of the group's leaders have an extensive history with the group and are valued for their institutional knowledge and expertise. The changes implemented have positioned Investec for sustained growth with an enhanced operational focus. Stephen Koseff remains group chief executive officer and Bernard Kantor group managing director. They continue to focus on group strategy, development and growth of the Investec global businesses, and the positioning of the group among all stakeholders.

Shareholder engagement

During the course of 2015, the board embarked on a series of shareholder consultations. The primary focus of the consultation was the revised executive incentive arrangements put to shareholders at the 2015 annual general meeting.

The consultations also provided an opportunity to discuss governance more broadly with shareholders. From a governance perspective, the dialogue centred on the composition of the board while on remuneration, the discussion related to the appropriate linkage between pay and performance.

PRIORITIES FOR THE NEW YEAR

In broad terms, our priorities for 2016, from a corporate governance perspective, are as follows:

Strategy

The successful implementation and execution of the group's strategic intentions have provided a solid foundation on which to build and deliver returns going forward.

Board effectiveness

As we noted above, it is important to periodically obtain an independent perspective as to whether the board is functioning effectively. Having reviewed the assessment, the directors were satisfied that the board was operating effectively. There are areas where we can improve and we will continue to refine and improve our processes to do so.

Management succession

As noted above, the restructure of certain operating responsibilities was announced on 18 November 2015. Embedding the restructure will be a key area of focus for the group going forward.

Regulatory and governance

The regulatory and governance environment that the group operates within continues to evolve rapidly. In the United Kingdom, we have seen the implementation of the Senior Managers Regime and emerging guidance on principles of good governance applicable to our regulated subsidiaries.

In South Africa, the Institute of Directors of South Africa and the King Committee have recently released a draft fourth version of the King Report on corporate governance for public comment.

Culture and values

Our culture and values have always been at the heart of how we operate, and we believe the strength with which these are embedded and lived throughout the organisation distinguishes Investec from others. Safeguarding our culture to ensure good conduct and ethical practice will promote the delivery of our long-term success and will remain a key focus of the board.

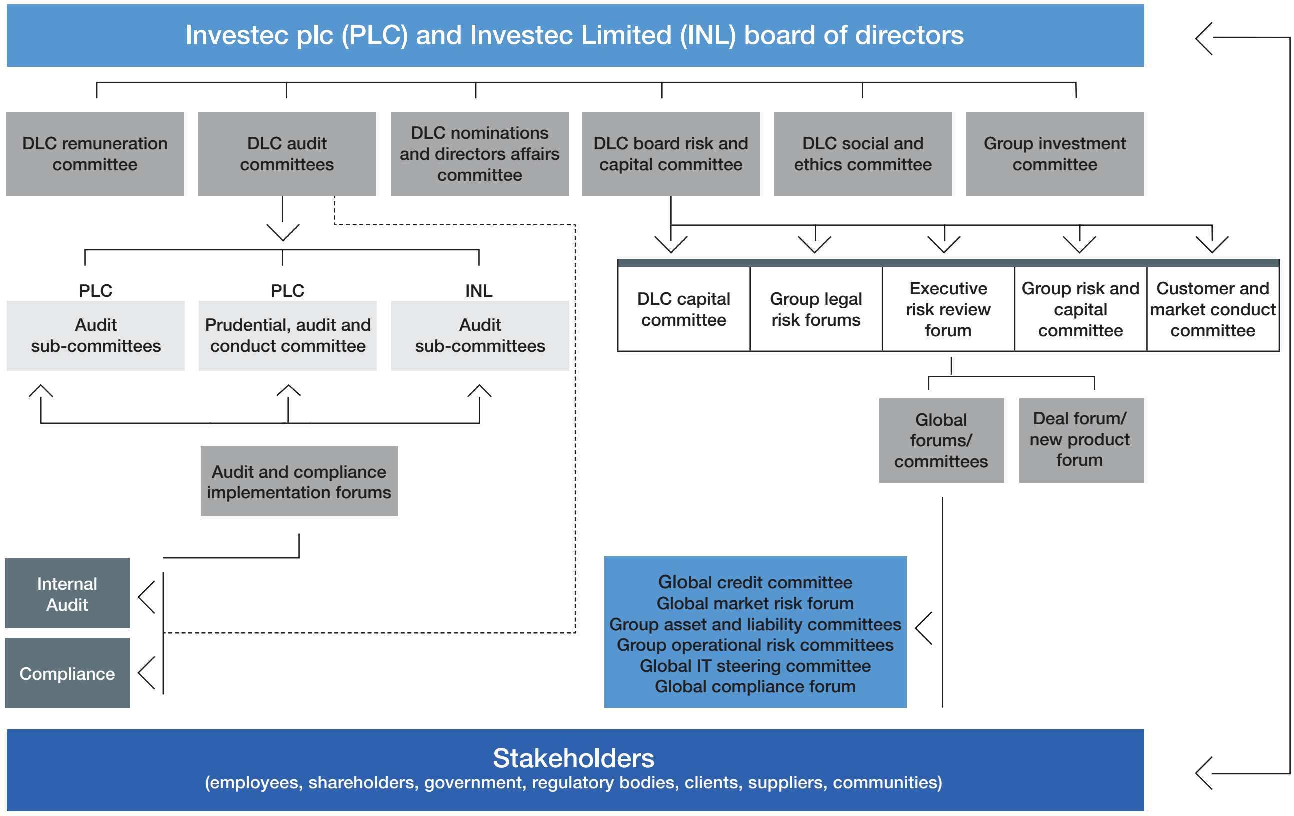
CONCLUSION

The following pages of this report describe in more detail the governance framework, and the structures that are in place to ensure that Investec is able to maintain the highest standards of corporate governance.

Fani Titi
Chairman

9 June 2016

Governance framework



Regulatory context

The disclosure of our governance practices requires a description of the regulatory context that Investec, as a dual listed company (DLC), operates within.

We operate under a DLC structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group which also complies with requirements in both jurisdictions. All international business units operate in accordance with the above determined corporate governance principles, in addition to those of their jurisdiction, but with clear adherence at all times to group values and culture.

The board, management and employees of Investec are committed to complying with the disclosure, transparency and listing rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements, the UK Corporate Governance Code (the Code) which was issued by the UK's Financial Reporting Council in 2010, revised in September 2012 with the most recent version being published in September 2014 for reporting periods commencing after 1 October 2014, and the King Code of Governance Principles for South Africa (King III).

Therefore, all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

Statement of compliance

UK CORPORATE GOVERNANCE CODE

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation during the year under review, the group has complied with the relevant provisions set out in the UK Corporate Governance Code, except as disclosed below:

- D1.1 states that performance-related remuneration schemes for executive directors should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so. The current remuneration arrangements for Hendrik du Toit do not include provisions to recover sums that have already been paid or to withhold the payment of any sums. The remuneration of Hendrik du Toit continues to be determined by reference to the remuneration policy of the Investec Asset Management (IAM) business. This is deemed appropriate by the remuneration committee for the following reasons:

  – Hendrik du Toit is the chief executive officer of IAM and is not classified as a material risk taker for the purpose of the PRA regulations applicable to Investec Bank plc

  – The management of IAM, including Hendrik du Toit, undertook a substantial investment in IAM, resulting in alignment with shareholder interests and, as previously disclosed, there will be no deferral of any short-term incentive until such time as the debt taken out by Hendrik du Toit to fund his investment in IAM has been repaid.

The directors' remuneration report on pages 159 to 201 provides details of the remuneration policy and the implementation of that policy for all directors.

KING III

The board is of the opinion that, based on the practices disclosed throughout this report, which were in operation throughout the year under review, Investec has applied the King III principles.

For a complete list of all principles and a reference to demonstrate how Investec has applied these principles, please refer to our website.

Leadership

Chairman and chief executive officer

The roles of the chairman and chief executive officer are distinct and separate.

The chairman is responsible for setting the board agenda, ensuring that there is sufficient time available for discussion of all items, that information received is accurate, timely and clear to enable the directors to perform their duties effectively. In keeping with Investec's culture and values, the chairman encourages open and honest debate between all board directors.

The board does not consider that the chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the chairman makes sufficient time available to serve Investec effectively. There have been no changes to the significant commitments of the chairman during the period under review. The chairman resides in South Africa but spends approximately a week a month in the UK.

The board has not appointed a deputy chairman.

Senior independent director

Perry Crosthwaite is the senior independent director. He is available to address any concerns or questions from shareholders and non-executive directors. In addition, he leads the board in the assessment of the effectiveness of the chairman.

Board of directors

In terms of the DLC arrangement, the boards of Investec plc and Investec Limited are identical and the group is managed as a unified economic enterprise. The board is responsible for creating and delivering sustainable shareholder value by providing overall strategic direction within a framework of risk appetite and controls.

The board has adopted a board charter which is reviewed annually and which provides, a framework of how the board operates as well as the type of decisions to be taken by the board and which decisions should be delegated to management.

The Investec board:

- Approves the group's strategy
- Monitors group compliance with the applicable laws and regulations and considers adherence to non-binding rules and standards
- Is responsible for the governance of risk, including that of information technology (IT)
- Acts as a focal point for and custodian of corporate governance
- Provides effective leadership on an ethical foundation
- Ensures the group is, and is seen to be, a responsible corporate citizen.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting high standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of supporting board committees.

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain of its duties and functions to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities. The board has formally defined and documented, by way of terms of reference, the authority it has delegated to the various board committees, group forums and chief executive officer.

In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board.

Furthermore, directly or through its committees, the Investec board:

- Has delegated the review of the integrated annual report and annual financial statements to the audit committees. The audit committees recommended that, taken as a whole, the integrated annual report is fair, balanced and understandable and the board is satisfied with the recommendation
- Assesses the quantitative and qualitative aspects of Investec's performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management, strategic and operational updates
- Approves annual budgets, capital plans, projections and business plans
- Monitors the group's compliance with relevant laws, regulations and codes of business practice
- Assisted by the audit committees' support structures and board risk and capital committee (BRCC), ensures that conduct risk is adequately mitigated, managed and addressed
- Assisted by the audit committees, BRCC and capital committees, regularly carries out a robust assessment of its principal risks and their impact on the performance, liquidity and solvency of the group
- Ensures there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders and monitors our communication with all stakeholders and disclosures made to ensure transparent and effective communication
- Identifies and monitors key risk areas and key performance indicators thereby determining the nature and extent of principal risks it is willing to take in achieving its strategic objectives
- Reviews processes and procedures to ensure the effectiveness of the internal systems of control
- Assisted by the social and ethics committee, ensures we adopt sustainable business practices, including our social and environmental activities

- Assisted by the audit committees, ensures appropriate IT governance processes are in place, the implementation of which management is responsible for, and ensuring that the process is aligned to the performance and sustainability objectives of the board
- Assisted by the audit committees' support structures and BRCC, monitors cyber risks and mitigating factors to prevent cybercrime
- Monitors and evaluates significant IT investments and expenditure
- Ensures information assets are managed effectively
- Ensures the appropriate risk governance, including IT, is in place including continual risk monitoring by management
- Ensures the induction of, and ongoing training and development of, directors
- Evaluates the performance of senior management and considers succession planning.

Board membership

At the end of the year under review, the Investec board, including the chairman, comprised of four executive directors and 12 non-executive directors.

Biographical details of the directors are set out on pages 134 and 135.

Haruko Fukuda did not seek re-election as a director at the 2015 annual general meeting, and accordingly stepped down from the board at the conclusion of the 2015 annual general meeting held on 6 August 2015. Bradley Fried stepped down from the board with effect from 1 April 2016. In accordance with the UK Corporate Governance Code, the remainder of the board will offer themselves for re-election at the August 2016 annual general meeting.

The names of the directors at the date of this report, the year of their appointment and their independence status for the year under review are set out below:

	Date of appointment		
	Investec plc	Investec Limited	Independent
EXECUTIVE DIRECTORS			
S Koseff (group chief executive officer)	26 Jun 2002	6 Oct 1986	–
B Kantor (group managing director)	26 Jun 2002	8 Jun 1987	–
GR Burger (group risk and finance director)	3 Jul 2002	3 Jul 2002	–
HJ du Toit	15 Dec 2010	15 Dec 2010	–
NON-EXECUTIVE DIRECTORS			
F Titi (chairman)	30 Jan 2004	30 Jan 2004	On appointment
ZBM Bassa	1 Nov 2014	1 Nov 2014	Yes
LC Bowden	1 Jan 2015	1 Jan 2015	Yes
CA Carolus	18 Mar 2005	18 Mar 2005	Yes
PKO Crosthwaite (senior independent director)	18 Jun 2010	18 Jun 2010	Yes
D Friedland	1 Mar 2013	1 Mar 2013	Yes
CR Jacobs	8 Aug 2014	8 Aug 2014	Yes
IR Kantor	26 Jun 2002	30 Jul 1980	No
Lord Malloch-Brown KCMG	8 Aug 2014	8 Aug 2014	Yes
KL Shuenyane	8 Aug 2014	8 Aug 2014	Yes
PRS Thomas	26 Jun 2002	29 Jun 1981	Yes

BOARD MEETINGS

Details of directors' attendance at the six board meetings held during the financial year ended 31 March 2016:

	Number of meetings eligible to attend	Meetings attended
EXECUTIVE DIRECTORS		
S Koseff (group chief executive officer)	6	6
B Kantor (group managing director)	6	5
GR Burger (group risk and finance director)	6	6
HJ du Toit	6	6
NON-EXECUTIVE DIRECTORS		
F Titi (chairman)	6	6
ZBM Bassa	6	6
LC Bowden	6	6
CA Carolus	6	6
PKO Crosthwaite (senior independent director)	6	6
B Fried*	6	4
D Friedland	6	6
H Fukuda OBE**	2	2
CR Jacobs	6	6
IR Kantor	6	5
Lord Malloch-Brown KCMG	6	5
KL Shuenyane	6	6
PRS Thomas	6	5

The number of meetings held during the year excludes the single separate meeting for each of Investec plc and Investec Limited.

Details of directors' attendance at the one non-regular board meeting held during the financial year ended 31 March 2016:

	Meetings attended
EXECUTIVE DIRECTORS	
S Koseff (group chief executive officer)	1
B Kantor (group managing director)	1
GR Burger (group risk and finance director)	1
HJ du Toit	1
NON-EXECUTIVE DIRECTORS	
F Titi (chairman)	1
ZBM Bassa	–
LC Bowden	1
CA Carolus	–
PKO Crosthwaite (senior independent director)	1
B Fried*	1
D Friedland	1
H Fukuda OBE**	–
CR Jacobs	1
IR Kantor	1
Lord Malloch-Brown KCMG	1
KL Shuenyane	1
PRS Thomas	1

* *B Fried has stepped down with effect from 1 April 2016.*

** *H Fukuda OBE did not stand for re-election at the annual general meeting held on 6 August 2015 and was therefore only eligible to attend meetings held prior to 6 August 2015.*

BOARD MEETINGS

The combined boards of Investec plc and Investec Limited meet jointly at least six times annually, excluding the annual two-day board strategy session. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure.

Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa, respectively. Unscheduled meetings are called as the need arises.

The chairman is responsible for setting the agenda for each meeting, in consultation with the chief executive officer and the company secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance of the meetings.

INDEPENDENCE

- At 31 March 2016, the board is compliant with Principle B.1.2 of the UK Corporate Governance Code in that at least half the board, excluding the chairman, comprises independent non-executive directors.
- At 31 March 2016, the board is compliant with Chapter 2, Principle 2.18 of King III in that the majority of non-executive directors are independent.

A summary of the factors the board uses to determine the independence of non-executive directors is detailed below:

Relationships and associations

- Ian Kantor is the brother of Bernard Kantor, Investec's managing director. Ian is also the founder and was previously CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the UK Corporate Governance Code and King III.
- Bradley Fried was previously CEO of Investec Bank plc and given that role and his ongoing relationship with Grovepoint, the board concluded that Bradley could not be considered independent. Bradley has an interest in Grovepoint, which has entered into various transactions in the ordinary course of business with Investec. Bradley stepped down from the board with effect from 1 April 2016.
- Prior to joining the board on 1 March 2013, David Friedland was a partner of KPMG. KPMG along with Ernst & Young, are joint auditors of Investec Limited. The board concluded that, notwithstanding his previous association with KPMG, David retains independence of judgement given he was never Investec Limited's designated auditor or relationship partner and was not involved with its Investec account.

Despite the board concluding that Ian and Bradley cannot be considered independent for the reasons explained above, the board is of the view that their skills, knowledge, experience and attributes are nonetheless valuable to the organisation and believe they use their independent judgement when making decisions that affect the organisation and stakeholders.

INDEPENDENCE

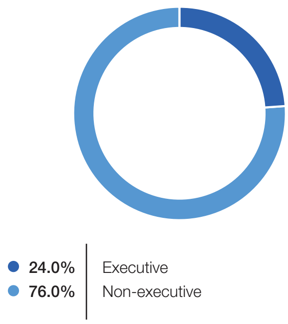
Chairman	1
Executives	4
Non-executives	10

64%

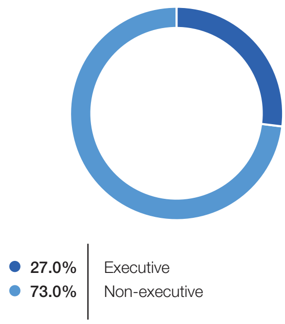
OF BOARD INDEPENDENT

BALANCE OF NON-EXECUTIVE AND EXECUTIVE DIRECTORS:

Pre-2015 AGM



Post-2015 AGM

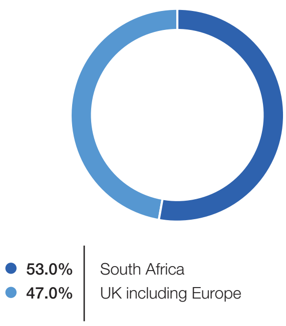


DIVERSITY

Aspirational target:

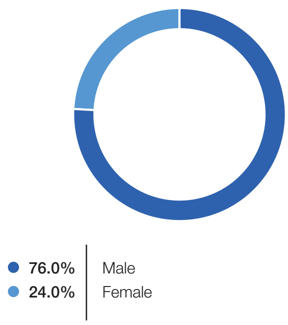
Per the Davies Report: 25% female representation by 2015

GEOGRAPHICAL MIX

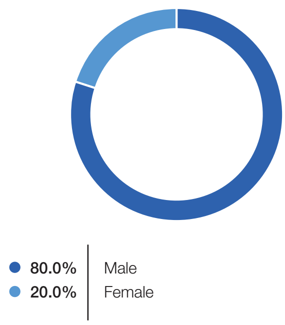


BOARD GENDER BALANCE:

Pre-2015 AGM



Post-2015 AGM



Tenure

The board is also mindful of its responsibility to ensure that there remains an appropriate balance of skills and experience on the board, and it is therefore of the view that retention of certain members beyond nine years may in certain circumstances be beneficial in ensuring this balance and that orderly succession can take place.

The board follows a thorough process of assessing independence on an annual basis for each director whose tenure exceeds nine years. The board does not believe that tenure of any of the current non-executive directors interferes with their independence of judgement and their ability to act in Investec's best interests.

Accordingly, the board has concluded that Cheryl Carolus and Peter Thomas, despite having been directors of Investec for nine years or more, retain both financial independence and independence of character and judgement.

Notwithstanding the guidelines set out in the UK Corporate Governance Code and King III, the board is of the view that these non-executive directors are independent of management and promote the interests of stakeholders. The balance of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no one individual or group can dominate board processes or have unfettered powers of decision-making. The board believes that it functions effectively and evaluates its performance annually.

Attendance at credit meetings

David Friedland and Peter Thomas regularly attend, by invitation, certain credit committees of the group dealing with large exposures requiring sign off by non-executive directors in terms of the delegation of authority. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This further allows David to discharge his responsibilities more effectively as chairman of the audit committees and BRCC.

TERMS OF APPOINTMENT

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of our policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director is a member. We have an insurance policy that insures directors against liabilities they may incur in carrying out their duties. On the recommendation of the NOMDAC, non-executive directors will be appointed for an expected term of nine years (three times three-year terms) from the date of their first appointment to the board.

INDEPENDENT ADVICE

Through the senior independent director or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2016 financial year.

TENURE

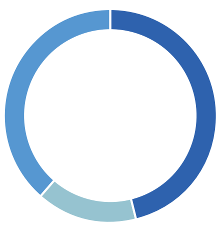
Average length of service:

(Length of service by band) for non-executive directors

UK CORPORATE GOVERNANCE RECOMMENDATION:

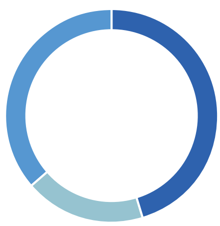
Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

Pre-2015 AGM: 5 years average



6	0 – 3 years
2	3 – 6 years
–	6 – 9 years
5	9 years plus

Post-2015 AGM: 5 years average



5	0 – 3 years
2	3 – 6 years
–	6 – 9 years
4	9 years plus

COMPANY SECRETARIES

David Miller is the company secretary of Investec plc and Niki van Wyk is the company secretary of Investec Limited. The company secretaries are professionally qualified and have experience gained over a number of years. Their services are evaluated by board members during the annual board evaluation process. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretaries whose appointment and removal are a board matter.

In compliance with the JSE Listings Requirements, the board has considered and is satisfied that each of the company secretaries is competent, has the relevant qualifications and experience and maintains an arm's length relationship with the board. In evaluating these qualities, the board has considered the prescribed role and duties pursuant to the requirements codified in the South African and the UK Companies Acts and the listings and governance requirements as applicable.

In addition, the board confirms that for the period 1 April 2015 to 31 March 2016 neither of the company secretaries served as a director on the board nor did they take part in board deliberations and only advised on matters of governance, form or procedure.

BOARD COMMITTEES

In exercising control of the group, the directors are empowered to delegate to various board and executive committees. The committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary.

The full terms of reference are available on our website.

The following table indicates non-executive board representation on the board committees as at the date of this report:

Members	Independent	DLC audit	Investec plc and Investec Bank plc audit	Investec Limited and Investec Bank Limited audit	DLC remuneration	DLC NOMDAC	BRCC	DLC social and ethics committee
F Titi (chairman)	Yes				√	Chair	√	Chair
ZBM Bassa*	Yes	√	√	√	√		√	
LC Bowden	Yes	√	√	√				
CA Carolus	Yes							√
PKO Crosthwaite	Yes				Chair	√		
D Friedland	Yes	Chair	Chair	Chair		√	Chair	
CR Jacobs	Yes				√			
Lord Malloch-Brown KCMG	Yes							√
KL Shuenyane	Yes	√	√	√			√	
PRS Thomas	Yes	√	√	√		√	√	√

* *ZBM Bassa was appointed to the DLC remuneration committee with effect from 10 September 2015.*

A report on the activities of the committees, prepared in accordance with sound governance principles is provided in the relevant sections of this report.

Effectiveness and evaluation

SKILLS, KNOWLEDGE, EXPERIENCE, DIVERSITY AND ATTRIBUTES OF DIRECTORS

The board has a broad range of skills and experience. All appointments are made on merit, in the context of the diversity of skills, experience, background and gender required to be effective. The board considers that the skills, knowledge, experience, diversity and attributes of the directors as a whole are appropriate for their responsibilities and the group's activities. The directors bring a range of skills to the board including:

- International business and operational experience
- Understanding of the economics of the sectors in which the group operates
- Knowledge of the regulatory environments in which the group operates
- Financial, accounting, legal and banking experience and knowledge.

The skills and experience profile of the board and its committees are regularly reviewed by the NOMDAC to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.

The NOMDAC keeps under review the size and structure of the board and considers the current structure of the board provides the desired diversity of attributes, as described above, while not being too large to prevent it from being able to operate efficiently and effectively.

BOARD AND DIRECTORS' PERFORMANCE EVALUATION

The 2016 board effectiveness review was conducted by an external independent facilitator, Professor Rob Goffee of the London Business School. Professor Goffee has no connection with the group. Directors each completed a questionnaire and met with Professor Goffee in order to identify future challenges, current strengths and provide insight to how the board functions. Findings were collated and presented at the January 2016 board meeting. While the review concluded that the board was operating effectively with particular strengths in the areas of risk management, overall standards of corporate governance and the functioning of the audit committees, there were areas which the board felt it could improve.

Key themes to emerge from the effectiveness review included:

- Board composition: bedding down the board refreshment programme
- Management succession planning
- Continuing to improve management information
- Strengthening the board/governance structures of the regulated subsidiaries
- Directors' ongoing development particularly within the context of the changing regulatory landscape.

ONGOING DEVELOPMENT

On appointment, directors are provided with an induction pack and participate in an induction programme tailored to their needs, including meeting with the business unit and central services' heads to ensure they become familiar with business operations, senior management, our business environment and internal controls, policies, processes and systems for managing risks.

Directors' ongoing development is a standing board agenda item, including updates on various training and development initiatives. Board members receive regular formal presentations on regulatory and governance matters as well as on the business and support functions. Regular interactive workshops are arranged between directors and the heads of risk management, control functions and business units. Topics covered during the past year included MIFID II, recovery plans, stress testing framework, senior managers regime as well as presentations on the group's learning and development programme.

The company secretaries liaise with directors to source relevant seminars and conferences which directors could attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the company secretaries who ensure these needs are addressed.

Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed-term employment contracts and there are no employment contracts with managers for a term of more than three years.

Our management structure, reporting lines and the division of responsibilities are built around a geographic, divisional and functional network as depicted on page 85.

Each strategic business unit has a management committee and is responsible for implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

The NOMDAC receives a detailed presentation from the executive regarding senior management succession and the NOMDAC is satisfied that there is a formal management succession plan in place.

The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date.

Senior management succession plans are also presented annually to the banking regulators.

DLC nominations and directors' affairs committee (NOMDAC)

INTRODUCTION

The NOMDAC has combined the duties of a nominations committee as well as that of a directors' affairs committee as required under section 64B of the South African Banks Act.

The NOMDAC also acts as the nominations or directors' affairs committee for major operating subsidiaries.

The NOMDAC complies with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules and corporate governance principles.

The board has approved terms of reference for the NOMDAC which can be found on our website.

ROLE AND RESPONSIBILITIES

The NOMDAC is responsible for, amongst other things:

- Identifying and nominating candidates to the board to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity and refreshment programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the board and board committees compared with their current situations and making recommendations to the board regarding any changes
- Reviewing the succession plan of the key positions in Investec Limited and Investec plc and all their major subsidiaries, in order to ensure that an updated management succession plan remains in place.

MEMBERSHIP AND ATTENDANCE

Attendance by members at NOMDAC meetings during the financial year ended 31 March 2016:

Members	Number of meetings held during the year	Number of meetings attended during the year
F Titi (chairman)	6	6
SE Abrahams*	6	6
PKO Crosthwaite	6	6
D Friedland	6	6
KXT Socikwa*	6	1
PRS Thomas	6	6

* *SE Abrahams and KXT Socikwa are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interests on this committee. KXT Socikwa did not stand for re-election at the annual general meeting held on 6 August 2015 and was therefore only eligible to attend meetings held prior to 6 August 2015.*

SUMMARY OF CONCLUSIONS REACHED AND KEY RECOMMENDATIONS MADE TO THE BOARD DURING THE YEAR UNDER REVIEW

Board composition

- Reviewed the structure, size and composition of the board and subsidiary boards and the principal board committees and carefully reviewed the balance of independent non-executives relating to executive directors.
- The NOMDAC worked on commissioning the 2016 board effectiveness review conducted by Professor Rob Goffee.
- The board acknowledges the value to be derived from bringing together individuals with a broad range of backgrounds, experience and outlooks. Gender is recognised to be an important part of that diversity, and currently the board comprises three women.
- While non-executive appointments are based on merit and overall suitability for the role, the NOMDAC will be mindful of the value of diversity as it progresses the structured refreshment programme described above.
- Further to a recommendation from NOMDAC, the board agreed that going forward, non-executive appointments are made for an expected period of nine years (three terms of three years) from the date the non-executive director was first appointed.
- The NOMDAC in conjunction with Zygos (an external recruitment agency), has identified and recommended the appointment of two independent non-executive directors to the board of Investec Bank plc.

Board succession

The NOMDAC continued to focus on ensuring that the board has the appropriate balance of skills, experience, independence and knowledge of the group. The board agreed, on the recommendation of the NOMDAC, to implement a structured refreshment programme so as to ensure that we are recruiting new, independent non-executive directors and retiring some of our longer serving non-executive directors over a period of years.

In this regard:

- Haruko Fukuda did not offer herself for re-election at the August 2015 annual general meeting
- Bradley Fried resigned from the board with effect 1 April 2016.

Process for board appointments

Appointments to the board are made following a thorough and extensive recruitment process. The NOMDAC completed an analysis of the skills, experience and diversity of the current board, and recorded this on a detailed skills matrix. This will be used to help identify the core competencies desired from new appointments to the board.

Management succession

The NOMDAC received a detailed presentation from the executive regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The NOMDAC derives comfort from the fact that people development is an integral part of Investec's culture and values creating a deep pool of talent to draw from. During the year under review, the chief executive officer and managing director delegated more of their operational responsibilities to the executive teams supporting them. The NOMDAC will continue to focus on ensuring that the management succession plan remains up to date and the respective succession plans in the three pillars continue to be implemented within the respective businesses.

Governance

The NOMDAC:

- Monitored the induction programme of new directors
- Ensured that the directors' ongoing development programme remains relevant and appropriate
- Considered the independence of board members and, where necessary made recommendations to the board
- Reviewed the expertise of the company secretaries and made recommendations to the board.

Board effectiveness

The 2016 board effectiveness review was facilitated by Professor Rob Goffee, an independent third party service provider. The findings of the 2016 review were presented to the board, an action plan developed and progress against these actions would be monitored by the board during 2016.

Fani Titi
Chairman, DLC nominations and directors' affairs committee

9 June 2016

Accountability

FINANCIAL REPORTING AND GOING CONCERN

The directors have confirmed that they are satisfied that the group, as well as Investec plc and Investec Limited individually, have adequate resources to continue in business for the foreseeable future. The assumptions underlying the going concern statement are discussed at the time of the approval of the annual financial results by the board and these include:

- Budgeting and forecasts
- Profitability
- Capital
- Liquidity
- Solvency.

The board is of the opinion, based on its knowledge of the group, key processes in operation and enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future.

Further information on our liquidity and capital position is provided on pages 60 to 73 and pages 80 to 85 in volume two.

Furthermore, the board is of the opinion that the group's risk management processes and the systems of internal control operate effectively.

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined consolidated financial statements, accounting policies and the information contained in the integrated annual report, and to ensure that the annual financial statements are fair, balanced and understandable.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the key risks Investec faces in preparing the financial and other information contained in this integrated annual report.

This process was in place for the year under review and up to the date of approval of this integrated annual report and annual financial statements. The process is implemented by management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board.

Further information is provided on pages 6 to 8 in volume two.

Our annual financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Nature and complexity of our business
- Risks we assume, and their management and mitigation
- Key business and control processes in operation
- Credit rating and access to capital
- Needs of all our stakeholders
- Operational soundness
- Accounting policies adopted
- Corporate governance practices
- Desire to provide relevant and clear disclosures
- Operation of board committee support structures.

VIABILITY STATEMENT

In addition to providing a going concern statement, the board is required, in terms of the UK Corporate Governance Code, to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted on pages 40 to 48.

Through its various sub-committees, notably the audit committees, the group risk and capital committee (GRCC), the BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity and solvency of the group. The activities of these board sub-committees and the issues considered by them are described in this governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall risk appetite for the Investec group. The group's risk appetite statement sets broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/measurement against its risk appetite framework is provided at each BRCC meeting and at the main board meetings.

In terms of the South African Reserve Bank (SARB), the UK Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions.

Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Scenario modelling and rigorous daily liquidity stress tests are performed to measure and manage the group's respective banking entities' liquidity positions such that payment obligations can be met under a wide range of company-specific and market-driven stress scenarios. The objective is to have sufficient liquidity, in an acute stress scenario, to continue to operate for a minimum period as detailed in the board-approved risk appetite and as required by the regulators. The group's risk appetite also requires each banking entity to maintain a minimum cash to customer deposit ratio of 25%, and ensure that the respective banking entities are not reliant on wholesale funding to fund core asset growth. Each banking entity is required to be fully self-funded. Our banking businesses in both the UK and South Africa exceed the regulatory requirements for the net stable funding ratio and liquidity coverage ratio. The group currently has £11 billion in cash and near cash assets, representing 45.7% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is performed in designing Investec's specific stress scenarios. The group also incorporates the SARB and Bank of England (BOE) 'anchor stresses' into its capital and liquidity processes. As the group's banking entities are regulated separately and ring-fenced from one another, different stress scenarios apply across the respective banking entities and jurisdictions.

The group's current down case stress scenario in Investec Limited takes into account a number of factors, which are briefly highlighted below:

- A substantial global and domestic recession (with GDP growth in South Africa falling to negative territory)
- A further commodity slump
- Domestic and global rapid, sharp interest rate hikes
- Substantial Rand weakness (where the Rand falls below 20 to the US Dollar and then to over 25 to the US Dollar)
- The unemployment rate moves to over 30%
- South Africa's sovereign credit rating is dropped to speculative grade
- Persistent schedule three electricity load shedding ensues.

Investec plc runs a number of stress scenarios, some of which are briefly highlighted below:

- The BOE 'Anchor Scenario': this scenario incorporates a UK slowdown in GDP growth, a slump in Pounds Sterling, a significant increase in inflation and interest rates in the UK
- A scenario where there is an oil price shock with prices increasing substantially. This would result in a significant deterioration in global risk sentiment. UK inflation rises and spirals to a CPI peak of 5%. The UK economy undergoes a severe recession with GDP falling from peak to trough by over 4%. National house prices fall over 20% (and in London by over 45%), and the FTSE falls close to 30%
- A scenario where global growth disappoints and there is a collapse in the oil price which pushes down inflation and leads to a deflationary mindset. There is a period of stagnation which moderately impacts UK GDP. UK interest rates are cut into negative territory. National house prices in the UK are negatively impacted as is the FTSE.

In addition, during the year, the group incorporated a number of new stress scenarios into its liquidity and capital plans, for example, the events that unfolded in South Africa in December 2015, a sovereign rating downgrade of South Africa to below investment grade and 'Brexit'. We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered highly unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery and resolution plan for both Investec Limited and Investec plc. The purpose of the recovery plans are to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

The capital and liquidity plans, stress scenarios, recovery and resolution plans and the risk appetite statement are reviewed at least annually. In addition, senior management hosts an annual three-day risk appetite process at which the group's risk appetite framework is reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium-term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. The board has assessed the group's viability in its 'base case' and 'down case' scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2019 under these various scenarios.

In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the 'down case' scenario these include, for example, dividend payments being reduced and asset growth being curtailed.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 5 to 83, which shows a strategic and financial overview of the business
- Pages 40 to 48, which provide detail on the principal and emerging risks the group faces
- Page 11 in volume two, which highlights information on the group's risk appetite framework
- Pages 6 to 8 in volume two, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 17, 49, 56 and 61 in volume two which highlight information on the group's various stress testing processes
- Pages 60 to 62 in volume two, which specifically focus on the group's philosophy and approach to liquidity management
- Pages 80 to 83 in volume two which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 9 June 2016. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

RISK MANAGEMENT AND INTERNAL CONTROL

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The BRCC, GRCC and audit committees assist the board in this regard.

Sound risk management practices are promoted by the group risk management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness. In accordance with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, the board, with the assistance of the risk management functions and committees, continuously monitors the group's system of internal control and risk management, and annually reviews its effectiveness.

Internal control is designed to mitigate, not eliminate, significant risks faced. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision as well as oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance.

The board identifies the principal risks facing the group, and carries out a robust assessment of those risks, their potential impact on the business, and how they can be mitigated.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant audit committee. Appropriate processes, including review by the audit committees' support structures, ensure that timely corrective action is taken on matters raised by Internal Audit.

Significant risks are regularly considered by the executive risk review forum (ERRF) and by the GRCC and BRCC. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC and the audit committees. Reports from the audit committees, BRCC and risk and control functions are reviewed at each board meeting.

Risk management, including information on the principal risks facing the group and how they are managed is described in more detail in volume two. A statement on how the board has assessed the longer term prospects of the group, with regard to the group's current position and these risks, are set out in the group's viability statement.

INTERNAL FINANCIAL CONTROLS

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the audit committees and are independently assessed by Internal Audit and Compliance. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate, review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the external audit process.

INTERNAL AUDIT

Each significant jurisdiction has an internal audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk-based audit approach is followed and the audit committee approves annual audit plans.

For further details on the Internal Audit, see page 99 in volume two.

EXTERNAL AUDIT

Investec's external auditors are Ernst & Young LLP and Ernst & Young Inc, at a DLC level. Ernst & Young Inc and KPMG Inc are joint auditors of the Investec Limited silo and Ernst & Young LLP are the auditors of the Investec plc silo. The independence of the external auditors is reviewed by the audit committees each year.

The audit committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and all other audit matters. The external auditors are invited to attend audit committee meetings and have access to the chairman of each audit committee.

Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as Directive 6/2008 of the South African Banks Act, were adhered to during the year under review.

Non-audit services are dealt with in terms of an agreed policy which states that:

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the audit committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors.

Total audit fees paid to all auditors for the year ended 31 March 2016 were £8.4 million (2015: £13.4 million), of which £1.8 million (2015: £4.5 million) related to the provision of non-audit services.

For further details on non-audit services see note 6 on page 52 in volume three.

COMPLIANCE

The Compliance function ensures that Investec continuously complies with existing and emerging regulation impacting on its operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The Compliance function is managed by Group Compliance and supported by the compliance officers in the business units.

For further details on the Compliance function, see pages 100 and 101 in volume two.

REGULATION AND SUPERVISION

Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the UK PRA and the FCA (the UK regulators), the Banking Supervision Department (BSD) of the SARB, Bank of Mauritius and the Australian Securities and Investment Commission.

Some of our businesses are subject to supervision by the South African Financial Services Board, the South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited.
The SARB is the supervisor of Investec Limited, while the UK regulators supervise Investec plc.

We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to the regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

CONFLICT OF INTEREST

Certain statutory duties with respect to directors' conflicts of interest are in force under the UK Companies Act 2006 and the South African Companies Act 2008, as amended. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter that otherwise may involve the directors breaching their duty to avoid conflicts of interest. The board has adopted a procedure, as set out in the Articles and MOI, that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration and, if considered appropriate, approval.

EXTERNAL DIRECTORSHIPS

Outside business interests of directors are closely monitored and we are satisfied that all of the directors are compliant with the UK's PRA requirements, which came into effect 1 July 2014, limiting the number of directorships both executive and non-executive directors are permitted to hold.

DEALINGS IN SECURITIES

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UK's Disclosure and Transparency Rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their 'connected persons'. These include directors and senior executives of the group.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such award, unless the remuneration committee determines otherwise.

DIRECTORS' DEALINGS

The remuneration report on pages 159 to 201, contains details of Investec shares held by directors.

Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure and Transparency Rules of the UK LA and the JSE Listings Requirements.

All directors' and company secretaries dealings require the prior approval of the Compliance division and the chairman, the senior independent director or the chairman of the audit committees.

All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the chairman.

Audit committees

INTRODUCTION

The audit committees are an essential part of the group's governance framework to which the board has delegated oversight of the group's financial reporting, risk management, compliance, internal and external audit.

This report provides an overview of the work of the committees and details how it has discharged its duties over the year.

Following the annual cycle of work of the committees, we concluded that sound risk management and internal controls have been maintained during the year.

The committees were satisfied that the integrated annual report presents fairly and provides a fair, balanced and understandable assessment of the group's financial position as at 31 March 2016, and the results of its operations for the year then ended.

BACKGROUND

In terms of Investec's DLC structure, the board has mandated authority to the Investec plc and Investec Bank plc audit committee and the Investec Limited and Investec Bank Limited audit committee to be the audit committees for those respective companies and their subsidiaries with each having their own regulatory requirements to meet. A DLC audit committee – which is the combined audit committee of Investec plc and Investec Bank plc and Investec Limited and Investec Bank Limited – has responsibility to the board for matters common to both Investec plc and Investec Limited and, in particular, the combined group annual financial statements and results.

The audit committees comply with all legal and regulatory requirements as necessary under both UK and South African legislation and listings rules, and apply the corporate governance principles for audit committees as required by the UK Disclosure and Transparency Rules (7.1.3R), the UK Corporate Governance Code and King III.

The board recognises the important role of the audit committees as part of the risk management and corporate governance processes and procedures of the Investec group. In this regard, the audit committees have oversight of and monitor:

- Financial reporting process and risks
- Fraud and IT risks as they relate to financial reporting
- The effectiveness of the group's internal controls, internal audit and risk management systems
- The statutory audit and group annual financial statements, the integrated annual report as well as the interim results
- The independence and performance of the statutory and internal auditor, and appropriateness of the statutory auditor's provision of non-audit services.

At each audit committee meeting, the group chief executive officer, group managing director and group risk and finance director provide an in-depth assessment of their current risk-related concerns and the procedures introduced by management to control or mitigate these risks.

Following the completion of all group audit committee meetings, a written report is provided to the next meeting of the board of directors highlighting matters of which the audit committee believes the board should be aware.

All responsibilities are covered in the audit committees' terms of reference.

The board has approved the terms of reference for the audit committees which can be found on our website.

The audit committees approve the annual internal audit plan. The heads of Internal Audit for both Investec plc and Investec Limited have free access to the chairman of the audit committees or any member of the audit committees and they attend all audit committee meetings by invitation.

External auditors from both the UK and South Africa attend audit committee meetings.

MEMBERSHIP AND ATTENDANCE

The audit committees are comprised entirely of independent non-executive directors who must meet predetermined skills, competency and experience requirements.

In aggregate the audit committees meet 12 times per year. The chairman, chief executive officer, managing director, group risk and finance director, heads of Compliance, IT, Operational Risk, Internal Audit, Finance and representatives of the external auditors attend meetings by invitation.

A comprehensive meeting pack is prepared with written reports received from the external auditors and each of the above functions. They present on the significant matters included in their reports.

The chairman of the audit committees regularly meets with the heads of Internal Audit as well as the lead external audit partners outside formal committee meetings and with senior management to gain a better understanding of the group's operations and the risks and challenges it faces.

At the final results audit committee meetings, the external auditors and internal auditors meet separately with the committee members to enable them to have a frank and open debate without the executives being present.

Attendance by members at audit committee meetings during the financial year ended 31 March 2016:

	DLC audit committee		Investec plc and Investec Bank plc audit committee		Investec Limited and Investec Bank Limited audit committee	
Members	**Number of meetings**	**Numbers of meetings attended**	**Number of meetings**	**Number of meetings attended**	**Number of meetings**	**Number of meetings attended**
D Friedland (chairman)	4	4	4	4	4	4
ZBM Bassa	4	4	4	4	4	4
LC Bowden	4	3	4	4	4	4
KL Shuenyane	4	4	4	4	4	4
PRS Thomas	4	2	4	4	4	4

SUMMARY OF CONCLUSIONS REACHED BY THE AUDIT COMMITTEES FOR THE YEAR ENDED 31 MARCH 2016

The audit committees, to the best of our knowledge and belief, are satisfied that:

- The Finance functions of both Investec plc and its subsidiaries and Investec Limited and its subsidiaries are adequately skilled, resourced and experienced
- The group risk and finance director, GR Burger, has the appropriate expertise and experience to meet the responsibilities of the position
- The group's internal financial controls are effective and all identified weaknesses in financial control are being addressed
- The external auditors of both Investec plc and Investec Limited are, and remain, independent
- The external auditors perform their functions with the appropriate expertise, competence and experience.

In fulfilling our duties, the audit committees have:

- Considered whether the integrated annual report taken as a whole was fair, balanced and understandable and provided the information necessary for stakeholders to assess the group's performance
- Reviewed, challenged and discussed with both management and the external auditors material areas in which significant judgements were applied
- Reviewed the Internal Audit function including the process for evaluating the control environment, approved the internal audit plan and considered internal audit reports
- Reviewed and considered representations by management on the going concern statement for the group
- Based on liquidity levels, capital adequacy, capital plan and the 2017 budget, recommended the adoption of the going concern concept to the board
- Discussed with management the process used to identify, measure and oversee tax risks
- Reviewed the risk assessment process and the manner in which significant business risks are managed
- Recommended to the board the reappointment of our external auditors (see external auditors on the next page)
- Focused on information security due to the ever increasing threat posed by cybercrime and risks associated with mobile technology and social media
- Confirmed the absence of any indicators of fraud with regard to financial reporting.

The audit committees recommended the adoption of the integrated annual report to the board.

In this regard the audit committees:

- Considered facts and risks that may impact on the integrity of the integrated annual report
- Reviewed and requested that changes be made to disclosures to the annual financial statements included in the integrated annual report
- Reviewed the disclosure of sustainability issues in the integrated annual report to ensure they are reliable and do not conflict with the financial information
- Obtained confirmation from the chief executive officer and group risk and finance director that they considered the disclosures to be fair, reasonable and balanced

- On the basis of the committees' membership of the BRCC, meetings with senior management, attending board and strategy meetings and the audit committee process, the committee concluded that the integrated annual report taken as a whole, is fair, reasonable and balanced and provides the information necessary for shareholders and other stakeholders to assess the group's performance, business model and strategy
- As in prior years, engaged Grant Thornton to verify all the environmental data included in the report. None of the audit firms engaged in the group's external audit were considered for the project.

A viability statement is required to be made for the first time.

Following confirmation by the BRCC (comprising a majority of non-executive directors, which includes members of the audit committees), the audit committees recommended the viability statement for board approval.

The board subsequently approved the integrated annual report, including the annual financial statements, which will be tabled for approval at the forthcoming annual general meeting.

EXTERNAL AUDITORS

Appointment and independence

The committee considers the reappointment of the external auditors each year before making a recommendation to the board and shareholders. It assesses the independence of the external auditors on an ongoing basis. The external auditors are required to rotate the lead audit partner every five years and other senior audit staff every seven years. Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period. The lead partner commenced his five-year rotation last year.

Although Ernst & Young has been the group's auditors since listing on the London Stock Exchange in 2002, we continue to believe that partner rotation, limitations on non-audit services and the confirmation of the independence of both Ernst & Young and the audit team are adequate safeguards to ensure that the audit process is both objective and effective. In terms of the partner rotation process, Ernst & Young's designated auditor in respect of Investec Limited will change effective 2017 from Ernest van Rooyen to Farouk Mohideen.

The committees evaluated the effectiveness of the auditors through completion of a questionnaire which, inter alia, assessed the audit partners, audit team and audit approach (planning and execution), during their presentations at audit committee meetings and ad hoc meetings held with the auditors throughout the year. Senior Finance function executives also provided feedback to the committees.

Non-audit services

The committees have adopted a policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the committees.

The committees review whether the level of non-audit fees could impact the independence of the auditors. This is monitored by reference to the level of fees paid for services, excluding services which are required to be provided by the external auditors due to their office, against the fees paid for the audit of the group.

For further details on non-audit services see note 6 on page 52 in volume three.

INTERNAL AUDIT

The committees are responsible for monitoring and reviewing the scope and the effectiveness of the Internal Audit function. Both the Investec Limited and Investec plc heads of Internal Audit have a direct reporting line to the chairman of the audit committees and regularly meet with him to discuss progress with the audit plans, resourcing and setting their annual objectives. Internal Audit was subject to a 'quality assurance review' in 2014, with the next review scheduled for 2019.

RISKS ADDRESSED DURING THE YEAR UNDER REVIEW

Detailed below are significant audit risks the committees focused on:

- Monitoring of credit quality and the appropriateness of the allowance for credit losses

  We discussed with management and the auditors the specific and collective loan provision process, and considered the reasonableness of the allowance relative to the quality of the book and related collateral
- Valuation of financial instruments and unlisted investments. Unlisted investments often require a large degree of subjectivity surrounding the various inputs to their valuations

  We met with management and the external auditors to discuss and challenge, inter alia, the discount rates, credit spreads and price earnings ratios assumptions used in the valuations of unlisted investments, including embedded derivatives
- Accounting and financial reporting of large or complex transactions

  Discussions were held with management and the external auditors with regard to large and complex transactions to ensure compliance with accounting standards
- Taxation
  We examined and challenged management's estimates of levels of taxation expected to be payable in respect of transactions currently being challenged by the Revenue Authorities, including review of correspondence by our external adviser.

The internal and external auditors provided detailed reporting in respect of these key areas.

In addition, the audit committees considered the following themes:

- **Cybercrime**
  The group continues to experience an escalation in attempted IT fraud and other forms of cybercrime. Considerable effort and time have been devoted by management to ensure that IT controls are robust and appropriate solutions are deployed to protect the group from increased threat levels.

  In the latter part of 2015, we engaged an independent specialist company to conduct a simulated cyberattack against the group. While certain technical weaknesses were identified, the conclusion of the testers was that our ability to detect and respond to a targeted attack is above average, compared against our peers.

Remedial steps are being taken to address the weaknesses and our security controls are continually enhanced, in response to the evolving threat landscape. Another simulated attack is scheduled for later this year.

- **Liquidity risk**
  The adequacy and appropriateness of liquidity management throughout the group's operations.
- **Compliance with laws and regulations**
  Adherence to key regulatory issues facing the group.
- **Control weaknesses**
  Assessing the internal control weaknesses identified by the assurance providers and ensuring appropriate steps are taken within prescribed and specified time limits to mitigate and remedy such weaknesses.

IFRS 9 FINANCIAL INSTRUMENTS

The new standard includes revised guidance on classification and measurement of financial assets including a new expected credit loss model for calculating impairments.

The group has established an IFRS 9 steering committee comprising executive representation and key management from Risk, Finance, Analytics and IT. The committee is accountable for IFRS 9 implementation and is supported by working groups responsible for different workstreams. The committee provides updates on the status of the project to the appropriate board committees.

The group continues to evaluate the overall effect of IFRS 9, but it is not practicable to quantify the effect as at the date of the publication of these financial statements.

The audit committees will use the lead time to challenge management's assessment of the standard's effect and remain abreast of its implementation plans.

Audit committees' structure

The table below depicts the Investec group audit committees' structure and ambit of activities.

AUDIT COMMITTEES OF INVESTEC PLC AND INVESTEC BANK PLC AND INVESTEC LIMITED AND INVESTEC BANK LIMITED			

External auditors
• Planning/budget
• Conflict/audit independence confirmations
• Non-attest services and fees
• Reports to regulators
• Management letter
• Quality of earnings (audit differences schedule)
• Appointment/ reappointment
 	
Compliance
• Planning
• Resources
• High level reporting of possible compliance breaches
• Monitoring of special projects
• Regulatory matters
 	
Tax
• High level only
• Tax sub-committee
 	
Prudential audit and conduct committee
• Distil only major issues to the Investec plc audit committee
	Audit sub-committees
	• Distil only major issues to audit committees
	• High level reports
	
	Audit compliance implementations forum (ACIF)
	• Reviews higher rated findings from all assurance providers
	• Monitors mitigation of above risks
	
	Information technology
	• Status
	• Major risks, including cybercrime
	• Change control
	• Capacity management
	• Security and fraud awareness
	• Staffing
	• Projects
	• Governance
	• Disaster recovery
		Current risk review
		• Chief executive officer
		• Managing director
		• Financial director
		
		Internal auditors
		• Annual audit plan
		• Adequacy of staffing complement
		• Succession planning
		• Internal audit charter
		• Status of audit work plan
		• Report of findings and monitoring of outstanding issues
		• Special ad hoc work
		• Review of high level reports
		• Internal controls
		• Sustainability report
		
		Operational risk
		• Fundamental internal controls
		• Fraud and loss statistics
		• Insurance coverage
			• Corporate governance (South African Banks Act requirements)
			• Disaster recovery and business continuity
			• Key staff issues
			
			Finance
			• Accounting policies
			• Annual financial statements
			  – Half-year results
			  – Year-end results
			• Production of audited annual financial statements of companies and subsidiaries
			• Accounting for one-off transactions
			• Accounting updates and conventions – IFRS
			• Basel
			• Reconciliations
			• Regulatory reports
			• Representation letters

SUPPORT STRUCTURES

Audit sub-committees for Investec plc and Investec Limited regulated subsidiaries, have been established. Reports on the risk and control environment of all business units and principal operating subsidiaries are made to one of the audit sub-committees, with significant issues being escalated to the audit committees.

These allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited audit committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of their business units. Members of the Investec plc and Investec Limited audit committees are entitled to attend these meetings and, as a general rule, at least one non-executive director attends these meetings.

The forums are key to enhancing risk and control consciousness and the associated control environment of the group.

The forums support and provide important insight to the audit committees. Essentially, the forums act as a filter, enabling the audit committees to concentrate their efforts on matters of appropriate materiality.

AUDIT TENDERING

In June 2014, European Union (EU) audit legislation came into force. Among other provisions, it imposes mandatory audit firm rotation for public interest entities (PIE). The legislation will take effect in June 2016. Special transition arrangements apply to the provisions on mandatory firm rotation.

The new legislation will require a PIE either to rotate its auditor or put the audit out to tender after a maximum 10-year period with a further 10 years allowed if a tender results in the current auditor retaining the audit. Transitional arrangements in place mean that Investec falls into the category of having current tenure of its current auditors in place for 11 to 20 years and therefore a tender process would be required to enable change in audit firms for the March 2025 year end.

Auditors of PIEs will be subject to a maximum cap on non-audit fees. The cap equals 70% of audit fees based on a three-year rolling average. In addition there is a new list of prohibited activities for PIE audits which are broadly similar types of activities to those covered in current independence requirements, but with a wider scope and fewer exceptions.

The committees will continue to monitor these developments and consider the impact of these regimes on Investec's external audit arrangements as the UK implementation rules become clearer.

David Friedland
Chairman, audit committees

9 June 2016

DLC board risk and capital committee (BRCC)

INTRODUCTION

The BRCC is the appointed board committee to meet the requirements of the UK and SA regulators for the board of directors of a bank.

The purpose of the BRCC is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risk and the extent of such risks which the group on a consolidated basis, and its banks on a solo basis, should undertake.

ROLE AND RESPONSIBILITIES

The committee will ensure that:

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board
- Exposure limits for market, investment, counterparty and credit risk are ratified; liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the basis of measuring risk
- There is sufficient capital and liquidity in relation to existing and potential risks to the organisation.

Over the past year the committee has spent a considerable amount of time reviewing and monitoring matters relating to cybercrime and conduct risk across all geographies in which the group operates. In addition the committee focused on capital plans that were derived at through the result of various stress testing scenarios, as well as recovery and resolution planning.

The BRCC defines the processes by which internal financial control, risk and capital management are assumed and monitored. The Group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the board and the BRCC. These include the DLC capital committee, ERRF, asset and liability committees, group credit committees, group market risk forum, group deal forum, operational risk committees/forums and group legal risk forum.

The committee's terms of reference are available on our website.

Membership and attendance

Attendance by members at BRCC meetings during the financial year ended 31 March 2016:

	Number of meetings held during the year	Number of meetings attended during the year
EXECUTIVE DIRECTORS		
S Koseff (group chief executive officer)	5	5
B Kantor (group managing director)	5	4
GR Burger (group risk and finance director)	5	5
NON-EXECUTIVE DIRECTORS		
D Friedland (chairman)	5	5
SE Abrahams*	5	4
ZBM Bassa	5	4
B Fried**	5	4
H Fukuda OBE***	5	3
KL Shuenyane	5	5
KXT Socikwa*	5	3
PRS Thomas	5	4
F Titi	5	4

* *SE Abrahams and KXT Socikwa are non-executive directors of Investec Bank Limited, a major subsidiary of Investec Limited, and represent its interests on this committee. KXT Socikwa did not seek re-election at the annual general meeting held on 6 August 2015 and was therefore only eligible to attend meetings held prior to 6 August 2015.*

** *B Fried has stepped down from the BRCC with effect from 1 April 2016.*

*** *H Fukuda OBE is a non-executive director for Investec Bank plc, a major subsidiary of Investec plc, and represents its interests on this committee.*

Additional meetings are held throughout the year when necessary. Material incidents and losses and significant breaches of systems and controls are reported to the BRCC, ERRF, GRCC as well as the audit committees.

For more information on the group's risk management processes, please refer to volume two.

David Friedland
Chairman, board risk and capital committee

9 June 2016

Group risk and capital committee (GRCC)

The GRCC is mandated by the BRCC to be the group risk and capital committee of Investec Limited and Investec plc and their banking and other subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the GRRC is to supplement the BRCC and ERRF.

Executive risk review forum (ERRF)

The ERRF is mandated by the BRCC to be the ERRF of Investec plc and Investec Limited and their subsidiaries, as regards enterprise-wide risk and its measurement, monitoring and mitigation.

The purpose of the ERRF is to supplement the BRCC. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

ROLE AND RESPONSIBILITIES

The ERRF:

- Evaluates the most significant risks Investec faces in the ordinary course of business
- Reviews the risk models (including, but not limited to, credit models) which need to be incorporated appropriately into the allocation of capital
- Ensures that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Acts as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensures the group-wide risk management structure is adequately resourced and has an appropriate Budget
- Ensures that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream.

DLC capital committee

The DLC capital committee is mandated by the BRCC to be the capital committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring, performance measurement, investment decisions and capital-based incentivisation.

ROLE AND RESPONSIBILITIES

The DLC capital committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel III and other regulatory requirements and their impacts on regulatory capital requirements
- Reviewing the risk models which need to be incorporated appropriately into the allocation of capital
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the BRCC
- Approving the capital planning policy, including the processes and procedures contained therein and specifically the base case stress testing scenarios.

Stephen Koseff
Chairman, group risk and capital committee, executive risk review forum and DLC capital committee

9 June 2016

Remuneration

DIRECTORS' REMUNERATION

Details of the directors' remuneration and remuneration processes are set out in the remuneration report on pages 159 to 201.

DLC REMUNERATION COMMITTEE

The report by the chairman of the DLC remuneration committee, including a summary of the roles and responsibilities, is set out in the remuneration report on pages 159 to 201.

MEMBERSHIP AND ATTENDANCE

Attendance by members at remuneration committee meetings during the financial year ended 31 March 2016:

Membership	Number of meetings held during the year	Number of meetings attended during the year
PKO Crosthwaite (chairman)	9	9
ZBM Bassa*	9	4
CR Jacobs	9	9
F Titi	9	9

* *ZBM Bassa was appointed to the DLC remuneration committee with effect from 10 September 2015 and was therefore only eligible to attend meetings held after 10 September 2015.*

Social and ethical responsibility

VALUES AND CODE OF CONDUCT

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics and is continually reinforced.

We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such all new employees are invited, and are strongly encouraged, to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our organisational development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the human resources practices manual, available on the intranet.

DLC social and ethics committee (SEC)

INTRODUCTION

The SEC is mandated by the board to be the social and ethics committee of Investec plc and Investec Limited and their subsidiaries. The South African Companies Act 2008, as amended (the Act), provides that all listed public companies must establish a social and ethics committee.

The Act enables the group to appoint a social and ethics committee for the holding company, which will fulfil the required functions on behalf of the subsidiary companies. Due to the required functions of the committee which are universal in nature, the board resolved to constitute the committee to monitor the activities for the group and not just Investec Limited.

ROLE AND RESPONSIBILITIES

The DLC SEC is responsible for monitoring the group's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:

- Social and economic development (including human rights)
- Good corporate citizenship, including human rights and environmental efforts
- Monitoring Investec Limited and its subsidiaries' activities, with regard to matters relating to:
  - the Employment Equity Act;
  - the Broad-Based Black Economic Empowerment Act; and
  - contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominantly marketed.
- Talent, retention and attraction of employees
- Culture and ethics.

The committee's terms of reference are available on our website.

MEMBERSHIP AND ATTENDANCE

Attendance by members at social and ethics committee meetings during the financial year ended 31 March 2016

Membership	Number of meetings held during the year	Number of meetings attended during the year
Executive directors		
S Koseff (group chief executive officer)	3	2
B Kantor (group managing director)	3	3
Non-executive directors		
F Titi (chairman)	3	3
CA Carolus	3	3
Lord Malloch-Brown KCMG	3	3
PRS Thomas	3	3

SUMMARY OF MONITORING ACTIVITIES DURING THE YEAR UNDER REVIEW

Sustainability

- The committee receives regular, detailed reports on all matters relating to sustainability.

Employment equity

- The committee monitors progress made against Investec Limited's employment equity plan
- The committee engages with the management of human resources to discuss challenges around matters such as diversity and employment equity targets
- The committee engages with members of the employment equity forum
- The committee monitors and reviews diversity across the group and considers any regulatory developments in this regard.

The Investec group remains committed to the 10 principles of the United Nations (UN) Global Compact with respect to human rights, labour, environment and anti-corruption. Our culture and values demonstrate our belief that as an organisation we can have a positive impact on the success and well-being of local communities, the environment and on overall macro-economic stability. We support and respect the protection of internationally proclaimed human rights standards and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group because this would fall within the ambit of our Code of Conduct which expresses our strong culture and values including unselfishly contributing to society, valuing diversity and respecting others.

Furthermore, we adhere to the relevant laws in all our jurisdictions and strive to advance the UN principles within our sphere of influence.

We support the international agenda to abolish human trafficking, slavery, forced and child labour and welcome the recently legislated UK Modern Slavery Act. Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times, do not practice forced or compulsory labour and do not employ children. We have started the process to integrate the provisions of the Act into our business and supply chain policies and practices in the UK, and will report in line with the guidelines published by the UK government.

Skills development

- The committee monitors the various learning and leadership programmes on offer by the group
- The committee monitors the group's spend on skills development and discusses initiatives with human resources in this regard.

Corporate social investment (CSI)

- The committee receives regular reports on the group's CSI initiatives and the CSI strategy and spend.

Transformation

- The committee monitors Investec Limited's empowerment rating and discusses with management how to improve the rating
- The committee received detailed information on the recent developments with respect to the Department of Trade and Industry Codes and the impact on the Financial Sector Charter and scorecards going forward.

Environment

- The committee monitors the group's initiatives to reduce the carbon footprint.

Conservation

- The committee receives presentations about the group's initiatives around conservation.

Reputational risk

- The committee receives reports regarding matters that could impact the group's reputation.

Fani Titi
Chairman, DLC social and ethics committee

9 June 2016

RELATIONS WITH SHAREHOLDERS

Approved and authorised for issue by the board of directors on 9 June 2016 and signed on its behalf by:

David Miller	**Niki van Wyk**
Company secretary	Company secretary
Investec plc	**Investec Limited**

Executive directors

(details as at 30 June 2016)

STEPHEN KOSEFF (64)

Chief executive officer
BCom, CA(SA), H Dip BDP, MBA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in October 1986.

Stephen joined Investec in 1980. He has had diverse experience within Investec as chief accounting officer and general manager of banking, treasury and merchant banking.

Other directorships include: Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

BERNARD KANTOR (66)

Managing director
CTA

Board committees: DLC board risk and capital, DLC capital and DLC social and ethics

Appointed to the board in June 1987.

Bernard joined Investec in 1980. He has had varied experience within Investec as a manager of the trading division, marketing manager and chief operating officer.

Other directorships include: Phumelela Gaming and Leisure Limited, Investec Bank Limited, Investec Bank plc and a number of Investec subsidiaries.

GLYNN R BURGER (59)

Group risk and finance director
BAcc, CA(SA), H Dip BDP, MBL

Board committees: DLC board risk and capital and DLC capital

Appointed to the board in July 2002.

Glynn joined Investec in 1980. His positions within Investec have included chief accounting officer, group risk manager and joint managing director for South Africa.

Other directorships include: Investec Bank Limited and a number of Investec subsidiaries.

HENDRIK J DU TOIT (54)

Investec Asset Management chief executive officer
BCom Law, BCom (Hons) (cum laude), MCom (cum laude), MPhil (Cambridge)

Appointed to the board in December 2010.

After lecturing economics at the University of Stellenbosch, Hendrik joined the Investment division of Old Mutual from where he moved to Investec in 1991 as portfolio manager and later chief executive officer of Investec Asset Management.

Other directorships include: Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited as well as their subsidiaries and Naspers Limited.

Non-executive directors

(details as at 30 June 2016)

FANI TITI (54)

Chairman
BSc (Hons), MA, MBA

Board committees: DLC remuneration, DLC board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Appointed to the board in January 2004.

Fani is chairman of Investec Bank Limited, Investec Bank plc and former chairman of Tiso Group Limited and former deputy chairman of the Bidvest Group.

Other directorships include: Investec Bank Limited (chairman), Investec Bank plc (chairman), Investec Employee Benefits Limited and Investec Asset Management Holdings (Pty) Ltd, Investec Asset Management Limited, Kumba Iron Ore Limited (chairman) and MRC Media (Pty) Ltd.

ZARINA BM BASSA (52)

BAcc, DipAcc, CA(SA)

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit, DLC board risk and capital and DLC remuneration

Appointed to the board in November 2014.

Zarina is the executive chairman of Songhai Capital. A former partner of Ernst & Young Inc., she joined the Absa Group in 2002 and was an executive director and a member of the bank's executive committee, with accountability for private banking. She has previously chaired the Public Accountants' and Auditors' Board, the Auditing Standards Board and the Accounting Standards Board and has been a member of the JSE GAAP Monitoring Panel.

Other directorships include: Financial Services Board, Investec Bank Limited, Kumba Iron Ore Limited, Oceana Group Limited, Sun International Limited, and Woolworths Holdings Limited.

LAUREL C BOWDEN (51)

National Higher Diploma Engineering, BSc, MBA

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit

Appointed to the board in January 2015.

Laurel is a partner at 83 North, where her areas of focus include internet, enterprise software and fintech. Laurel has over 15 years' investment experience and was previously a director at GE Capital in London, where she was responsible for acquisitions in consumer and transport finance in Europe.

Other directorships include: Bluevine Capital Inc., Ebury Partners Limited, 83 North, G&T Ventures Limited, iZettle AB, Notonthehighstreet Enterprises Limited and Wonga Group Limited.

CHERYL A CAROLUS (58)

BA (Law), BEd, Honorary doctorate in Law

Board committees: DLC social and ethics

Appointed to the board in March 2005.

Cheryl acted as the South African High Commissioner to London between 1998 and 2001 and was chief executive officer of South African Tourism.

Other directorships include: De Beers Consolidated Mines Limited, Gold Fields Limited, Mercedes-Benz South Africa (Pty) Ltd, WWF South Africa and International, IQ Business (Pty) Ltd, Ponahalo Capital (Pty) Ltd, executive chairperson of Peotona Group Holdings (Pty) Ltd, director of a number of the Peotona group companies and International Crisis Group.

PERRY KO CROSTHWAITE (67)

Senior independent director
MA (Hons) in modern languages

Board committees: DLC remuneration and DLC nominations and directors' affairs

Appointed to the board in June 2010.

Perry is a former chairman of Investec Investment Banking and Securities and director of Investec Bank plc.

Other directorships include: Investec Bank plc, Melrose Industries plc, Investec Holdings (Ireland) Limited and Investec Capital and Investments (Ireland) Limited.

DAVID FRIEDLAND (63)

BCom, CA(SA)

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit, DLC board risk and capital, DLC capital and DLC nominations and directors' affairs

Appointed to the board in March 2013.

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in KPMG, Cape Town.

Other directorships include: Investec Bank Limited, Investec Bank plc, The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les (Pty) Ltd.

CHARLES R JACOBS (49)

LLB

Board committees: DLC remuneration

Appointed to the board in August 2014.

Charles is a partner of Linklaters LLP specialising in public and private M&A, capital raisings and initial public offerings, joint ventures, corporate governance and other corporate work.

Charles has been a solicitor at Linklaters for over 24 years and has been a partner since 1999.

Other directorships include: Fresnillo plc (non-executive director, senior independent director and chairman of the remuneration committee).

IAN R KANTOR (69)

BSc (Eng), MBA

Appointed to the board in July 1980.

Ian is a co-founder of Investec, served as the chief executive of Investec Bank Limited until 1985 and was the former chairman of Investec Holdings Limited.

Other directorships include: IdB Holdings SA (in which Investec Limited indirectly holds an 8.3% interest), Bank Insinger de Beaufort NV (where he is chairman of the management board), Investec Asset Management Holdings (Pty) Ltd and Investec Asset Management Limited.

LORD MALLOCH-BROWN KCMG (62)

BA (Hons) History, MA (Political Science)

Board committees: DLC social and ethics

Appointed to the board in August 2014.

Lord Malloch-Brown is a former chairman of Europe, Middle East and Africa at FTI Consulting.

From 2007 to 2009, Lord Malloch-Brown was a UK government minister. Lord Malloch-Brown was formerly the deputy secretary-general of the United Nations as well as development specialist at the World Bank and United Nations and a communications consultant and journalist with wide ranging experience of boards.

Other directorships include: Gadco Cooperatief U.A., Seplat Petroleum Development Company plc and Smartmatic Limited.

KHUMO L SHUENYANE (45)

Associate CA (Member of the Institute of Chartered Accountants in England and Wales), Bachelor in Social Science (International studies with Economics)

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit and DLC board risk and capital

Appointed to the board in August 2014.

Khumo is a chartered accountant (England and Wales), BEcon and International Studies and was previously group chief officer (Mergers and Acquisitions and International Business Development) of MTN Group Limited. Until 2007, Khumo was head of Principal Investments at Investec Bank Limited.

Other directorships include: Investec Bank Limited, Investec Employee Benefits Limited and Investec Property Fund Limited.

PETER RS THOMAS (71)

CA(SA)

Board committees: DLC audit, Investec plc and Investec Bank plc audit, Investec Limited and Investec Bank Limited audit, DLC board risk and capital, DLC nominations and directors' affairs and DLC social and ethics

Appointed to the board in June 1981.

Peter was the former managing director of The Unisec Group Limited.

Other directorships include: Investec Bank Limited, various Investec subsidiaries, JCI Limited and various unlisted companies.

Footnotes

- *Bradley Fried resigned as a director with effect from 1 April 2016.*
- *Haruko Fukuda OBE resigned as a director with effect from 6 August 2015.*

Details of the Investec committees can be found on pages 118 to 133.

Details of the board members of our major subsidiaries are available on our website.

Investec ordinary shares

As at 31 March 2016, Investec plc and Investec Limited had 617.4 million and 291.4 million ordinary shares in issue respectively.

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MARCH 2016

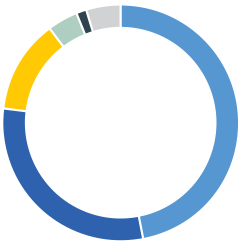
Investec plc ordinary shares in issue

Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
15 391	1 – 500	54.0%	2 831 046	0.4%
4 666	501 – 1 000	16.4%	3 579 883	0.6%
5 445	1 001 – 5 000	19.1%	12 289 439	2.0%
995	5 001 – 10 000	3.5%	7 249 498	1.2%
1 146	10 001 – 50 000	4.0%	27 647 593	4.5%
309	50 001 – 100 000	1.1%	21 977 520	3.5%
554	100 001 and over	1.9%	541 843 885	87.8%
28 506		**100.0%**	**617 418 864**	**100.0%**

Investec Limited ordinary shares in issue

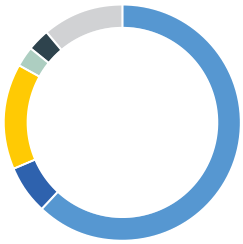
Number of shareholders	Holdings	% of total shareholders	Number of shares in issue	% of issued share capital
3 383	1 – 500	42.1%	703 530	0.2%
1 382	501 – 1 000	17.2%	1 065 453	0.4%
1 724	1 001 – 5 000	21.5%	3 992 596	1.4%
418	5 001 – 10 000	5.2%	3 094 108	1.1%
690	10 001 – 50 000	8.6%	16 711 411	5.7%
162	50 001 – 100 000	2.0%	11 493 717	3.9%
270	100 001 and over	3.4%	254 302 891	87.3%
8 029		**100.0%**	**291 363 706**	**100.0%**

GEOGRAPHICAL HOLDING BY BENEFICIAL ORDINARY SHARE OWNER AS AT 31 MARCH 2016



Investec plc

- 47.0% South Africa
- 30.0% UK
- 12.8% USA and Canada
- 4.1% Rest of Europe
- 1.5% Asia
- 4.6% Other countries and unknown



Investec Limited

- 62.0% South Africa
- 6.7% UK
- 14.5% USA and Canada
- 2.9% Rest of Europe
- 2.8% Asia
- 11.1% Other countries and unknown

Largest ordinary shareholders as at 31 March 2016

In accordance with the terms provided for in section 793 of the UK Companies Act, 2006 and section 56 of the South African Companies Act, 2008, the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as discussed below.

INVESTEC PLC

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	47 208 864	7.6%
2. BlackRock Inc (UK & US)	31 339 094	5.1%
3. Allan Gray (ZA)	31 199 907	5.1%
4. Old Mutual (ZA)	25 291 526	4.1%
5. Prudential Group (ZA)	22 287 014	3.6%
6. T Rowe Price Associates (UK)	21 301 483	3.5%
7. Royal London Mutual Assurance Society (UK)	17 606 939	2.9%
8. Investec Staff Share Schemes (UK)	16 141 177	2.6%
9. State Street Corporation (UK and US)	15 671 161	2.5%
10. Legal & General Investment Mgt (UK)	15 555 721	2.5%
	243 602 886	**39.5%**

The top 10 shareholders account for 39.5% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

INVESTEC LIMITED

Shareholder analysis by manager group	Number of shares	% holding
1. Public Investment Corporation (ZA)	34 648 763	11.9%
2. Investec Staff Share Schemes (ZA)	24 168 089	8.3%
3. Old Mutual (ZA)	20 128 341	6.9%
4. Allan Gray (ZA)	13 565 085	4.7%
5. Sanlam Group (ZA)	13 180 460	4.5%
6. Dimensional Fund Advisors (UK and US)	10 185 439	3.5%
7. Coronation Fund Mgrs (ZA)	8 827 801	3.0%
8. MMI Holdings (ZA)	8 462 492	2.9%
9. BlackRock Inc (UK and US)	8 343 386	2.9%
10. Vanguard Group (UK and US)	8 174 947	2.8%
	149 684 803	**51.4%**

The top 10 shareholders account for 51.4% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

Shareholder classification as at 31 March 2016

	Number of Investec plc shares	% holding	Number of Investec Limited shares	% holding
Public*	588 209 422	95.3%	262 228 577	90.0%
Non-public	29 209 442	4.7%	29 135 129	10.0%
Non-executive directors of Investec plc/Investec Limited	3 645 183	0.6%	325	0.0%
Executive directors of Investec plc/Investec Limited	9 423 082	1.5%	4 966 715	1.7%
Investec staff share schemes	16 141 177	2.6%	24 168 089	8.3%
Total	**617 418 864**	**100.0%**	**291 363 706**	**100.0%**

* *As per the JSE Listings Requirements.*

Share statistics

INVESTEC PLC

For the year ended	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Closing market price per share (Pounds Sterling)							
– year ended	5.13	5.61	4.85	4.59	3.82	4.78	5.39
– highest	6.47	6.06	5.08	5.14	5.22	5.50	5.62
– lowest	4.03	4.91	3.66	3.10	3.18	4.29	2.87
Number of ordinary shares in issue (million)[1]	617.4	613.6	608.8	605.2	598.3	537.2	471.1
Market capitalisation (£'million)[1]	3 167	3 442	2 953	2 778	2 286	2 568	2 539
Daily average volumes of share traded ('000)	1 474	2 170	1 985	1 305	1 683	1 634	1 933
Price earnings ratio[2]	12.4	14.2	12.8	12.7	12.0	11.1	12.0
Dividend cover (times)[2]	2.0	2.0	2.0	2.0	1.9	2.5	2.8
Dividend yield (%)[2]	4.1	3.5	3.9	3.9	4.5	3.6	3.0
Earnings yield (%)[2]	8.1	7.0	7.8	7.9	8.3	9.0	8.4

INVESTEC LIMITED

For the year ended	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Closing market price per share (Rands)							
– year ended	109.91	100.51	84.84	64.26	47.16	52.80	62.49
– highest	121.90	107.35	85.04	69.89	57.36	65.50	65.40
– lowest	93.91	86.02	59.00	41.31	42.00	49.49	37.51
Number of ordinary shares in issue (million)[3]	291.4	285.7	282.9	279.6	276.0	272.8	269.8
Market capitalisation (R'million)[3]	99 886	90 388	75 652	56 857	41 232	42 768	46 299
Market capitalisation (£'million)[3]	4 662	5 045	4 325	4 061	3 340	3 872	3 378
Daily average volume of shares traded ('000)	963	739	810	980	1 033	794	1 068

1 *The LSE only includes the shares in issue for Investec plc, i.e. currently 617.4 million, in calculating market capitalisation, as Investec Limited is not incorporated in the UK.*
2 *Calculations are based on the group's consolidated earnings per share before goodwill, acquired intangibles and non-operating items; and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.*
3 *The JSE Limited agreed to use the total number of shares in issue for the combined group, comprising Investec plc and Investec Limited in calculating market capitalisation, i.e. currently a total of 908.8 million shares in issue.*

Investec perpetual preference shares

Investec plc, Investec Limited and Investec Bank Limited have issued perpetual preference shares.

SPREAD OF PERPETUAL PREFERENCE SHAREHOLDERS AS AT 31 MARCH 2016

Investec plc perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
110	1 – 500	11.3%	29 252	0.2%
144	501 – 1 000	14.7%	118 700	0.8%
478	1 001 – 5 000	48.9%	1 016 526	6.7%
80	5 001 – 10 000	8.2%	610 432	4.0%
106	10 001 – 50 000	10.8%	2 306 340	15.3%
29	50 001 – 100 000	3.0%	1 969 828	13.1%
30	100 001 and over	3.1%	9 030 071	59.9%
977		**100.0%**	**15 081 149**	**100.0%**

Investec plc (Rand denominated) perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
90	1 – 500	21.5%	25 015	1.1%
81	501 – 1 000	19.4%	63 148	2.8%
169	1 001 – 5 000	40.4%	383 494	16.8%
33	5 001 – 10 000	7.9%	253 326	11.1%
37	10 001 – 50 000	8.8%	747 193	32.8%
4	50 001 – 100 000	1.0%	237 910	10.5%
4	100 001 and over	1.0%	565 854	24.9%
418		**100.0%**	**2 275 940**	**100.0%**

Investec Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
919	1 – 500	17.0%	295 199	0.9%
1 297	501 – 1 000	24.0%	1 090 380	3.4%
2 374	1 001 – 5 000	44.0%	5 552 526	17.2%
393	5 001 – 10 000	7.4%	2 830 926	8.8%
350	10 001 – 50 000	6.5%	6 874 433	21.4%
22	50 001 – 100 000	0.4%	1 687 642	5.2%
38	100 001 and over	0.7%	13 883 393	43.1%
5 393		**100.0%**	**32 214 499**	**100.0%**

Investec Limited redeemable preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
975	1 – 500	87.4%	136 044	22.8%
69	501 – 1 000	6.2%	49 962	8.4%
49	1 001 – 5 000	4.4%	106 338	17.8%
11	5 001 – 10 000	1.0%	74 460	12.5%
10	10 001 – 50 000	0.9%	177 011	29.7%
1	50 001 – 100 000	0.1%	52 930	8.8%
–	100 001 and over	–	–	–
1 115		**100.0%**	**596 745**	**100.0%**

Investec Bank Limited perpetual preference shareholders

Number of shareholders	Holdings	% of total shareholders	Number of preference shares in issue	% of issued preference share capital
749	1 – 500	20.4%	223 248	1.4%
1 051	501 – 1 000	28.7%	910 981	5.9%
1 412	1 001 – 5 000	38.5%	3 354 204	21.7%
228	5 001 – 10 000	6.2%	1 692 785	11.0%
187	10 001 – 50 000	5.1%	3 558 715	23.0%
19	50 001 – 100 000	0.5%	1 354 996	8.8%
21	100 001 and over	0.6%	4 352 701	28.2%
3 667		**100.0%**	**15 447 630**	**100.0%**

LARGEST PERPETUAL PREFERENCE SHAREHOLDERS AS AT 31 MARCH 2016

Shareholders holding beneficial interests in excess of 5% of the issued preference shares are as follows:

Investec plc perpetual preference shares
Pershing Nominees Limited (6.1%)
Chase Nominees Limited (Artemis) (6.6%)

Investec plc (Rand denominated) perpetual preference shares
NES Investments (Pty) Ltd (5.3%)
Regent Insurance Company Limited (6.6%)
Old Mutual Foundation Trust (8.1%)

Investec Limited perpetual preference shares
Standard Chartered Bank – Coronation Strategic Income fund (5.2%)
Standard Chartered Bank – Coronation Capital Plus fund (5.4%)

Investec Limited redeemable preference shares
Febros Nominees (Pty) Ltd (14.6%)

Investec Bank Limited perpetual preference shares
There were no shareholders holding beneficial interests in excess of 5% of the issued preference shares in Investec Bank Limited as at 31 March 2016.

Building trust and credibility among our stakeholders is vital to good business

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UK Listing Authority (UKLA) and Johannesburg Stock Exchange (JSE) and other exchanges on which our shares are listed, and with any public disclosure obligations as required by the UK regulators and the South African Reserve Bank (SARB). We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations.

The investor relations division has a day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial and Finance divisions ensures that we meet our public disclosure obligations.

We have a board-approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

In 2014, we embarked on a robust process of engagement with internal and external stakeholders. This process went beyond our day-to-day engagement with stakeholders and involved an interview process of the Investec board of directors, executive, heads of business and employees and also external stakeholders such as industry associations, rating agencies, clients, investment analysts and NGOs. This process has allowed us to confirm the core sustainability issues for our stakeholders and ultimately guides our sustainability strategy.

Due to the nature of Investec's business the material aspects identified are considered unlikely to change in the short to medium term. As a result, Investec only repeats this comprehensive process every three to four years.

STAKEHOLDERS

Employees

- Communication policy
- Quarterly magazine (*Impact*)
- Staff updates hosted by executive management
- Group and subsidiary factsheets
- Tailored internal investor relations training
- Induction training for new employees

Investors and shareholders

- Annual general meeting
- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Shareholder roadshows and presentations
- Regular meetings with investor relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

Government and regulatory bodies

- Active participation in policy forums
- Response and engagement on regulatory matters
- Industry consultative bodies

Clients

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with investor relations team and executive management
- Tailored client presentations
- Annual and interim reports
- Client relationship managers within the business

Suppliers

- Centralised negotiation process
- Ad hoc procurement questionnaires requesting information on suppliers environmental, social and ethical policies

Rating agencies

- Four investor presentations
- Regular email and telephonic communication
- Comprehensive investor relations website
- Regular meetings with investor relations team, group risk management and executive management
- Tailored presentations
- Tailored rating agency booklet
- Annual and interim reports

Media

- Regular email and telephonic communication
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with investor relations team and executive management

Equity and debt analysts

- Four investor presentations
- Stock exchange announcements
- Comprehensive investor relations website
- Regular meetings with investor relations team and executive management
- Regular email and telephonic communication
- Annual and interim reports

SUSTAINABILITY business practices

OUR SUSTAINABILITY PHILOSOPHY

Guided by our purpose to create sustained long-term wealth, we seek to be a positive influence in all our core businesses and in each of the societies in which we operate. We do this by empowering communities through entrepreneurship and education, and leveraging the value in our diversity. We recognise the challenges that climate change presents to the global economy and we will consider supporting any meaningful activity that either reduces the negative impact on or prolongs the life of our planet.

Investec as a responsible corporate

At Investec we recognise that while our shareholders remain at the forefront, our purpose ultimately is not only about driving profits. We strive to be a distinctive specialist bank and asset manager, demonstrating cast-iron integrity, moral strength and behaviour which promote trust. Our core values include unselfishly contributing to society, valuing diversity and respecting others. Outstanding and empowered talent, entrepreneurial spirit and regard for the planet are other qualities that align with the culture of our organisation and our approach to responsible business.

Our culture and values demonstrate our belief that as an organisation we can and must have a positive impact on the success and well-being of communities local to our offices, the environment, and on overall macro-economic stability.

Our philosophy seeks to align the interests of shareholders and stakeholders over time, and provides the individual business units and regions with a basis from which to determine their own approach. The group's philosophy is not intended to be mutually exclusive or exhaustive, but allows us to concentrate, for now, on key focus areas. Deliberately not driven on a top-down basis, the executive maintains responsibility for oversight, direction, coordination and integration of our sustainability efforts while the individual business units provide the key drivers behind our activities, in a manner that best makes sense to each.

Please refer to the website for Investec's full corporate citizenship statement.

Sustainability at Investec

Investec's sustainability focus encompasses endurance and the interdependence of the three key areas of profit, people and planet:

PROFIT

FINANCIAL STRENGTH AND RESILIENCE

- Balanced and resilient business model.

RISK MANAGEMENT AND COMPLIANCE

- Strong risk consciousness
- Responsible banking practices
- Responsible lending and investing.

GOVERNANCE

- Strong culture and values to underpin our processes, functions and structures.

PEOPLE

SUPPORTING OUR EMPLOYEES

- Strong, diverse and capable workforce
- Provide a progressive work environment
- Respect and uphold human rights.

SUPPORTING OUR COMMUNITIES

- Education
- Entrepreneurship
- Environment.

PLANET

DIRECT IMPACT

- Reduce the operational impacts of our physical business.

INDIRECT IMPACT

- Embed environmental considerations into business activities
- Responsible financing and investing
- Funding renewable energy projects and green developments.

Sustainability at Investec is about:

- Building a sustainable business model to position the group for the long-term so that Investec can make a valuable contribution to society and to macro-economic stability
- Attracting and developing a strong, diverse and capable workforce
- Unselfishly contributing to society and to the well-being of our communities, largely through education and entrepreneurship
- Understanding and managing our environmental footprint so we can make a positive impact through our operations and business activities
- Growing and preserving clients' and stakeholders' wealth based on relationships of trust.

Our approach to sustainability is documented throughout this integrated annual report with further detail in a more extensive sustainability report on our website.

SUSTAINABILITY MEMBERSHIPS

Investec participates and has maintained its inclusions in the following international initiatives:

- The Dow Jones Sustainability Investment Index
- The JSE Limited Socially Responsible Investment Index
- The FTSE4Good Index
- United Nations Principles for Responsible Investment (UNPRI)
- United Nations Global Compact
- The Carbon Disclosure Project – Investec is a member and Investec Asset Management is a signatory investor
- Investec plc is a member constituent of the MSCI Global Sustainability Index Series
- Investec Asset Management CEO, Hendrik du Toit, was appointed a member of the Global Commission on Business and Sustainability Development in January 2016.

Responsibility

The social and ethics committee is responsible for monitoring the non-profit elements of sustainability (see page 132).

The mandate of this committee places a strong emphasis on the responsibility of the group towards the communities in which we operate, on social transformation in the workplace, and on preserving human rights as well as the well-being and dignity of our employees.

We also have sustainability representatives in each of the major geographies in which we operate who drive our sustainability objectives as well as various forums discussing sustainability considerations. Feedback on relevant sustainability issues is provided to board members at board meetings.

Reporting

Our approach to sustainability is documented throughout this integrated annual report with further detail available in a more extensive sustainability report on our website.

Our approach to reporting has followed guidance from the King Code of Governance Principles for South Africa (King III) and in accordance with the Global Reporting Initiative's (GRI) G4 core sustainability reporting guidelines.

An index of these indicators together with our response to each of them can be found in our separate sustainability report.

Assurance

Investec Internal Audit performed a limited review of the quantitative and qualitative sustainability information disclosed on pages 146 to 158 of this report. This included the review of corporate social spend, learning and development spend, employee headcount and carbon footprint.

Grant Thornton has provided limited assurance over selected environmental, human resources and corporate social spend key performance indicators, as set out in the corporate responsibility review of this integrated annual report, which have been extracted from the 2016 sustainability report.

For a better understanding of the scope of Grant Thornton's assurance process, the extracted environmental, human resources and corporate social key performance indicators in this report should be read in conjunction with the full 2016 sustainability report containing their assurance statement.

Materiality

In identifying material issues, consideration is given to those issues we believe have the potential to significantly influence our ability to have a positive impact on the sustainability of our business and on overall macro-economic stability as well as contributing to the success and well-being of our communities and the environment. We also consider Investec's values and philosophies, and input obtained from our stakeholders in the context of the three key focus areas of people, planet and profit.

In 2014, we embarked on a robust process of engagement with internal and external stakeholders. This process went beyond our day-to-day engagement with stakeholders and involved an interview process of the Investec board of directors, executive, heads of business and employees and also external stakeholders such as industry associations, rating agencies, clients, investment analysts and NGOs. This process has allowed us to confirm the core sustainability issues for our stakeholders and ultimately guides our sustainability strategy.

Due to the nature of Investec's business, the material aspects identified are considered unlikely to change in the short to medium term. As a result, Investec only repeats this comprehensive process every three to four years.

Material issue	Why it is important to us	How we managed in 2016
PROFIT		
Balanced and resilient business model	The financial strength and resilience of Investec depends on a balanced business model that supports our long-term growth vision through varying economic cycles We aim to maintain an appropriate balance between revenue earned from operational risk activities and revenue earned from financial risk activities	Geographical and operational diversity continued to support a high recurring income base with a sound balance of earnings generated between capital light businesses and capital intensive businesses. Our capital light activities contributed 55% to group income and capital intensive activities contributed 45% to group income. Please refer to the operational and strategic report on pages 22 to 25 for more information.
Responsible banking practices	We strive to demonstrate cast-iron integrity by displaying moral strength, risk consciousness and holding ourselves to the highest ethical standards. Our robust risk management processes and governance systems provide a strong foundation for responsible banking practices	The Compliance function ensures that Investec complies with existing and emerging regulation impacting on its operations. Organisational Development (OD) acts to strengthen the culture of the business, ensure its values are lived, build capability, and contribute to the long-term sustainability of the organisation. Please refer to pages 100 and 101 of volume two for more detail on the Compliance function.
PEOPLE		
Engaging, developing and retaining our employees	The sustainability of our business depends largely on our people and positioning Investec as an attractive employer in the financial services industry. We focus on building a strong, diverse and capable workforce by providing a workplace that stimulates and rewards distinctive performance	In 2016, we invested £14.7 million in the learning and development of our employees, up from £14.1 million in 2015. Investec in South Africa has been voted third most attractive employer in the 2016 Universum Most Attractive Employer Awards. Please refer to pages 160 to 201 of our remuneration report.
Making an unselfish contribution to society	Our approach to CSI focuses on education, entrepreneurship and the environment. We believe that to focus on education and entrepreneurship is an effective way to create opportunities for employment, wealth creation and to stimulate socio-economic growth	We invested £4.9 million in corporate social investment. Investec is a finalist in the Business Charity Awards 2016 for community impact in the UK for our partnership with Bromley by Bow Beyond Business incubator. During our period of involvement, a programme has launched over 60 new social enterprise businesses, creating 330 new jobs.
PLANET		
Sustainable finance and investment	As a niche, specialist, knowledge-based financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited. The area in which Investec can make the most meaningful contribution to the environment is through responsible financing and investing and supporting businesses involved in renewable energy and green developments	We arranged funding for the renewable energy sector of £884 million. In South Africa Aurora West Coast 1 started commercial operations in June 2015. This project intends to produce 3 625 MW of renewable energy by the end of 2016 to help curb reliance on coal for energy. This construction created more than 600 jobs, 450 of which were for surrounding communities. Our Asset Management business designed an ESG tool that enables databases of ESG information to be built. To further advance ESG integration in the investment process, they have developed a stock review framework that takes risk and opportunity factors into account.
Reducing our operational impacts	While the direct environmental impacts of Investec's daily operations are limited, we seek to reduce our resource consumption and waste generation and thereby limit our environmental impact	Scope 1 emissions decreased by 8.7% and scope 2 emissions remained flat. Scope 3 emissions remained flat. Refer to pages 153 to 156 for more information.

Our people

Investec employees remain critical to continued business success and to overall sustainability efforts. The expertise and dedication of staff are fundamental in meeting our clients' needs and delivering distinctive results. We employ passionate and talented people who are empowered and able to perform extraordinarily. One of the group's values is to ensure open and honest communication and hence we encourage active and open dialogue between staff and senior management.

In assuming responsibility for our people we seek to promote sustainability through:

1 Competitive remuneration and reward

2 Bespoke (specialised) learning environment

3 Measures to ensure the health and well-being of employees

4 Performance consulting through regular reviews, pathing and development

5 Leadership development and business continuity

6 Resourcing and recruiting that prioritises a diverse workforce

7 Facilitating an understanding of the Investec culture and people practices

Our internal people activities involve dedicated divisions such as Human Resources (HR) and Organisation Development (OD), which serve to supplement the ongoing people focus of our individual business units. The Investec careers and HR teams are mandated to enable the attraction, development and retention of talent who can perform in a manner consistent with our culture and values. OD acts to strengthen the culture of the business, ensure its values are lived, build capability and contribute to the long-term sustainability of the organisation.

The HR division participates in local and international forums to ensure alignment of HR strategy with business strategy. As our operating jurisdictions have different legal and regulatory requirements, our various HR functions operate in a differentiated but integrated way adhering to the group philosophical approach. Senior responsibility for human resource matters falls under Marc Kahn who is global head of HR and OD.

NUMBER OF EMPLOYEES

Headcount increased across all businesses in line with growth aspirations. The acquisition of Blue Strata (rebranded Investec Import Solutions) in South Africa added 176 people to the Specialist Banking headcount.

By division – permanent employees	31 March 2016	31 March 2015
Asset Management		
UK and Other	473	457
Southern Africa^	992	977
Total	**1 465**	**1 434**
Wealth & Investment		
UK and Other	1 218	1 164
Southern Africa	314	297
Total	**1 532**	**1 461**
Specialist Banking		
UK and Other	2 010	1 939
Southern Africa	3 414	2 925
Total	**5 424**	**4 864**
Total number of permanent employees	**8 421**	**7 759**

^ *Includes Silica employees, its third party administration business.*

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

By geography – total employees	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
UK and Other	3 701	3 560	3 671	3 827	3 625	3 036
Southern Africa	4 720	4 199	3 986	3 748	3 661	3 680
Permanent employees	**8 421**	**7 759**	**7 657**	**7 575**	**7 286**	**6 716**
Temporary employees and contractors	545	495	601	576	495	521
Total number of employees	**8 966**	**8 254**	**8 258**	**8 151**	**7 781**	**7 237**

EMPLOYEE STRATEGY

The core areas of emphasis regarding our people strategy are:

To attract, retain and motivate the right people who can perform extraordinarily

Our internal resourcing function forms an integral part of our broader talent management as it enables us to source and redeploy talent internally and, where required, to recruit externally to address any skills gaps identified.

We invest significantly in a number of opportunities for developing and upskilling employees and in leadership programmes to develop current and future leaders of the group. Our Learning and Development centre plays a critical role in assisting the business to achieve their learning objectives which are always aligned to business strategy and market trends. The centre is also involved in group-wide activities such as an induction programme for new employees, providing learning advice to individual employees and facilitating the development of generic programmes in the fields of information technology, banking and finance, compliance, e-learning, talent retention and mentoring.

To retain and motivate staff through appropriate remuneration and reward structures

Our remuneration practices comply with the principles of local regulations, while continuing to reward people meaningfully for performance and contribution.
Our remuneration strategy is based on the philosophy that employees are innovative, entrepreneurial and work in an environment that encourages and fosters extraordinary performance. In line with our philosophy of employee ownership, staff share schemes provide all employees, at all levels of the organisation, with the opportunity to participate in our long-term growth.

Further information is provided on pages 160 to 201.

To ensure that performance management is effectively and constructively practised

Our culture of open and honest dialogue promotes immediate and direct performance-related feedback between manager, employee and team to help individuals identify and address their development needs.

Performance review process

At Investec, performance is viewed within the context of relationships – the individual's relationships with others, the team, the business unit and the organisation as a whole. Meaningful relationships are functional, engaging, defined by quality conversations and are able to be leveraged to meet business objectives. Performance can only be meaningfully managed against business objectives, thus team and individual performance objectives must always be aligned to business objectives. Team and individual performance management has both appraisal (i.e. reviewing and assessing past performance against business objectives) and development components (identifying performance gaps and initiatives to address these gaps).

The process has the following tenets:

- fair and honest, defined by open dialogue that is both respectful and reflective of individual views and team perceptions;
- driven by the employee and the leader;
- involves ongoing, timeous feedback; and
- disciplined, responsible conversations.

100% of employees engage in some type of performance review process every year.

SPEND ON EMPLOYEE LEARNING AND DEVELOPMENT

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

	31 March 2016		31 March 2015	
	£	R	£	R
Southern Africa				
Asset Management	235 157	4 968 554	290 966	5 185 006
Wealth & Investment	421 580	8 907 423	247 232	4 405 680
Specialist Banking	8 434 662	178 213 327	8 618 315	153 578 374
Total	**9 091 399**	**192 089 304**	**9 156 513**	**163 169 060**
UK and Other				
Asset Management	711 840	15 040 244	727 241	12 959 426
Wealth & Investment	1 036 727	21 904 679	927 208	16 522 854
Specialist Banking	3 834 122	81 009 960	3 308 440	58 956 400
Total	**5 582 689**	**117 954 883**	**4 962 889**	**88 438 680**
Total group training spend	**14 674 088**	**310 044 187**	**14 119 402**	**251 607 740**

WORKING AT INVESTEC

The policies and business practices of Investec are outlined in: Becoming Acquainted with Investec (BAWI) and in the compliance handbook (both of which are available on the Investec intranet). These are intended to guide employee conduct and ensure that at all times our actions and attitude reflect the group's values and philosophies.

Promoting equity and diversity in the workplace

Diversity is essential for any organisation's ability to innovate and adopt in a fast-changing world and is critical to Investec's growth and prosperity. We have various processes to encourage debate and dialogue around appreciating diversity and different cultures. Emerging and established leaders are invited to participate in talent discussions with executive management around all issues related to talent management. In addition, our Zebra Crossing initiative, which is aligned to our employment equity plan, aims to raise levels of multi-cultural awareness of staff at Investec and enable them to appreciate and celebrate the richness of our diverse population and to take these insights back into the business.

Over 2 750 employees have participated in this programme since its inception in 2009.

EMPLOYEE GENDER COMPOSITION – PERMANENT EMPLOYEES

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

	Southern Africa			UK and Other		
	31 March 2016			31 March 2016		
	Male	Female	Total	Male	Female	Total
Executive directors*						
Asset Management	–	–	–	1	–	1
Wealth & Investment	–	–	–	–	–	–
Specialist Banking	2	–	2	1	–	1
Total	**2**	**–**	**2**	**2**	**–**	**2**
Senior managers*						
Asset Management	113	69	182	67	20	87
Wealth & Investment	88	31	119	69	12	81
Specialist Banking	618	441	1 059	73	21	94
Total	**819**	**541**	**1 360**	**209**	**53**	**262**
Rest of employees						
Asset Management	323	487	810	237	182	419
Wealth & Investment	65	132	197	580	500	1 080
Specialist Banking	945	1 406	2 351	1 169	769	1 938
Total	**1 333**	**2 025**	**3 358**	**1 986**	**1 451**	**3 437**
Total group	**2 154**	**2 566**	**4 720**	**2 197**	**1 504**	**3 701**

* *The categorisation of executive directors and senior managers are different for South Africa and the UK and Other due to the different regulatory guidelines of the respective geographies and hence cannot be compared across the group.*

Transformation

In South Africa, Investec remains committed to black economic empowerment. Our approach involves:

- Using our entrepreneurial expertise to foster the creation of new black entrepreneurial platforms
- Serving as a leading source of empowerment financing
- Investing significantly in learning and development opportunities for both our employees as well as other South Africans
- Encouraging internal transformation by bringing about greater representivity in our workplace.

During the year we received a level 2 BBBEE rating status from Empowerdex. We improved our score from the previous year as a result of efforts to improve our employment equity position and a focus on preferential procurement.

We are committed to building a diverse and equitable workplace driven by the effective implementation of Investec's employment equity plan. In terms of numerical targets for 2015, we marginally missed our targets (by an average of 3.5%) for African, Coloured and Indian headcount at top, senior, middle and junior management, however, we exceeded our targets at semi-skilled level by 24%. This is due to the implementation of several learnership programmes in line with our strategy of employing individuals at a 'grass roots' level and developing them into skilled leaders over time.

Recognising that enterprise and supplier development is vital to South Africa's transformation, we continue to run several initiatives to support black entrepreneurs. One example of this is an enterprise development programme, in partnership with Raizcorp, which incubates entrepreneurs who are managing their own business and have potential to grow and create jobs. The entrepreneurs selected for the programme are assigned a dedicated team of trained Raizcorp guides, who focus on key areas from strategy, finance and marketing to sales and personal development.

Khulasande Capital, a broad-based black-owned and controlled private equity and investment vehicle, is a partnership between Investec Equity Partners (IEP) and the Entrepreneurship Development (ED) Trust. The ED Trust is a black charitable trust focusing on educational and entrepreneurial initiatives. Khulasande's aim is to participate in empowerment opportunities that are of benefit to the ED Trust and would create value for its beneficiaries. This partnership provides Khulasande with access to an experienced team with an extensive track record ensuring it can add value to its investee companies and help them to grow and multiply.

Further information on the employment equity statistics of our South African business is available on our website.

Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the SA Bill of Rights in the Constitution or regional equivalents). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns, e.g. OD, HR, employee relations and our independent external consultants.

There are no recorded incidents of discrimination for the period under review.

Health and safety

A group-wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. Health and safety is overseen by a health and safety committee that meets quarterly to review health and safety concerns.

This management comprises:

- Craig Gunnell – head of facilities SA
- Tony Grimes – head of facilities UK.

In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

Employee wellness

Investec values the physical and psychological health, welfare and safety of our people. To enable and develop employee health and well-being, Investec provides employees with a bespoke employee assistance and wellness programme. The comprehensive and integrated health and wellness programme, which expresses our focus of care and concern for the wellness of employees, provides personalised wellness interventions offered in face-to-face counselling and coaching sessions. The wellness interventions are provided by a multi-disciplinary team of select health professionals who are all specialists in their fields of practice. We also host wellness days for staff to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.

In line with our commitment to improving the quality of life of our employees, our leave entitlement and disability procedure have been reviewed and accordingly adjusted, taking into consideration the needs and well-being of our employees and current best practice in the marketplace.

Retrenchment policy

Where it becomes necessary for Investec to terminate employment based on operational requirements, the procedure to be followed will be in accordance with Investec's retrenchment policy which is more favourable than the local regulatory requirements. We conduct consultation for a period which exceeds the minimum prescribed period, during which we attempt to find a suitable alternative position for the affected employee.

Freedom of association

We fully support employees' rights to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. We do, however, uphold the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of choice.

Human rights

The Investec group remains committed to the 10 principles of the United Nations (UN) Global Compact with respect to human rights, labour, environment and anti-corruption. Our culture and values demonstrate our belief that as an organisation we can have a positive impact on the success and well-being of local communities, the environment and on overall macro-economic stability. We support and respect the protection of internationally proclaimed human rights standards and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group because this would fall within the ambit of our Code of Conduct, which expresses our strong culture and values including unselfishly contributing to society, valuing diversity and respecting others. Furthermore, we adhere to the relevant laws in all our jurisdictions and strive to advance the UN principles within our sphere of influence.

We support the international agenda to abolish human trafficking, slavery, forced and child labour, and welcome the recently legislated UK Modern Slavery Act. Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times, do not practice forced or compulsory labour and do not employ children. We have started a process to integrate the provisions of the act into our business and supply chain policies and practices in the UK, and will report in line with the guidelines published by the UK government.

Whistle-blowing policy and protected disclosures

One of Investec's values requires employees to 'conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust'. Integrity and confidentiality are critical to our reputation and sustainability.

The purpose of our whistle-blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.

Our communities

Our Corporate Social Investment (CSI) endeavours are central to the group's values of making an unselfish contribution to society, valuing diversity and respecting others, and underpin Investec's aim of being a responsible corporate citizen. Our approach to CSI focuses on education, entrepreneurship and the environment

In keeping with our business model of independent, highly autonomous business units, supported by a strong centre, there is no single overriding approach to social investment within the group, although clear commonalities exist. Each of the regions has pursued social investment as deemed appropriate to their circumstances and where they are in the evolution of their business.

The active involvement of our people, through volunteering, remains at the core of our social investment strategy. We have many well-established charitable partnerships and volunteering initiatives to support these partners. Further, we make donations to charities in response to requests for assistance across all regions and business areas within the group. This allows us to allocate meaningful grants in areas which might not fall within our main focus areas.

GROUP CSI SPEND

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

	31 March 2016		31 March 2015	
	£	R	£	R
Southern Africa				
Asset Management	70 074	1 480 565	117 469	2 093 300
Wealth & Investment	44 410	938 315	55 827	994 841
Specialist Banking	233 769	4 939 234	260 795	4 647 365
Group Corporate Social Investment division	2 971 847	62 791 224	3 427 900	61 085 174
Total	**3 320 100**	**70 149 338**	**3 861 991**	**68 820 680**
UK and Other				
Asset Management	110 523	2 335 206	308 044	5 489 339
Wealth & Investment	46 063	973 241	21 666	386 081
Specialist Banking	283 458	5 989 095	249 898	4 453 181
Group Corporate Social Investment division	1 134 501	23 970 515	989 889	17 639 820
Total	**1 574 545**	**33 268 067**	**1 569 497**	**27 968 421**
Total Investec CSI spend	**4 894 645**	**103 417 405**	**5 431 487**	**96 789 099**
Total Investec CSI spend as a % of operating profit before tax*	1.0%		1.1%	

* *Operating profit before goodwill, acquired intangibles, non-operating items and other non-controlling interests.*

UK and Other

The corporate social investment programme plays a key role in the fulfilment of Investec's core values focusing on making an unselfish contribution to society.

Our approach encompasses the principal elements of:

- Facilitating employee volunteering with local charitable partners
- Granting charitable donations to small local charities
- Facilitating and recognising fundraising endeavours of employees through organised events and Employee Charity Funding
- Providing a Give-As-You-Earn facility to encourage employee payroll giving.

We champion sustainable social investment by:

- Building dedicated charitable partnerships
- Engaging all of our people in making a positive difference
- Harnessing our diverse resources and collective talent.

We support many causes through sponsorships and charitable donations, but our social investment programme is focused on education, entrepreneurship and the environment – areas identified by employees as best aligned with Investec's culture and core values.

HIGHLIGHTS DURING THE PERIOD

- Investec is a finalist in the Business in the Community's Responsible Business Awards 2016 (building stronger communities) for the Beyond Business social enterprise incubation programme we run in partnership with the Bromley by Bow Centre. The programme has launched over 60 new social enterprises, with a combined annual turnover of £5 million and created 330 new jobs. Investec has also been highly commended in the Business Charity Awards 2016, in the Charity Partnership (Financial Services) and Community Impact categories, for the Beyond Business programme
- Marino College Dublin, supported by Investec since 2008, was named the 'second most improved school' within the Delivering Equality of Opportunity in Schools programme in Ireland over the last six years. Our volunteer programme was recognised as contributing to this success. Eleven mentors met with students once a month for two years, arranged mock interviews and work experience placements and offered general guidance – a contribution of approximately 99 hours of volunteering
- The second Investec Ashes Cycle Challenge was organised by our Sheffield office in partnership with The Lord's Taverners charity, which helps to give young people with disabilities, or from disadvantaged backgrounds, a sporting chance. Coinciding with the Ashes in July, the challenge involved 100 cyclists, including employees from seven of our offices and their guests, embarking on a 300 mile cycle between the five Ashes host grounds. It raised £320 000 which went to local charities and to help to fund eight minibuses for transporting children from special educational needs schools to sport and leisure activities across the UK
- Two strong candidates, introduced to us through our programmes with youth talent development social enterprise and our community partner, Arrival Education, have been accepted onto our competitive graduate programme. This followed five candidates, introduced through our community partners, completing our internship programme, last summer. Arrival Education target young people in danger of becoming disengaged from education. Eighty-four Investec volunteers from across our London offices worked closely with Arrival Education, volunteering in excess of 620 hours (263 in office hours), helping to raise aspirations and to develop mind-sets and skills for the students to achieve success in their lives
- We hosted the fifth Morpeth Secondary School Young Apprentice skills development and work experience programme for select Year 9 pupils. The group was chosen from diverse backgrounds with some targeted because they were feared to be at risk of disengaging from education.

Southern Africa

Our Corporate Social Investment (CSI) efforts are central to Investec's philosophy of making an unselfish contribution to society, and underpins perceptions of Investec as a good corporate citizen. Our approach to CSI focuses on education and entrepreneurship. We believe this to be the most effective way to create opportunities for employment, wealth creation and stimulating socio-economic growth. The strategy is aimed at facilitating the empowerment of talented individuals within a defined continuum of interventions through school and university to the workplace.

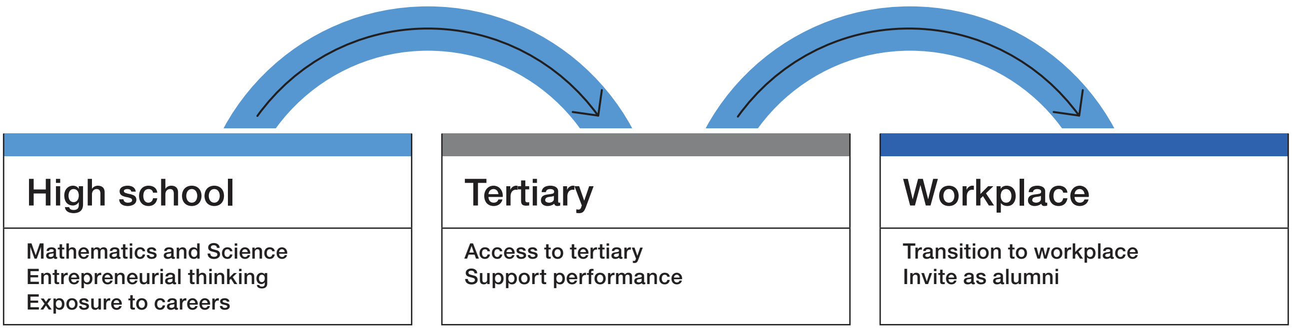
Wherever possible, we seek to collaborate with partners, so as to leverage resources and expertise and help ensure a lasting impact as well as long-term sustainability for our projects. In all cases, we look to ensure that projects are enduring, sustainable and replicable (where appropriate) and are guided by strategic intent, rather than philanthropic well-meaning.

Our objectives are twofold:

- To facilitate an increase in the number of entrepreneurially-minded matriculants as well as those with a decent pass in English, Mathematics and Science and who have an aspiration to proceed beyond matric
- To facilitate access to quality tertiary education.

The illustration below shows how various components of our strategy form a pipeline of interventions starting at high school and progressing to the workplace.

SOUTHERN AFRICA PIPELINES OF INTERVENTIONS



HIGHLIGHTS DURING THE PERIOD

In line with our strategy, a total of 92% of South Africa's CSI spend was allocated to education and entrepreneurial initiatives.

- Promaths, has been offering extra Mathematics and Science lessons to learners in grades 10 to 12 at selected schools across the country. Aimed at supporting the South African education system to produce students that are competent in these critical subjects, the programme continues to outpace the national average. Investec currently funds eight Promaths centres
- During the 2015 academic year, approximately 200 Promaths learners obtained greater than 80% in their matric Mathematics or Physical Science
- Investec Merit Awards allocated 17 new merit awards in the 2015 academic year
- The Investec bursary programme currently has 94 bursary recipients from first year to honours level. Last year saw 23 of our bursary recipients graduating and entering the world of workplace, bringing the total number of our ex-bursary holders who are now professionals and part of our alumni to 109
- As part of our education focus, we would like to increase the number of learners who not only pass matric well, but also have an aspiration to proceed with their studies beyond matric. In response to a broader need around career guidance and an attempt to contribute towards this aspiration, Investec has made career guidance central to its education offerings. In 2015, 410 grade 11 learners were given an opportunity to attend 'a day at Investec'
- To complete the educational support loop, Investec also addresses the need that many university students have for advice and mentorship. The mentorship programme pairs Investec staff volunteers with each of the bursary recipients. In this role, staff members become personal mentors, offering students a sounding board for educational and other decisions or difficulties. In many instances, mentors also draw on the skills and expertise of other colleagues to assist bursary students with particularly challenging university courses
- In a quest to create a meaningful legacy for Investec and the communities within which we operate, we have sought to engage in social investment initiatives that facilitate the opportunity for many up and coming youngsters to become active economic participants in society. In 2015, Investec continued its partnership with Junior Achievement South Africa (JASA) in an entrepreneurship initiative that seeks to stimulate an entrepreneurial mindset as well as life skills amongst grade 10 and 11 learners
- Investec and the South Africa-Israel Forum (SAIF) have partnered to facilitate an opportunity that exposes young entrepreneurs to Israel's entrepreneurial culture and spirit. Young Treps is an initiative that sends a select group of leading young entrepreneurs to Israel for a week and is aimed at stimulating their personal and entrepreneurial growth. The trip included visits to top Israeli startups in a variety of sectors, as well as formal and informal opportunities to network and showcase their businesses and to be an opportunity for the young entrepreneurs to establish global relationships. A total of four trips have taken place in 2015. May 2016 will see the first trip of entrepreneurs to Silicon Valley
- Investec Bank Mauritius' CSI strategy focuses on projects and initiatives in education, environment and sports development. The office contributed £63 818 (2015: £64 520) to a number of corporate social investment projects during the financial year.

Please refer to the Investec Bank (Mauritius) Limited's annual report for more detail.

Our planet

Investec's environmental policy takes into account the challenges that climate change presents to the global economy and we will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet. We believe that as a niched specialised financial services organisation, and given our positioning in the first and emerging worlds, we can make a meaningful impact in addressing climate change

As a niched and specialist financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited. However, in promoting sustainability as part of Investec's core strategy, we believe there needs to be a balance between economic and financial imperatives, the needs of society and their combined impact on the environment.

Our internal environmental strategy is focused on creating awareness and encouraging behavioural change in recognition of our environmental responsibilities. Investec recognises that effective environmental management is an essential part of embedding this philosophy into the organisation. We are committed to operating an effective environmental management system. The Gresham Street office was recertified and retains ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark.

We continue to drive awareness about our direct operational impacts by influencing internal behaviour through the environmental programmes communicated to staff through our team of environmental champions, Team Green. The teams are made up of representatives from across the business areas and aim to raise awareness around our environmental impact and to encourage positive and sustainable behaviour change amongst our staff through education and engagement.

Externally, we focus on incorporating environmental considerations into our daily operations. We recognise the significant opportunities for our clients and our various businesses in areas such as cleaner and renewable energy sources, energy efficiency and responsible lending and investing.

DIRECT ENVIRONMENTAL IMPACT

Our respective carbon footprints have been calculated according to the international Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition). Data has been gathered in line with our requirements of the CRC Energy Efficiency scheme. We use the operational control method to determine what is included in our scope of reporting. Materiality set at a group level was 5% with all facilities estimated to contribute > 1% of total emissions included.

CARBON FOOTPRINT FOR THE GROUP

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

		31 March 2016	31 March 2015
Tonnes of CO_2 equivalent:			
Scope 1			
Energy	Gas consumption	458	532
	Diesel	248	221
Refrigerant	Refrigerant	891	1 002
Employee travel	Vehicle fleet	216	231
Total scope 1		**1 813**	**1 986**
Scope 2			
Energy	Electrical energy consumption	**36 683**	**36 548**
Scope 3			
Paper	Paper consumption	612	559
Waste	General waste	39	29
	Waste recycled	17	18
Employee travel	Rail travel	98	106
	Road business travel	122	245
	Taxi	51	12
	Commercial airlines	30 461	30 142
Total scope 3		**31 400**	**31 111**
No scope			
Water	Water consumption via mains	–	–
Total emissions		**69 896**	**69 645**
Emissions per average employee		**8.20**	**8.44**
Emissions per m² office space		**0.39**	**0.43**
Water consumption per average employee (kl)		**15**	**12**

HIGHLIGHTS FOR THE UK

Our environment programme looks at six main focus areas:

- Energy minimisation
- Waste minimisation
- Water management
- Sustainable procurement
- Sustainable travel
- Air quality.

These focus areas form part of our Environmental Management System (EMS). Our 2 Gresham Street EMS was recertified to ISO 14001 in December 2015 and will run for three years. This demonstrates our commitment to managing our environmental footprint.

- In 2015 Team Green was rolled out further within the UK, and is now in 17 of our 19 UK offices as well as our Irish office
- The Watch Your Waste Campaign, focused on paper and plastic waste and had the following impacts:
  - Waste reduced by 3%/3 541 kg to 50 897 kg
  - Engaged more office waste segregation and minimisation
  - Removed under-desk bins from more offices, encouraging more recycling
- The Air We Share campaign, focused on air pollution advising staff on how to protect themselves from poor air quality and how to reduce their contribution towards it. Impacts were as follows:
  - 2 305 employees reached
  - 595 employees engaged face to face
  - 411 air quality pledges made on Action Days
- We have smart meters in most of our offices which help us to monitor and better manage our energy usage and we continue to have green electricity tariffs in five of our UK offices. Our 2 Gresham Street's EMS remains certified to the Energy Reduction Verification Kitemark, where we continue to reduce our energy usage despite a growing headcount. We have to date, saved approximately £1.7 million in our Gresham Street office by switching off unnecessary electricals
- Our Gresham Street office won our ninth Platinum award for our waste management in the City of London Corporation's Clean City Award Scheme
- In Gresham Street we continued to bottle our own pure drinking water refilling 28 384 litre bottles during the past financial year
- During 2015 we improved our collection of travel data with respect to commercial airline business travel
- We continue to run a Cycle2Work scheme across Investec Specialist Bank, and a Ride2Work scheme within Wealth & Investment. There are 354 registered cyclists and 100 bike spaces in our 2 Gresham Street office alone.

CARBON FOOTPRINT FOR THE UK AND OTHER

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review

UK and Other consumption		Units	31 March 2016	31 March 2015
Scope 1				
Energy	Gas consumption	kWh	2 411 761	2 789 241
	Diesel	l	600	2 812
Refrigerant	Refrigerant	kg	29	55
Scope 2				
Energy	Electrical energy	kWh	14 134 778	14 445 398
Scope 3				
Material	Paper*	t	120	57
Waste	General waste*	t	11	34
	Waste recycled*	t	424	494
	Food waste to anaerobic digestion	t	120	111
	Incinerated waste to energy	t	118	75
Employee travel	Rail	km	2 215 447	2 266 368
	Road business travel	km	299 913	1 296 121
	Taxi	km	190 996	46 723
	Hotel nights	night	8 300	5 763
	Commercial airlines*	km	34 787 724	42 220 111
No scope				
Water	Water consumption	kl	28 666	19 060
Emissions				
Total emissions			**22 236**	**25 057**
Total average employees			3 799	3 792
Emissions per average employee			**5.85**	**6.61**
m² office space			56 389	53 095
Emissions per m² office space			**0.39**	**0.47**

* *Due to improved data collection processes, the coverage of paper, general waste, waste recycled and commercial airline business travel increased to include smaller UK and other offices. In the past only the major offices were included.*

CARBON FOOTPRINT FOR SOUTHERN AFRICA

Audited by Investec Internal Audit and Grant Thornton as part of the sustainability review.

Southern African consumption		Units	31 March 2016	31 March 2015
Scope 1				
Energy	Gas consumption	kWh	59 778	76 083
	Diesel	l	91 086	81 881
Refrigerant	Refrigerant	kg	505	507
Employee travel	Vehicle fleet	km	1 131 072	1 194 365
Scope 2				
Energy	Electrical energy	kWh	29 269 262	28 493 024
Scope 3				
Material	Paper	t	146	170
Waste	General waste	t	66	62
	Waste recycled	t	154	164
Employee travel	Road business travel	km	353 600	208 318
	Commercial airlines	km	42 547 196	37 178 259
No scope				
Water	Water consumption	kl	95 191	81 359
Emissions				
Total emissions			**47 942**	**44 802**
Total average employees (including temporary employees but excluding Blue Strata employees)			4 723	4 431
Emissions per average employee			**10.15**	**10.11**
m^2 office space			123 154	113 374
Emissions per m^2 office space			**0.39**	**0.40**

HIGHLIGHTS FOR SOUTHERN AFRICA

- Electricity is the largest contributor to our direct environmental impact. With rising electricity costs, energy supply concerns in South Africa and pending carbon tax costs, it is becoming more imperative that we reduce our energy consumption. As such, Investec Sandton (our largest office, comprising 49% of group floor space) has set an energy reduction target of 10% by 2020, with 2014 as a base year. We have set 2014 as a base year because we spent R4.5 million on energy efficiency initiatives in 2009 and have already seen reductions of 26% from 2008 to 2014 with a further 6.8% reduction since 2014. We seek to further increase our efficiencies by 2020
- Our biggest energy consumers are heating, ventilation and air-conditioning systems, lighting and information technology. During 2016 we spent approximately R3 million on consolidation and modernisation of electrical infrastructure. In addition to the efficiencies gained through infrastructure improvements, consolidation and decommissioning activities in the data centre should result in a combined reduction of roughly 3% of annual consumption. Further consolidation and modernisation activities are planned for the 2017 financial year
- In order to encourage recycling and simultaneously support surrounding communities, Investec staff partner with Interwaste, a waste management company, in an initiative called 'Tops and Tags' where companies or individuals collect plastic bottle tops and plastic bread tags to be recycled. When contributors have collected 100 000 tops and tags they exchange these for a wheelchair which is then donated to a charity. Since inception, staff have collected enough tops and tags to donate 33 wheelchairs to the community
- The desire to make a meaningful contribution to the world we live in is at the heart of Investec's values. On World Environment Day, we invited all staff to engage with some of our partners in conservation to hear how Investec is caring for the environment. These included:
  - Investec Rhino Lifeline which raises awareness of South Africa's rhino crisis
  - Endangered Wildlife Trust Carnivore Conservation programme which conserves South Africa's wild dogs
  - BirdLife South Africa which minimises the impact of renewable energy projects on birds and their habitats
  - Team Green which manages Investec's internal environmental initiatives.

- Towards the end of the financial year Investec acquired four water machines that filter and dispense still and sparkling tap water. Staff are encouraged to use a glass or bottle to fill up at any time in an attempt to reduce the use of plastic bottled water. Team Green also purchased glasses made from recycled wine bottles to accompany glass bottles in meeting rooms
- Investec supported the Operation Hydrate initiative by donating R20 000. This initiative supports communities by supplying drinkable water to drought-stricken areas in South Africa.

SUSTAINABLE FINANCE AND INVESTMENT

Investec has a holistic approach to sustainability, which runs beyond recognising our own footprint on the environment and includes our many CSI activities and our funding and investing activities. This is not merely for business reasons, but based on a broader responsibility to our environment and society. Accordingly, sustainability risk considerations are considered by the credit committee and investment committee when making lending or investment decisions. There is also oversight by the social and ethics committee (executive committee) on social and environmental issues. In particular the following factors are taken into account when a transaction might be approved or declined based on the outcome of the sustainability considerations:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations
- Economic considerations.

We require that all power and infrastructure-related projects comply with applicable environmental, planning, labour and procurement law and do not fund or invest in projects which do not have acceptable environmental impact assessments, do not comply with procurement and labour laws, and either do or could reasonably be expected to breach acceptable behavioural, ethical or moral standards. We target transactions in countries with established laws that comply with World Bank Standards and that have due processes that are applied reasonably and effectively. If not, sponsors and suppliers are obliged to give undertakings and compliance with such standards. In addition, we have now designed an internal framework to provide enhanced procedures to evaluate and actively avoid, manage and mitigate the potential social and environmental impacts of the projects proposed.

For further information please refer to the detailed sustainability report.

In our role as a global asset manager, our primary goal is to deliver our clients' mandates. The essential purpose of our work is to preserve and grow the real purchasing power of the assets entrusted to us by our clients over the long term. In fulfilling this purpose we will assume a stewardship role over the assets, including the effective exercising of their ownership rights. We monitor, evaluate and, if necessary, actively engage or withdraw capital to preserve or add value to our clients' portfolios.

We recognise that it is necessary for material issues of an environmental, social and governance (ESG) nature to form part of fundamental investment analysis. To this end, we have established a stewardship policy. We are also a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI), the UK Stewardship Code and Code for Responsible Investing in South Africa (CRISA), we are investor signatories of the Carbon Disclosure Project and their Carbon Action initiative, which calls for business to monitor the cost-effective management and reduction of carbon emissions.

While all teams follow the fundamental principles of our stewardship policy, the manner in which Investec Asset Management plays an active ownership role will be determined by an assessment of the costs and benefits to our clients as well as portfolio decisions on whether to remain invested in the company, with the protection and enhancement of the value of client portfolios being the central objective.

One of our goals is to further encourage in-house ESG research and stock reviews. Currently, we source company ESG analysis from a number of sources including external service providers. To further advance ESG integration in the investment process, we have developed a stock review framework that takes risk and opportunity factors into account. We believe the focus should be on material risks and opportunities inherent to the sectors in which companies operate.

Identifying the material sustainable factors, guides our analysts in developing an ESG view of a company. The framework and tools assist in putting companies' ESG risks and opportunities into perspective for the investment team.

Further detail on our sustainability considerations is available in a more extensive sustainability report on our website.

Information technology (IT)

Our vision is to continuously deliver efficient and effective information technology that meets the needs of the business facilitating excellent client service, within acceptable risk tolerance.

Key infrastructure-related developments reducing our environmental footprint during the period include the following:

- Collaboration through video conferencing (VC), audio video (AV) and our telepresence implementation across geographies, ensures effective leveraging of international teams and reduces business travel costs
- Data centre efficiencies through virtualisation continues across all geographies. The use of specialised database appliances in South Africa will reduce storage growth and improve processing capacity. This, together with the reduced footprint of new replacement technology, will allow South Africa to shut down one of the data centres in our Grayston Drive building
- Efficient power consumption at the South African Midrand Alternative Processing Site (MAPS) continues with the implementation of automating the hibernation of desktop equipment during periods of low usage
- Wherever feasible, the use of cloud-based services continues to be a major consideration across all geographies and businesses in an effort to reduce physical infrastructure and energy requirements. This has been achieved in five different geographies
- The Mail in the Cloud initiative has been completed in the UK with the implementation of the Microsoft Office 365 solution and roll-out in South Africa will be completed by the end of 2016

- The UK office has completed its thin desktop initiative.

Key infrastructure-related developments improving our IT efficiency during the period include:

- The implementation of a Software Asset Management (SAM) toolset continues to yield results in optimal licencing levels and effective commercial negotiations
- We continued the collaboration across geographies ensuring effective leveraging of international teams regarding specific technologies
- In South Africa, the ongoing power supply challenges has resulted in the investigation of High Availability (HA) for critical applications and a number of cross geographical recovery options.

Key business application-related developments:

- The strategy to become an internationally focused client-centric organisation continues
- Continued consolidation and merging of technology and support teams across divisions, and in some cases geographies, is gaining momentum
- This convergence will lead to opportunities to leverage resources, skills and licencing internationally and help the achievement of our four strategic goals to:
  - align architectural principles across all businesses and geographies;
  - reduce the international business applications footprint;
  - commoditise common functionality wherever commercially viable; and
  - simplify the environment.
- The Single Specialist Bank initiative continues to focus on the elimination of duplicate and redundant business processes across divisions and geographies to deliver an appropriate cost-effective, global, client-friendly service through our client support centre in South Africa
- Our One Place digital offering now includes full transactional capability for Wealth & Investment South Africa, Private Banking South Africa, Private Banking UK, Wealth & Investment UK, with read-only capability for Wealth & Investment Switzerland, Wealth & Investment Channel Islands and Private Bank Channel Islands
- Our digital platforms have been launched into the UK banking client base, and Wealth & Investment UK is scheduled for launch in second quarter 2016 together with the first phase of Channel Islands
- The digital platform in South Africa has been enhanced to allow clients to incorporate externally held transactional accounts, investments and loyalty programmes to complete a 'One Place' solution. This functionality has just been rolled out for use in the UK
- The next iteration of our unified intermediary offering is scheduled for launch in second quarter 2016, and the new version will be available to intermediary clients of Wealth & Investment UK
- An online discretionary management service for the South African client base has also been incorporated, with the ability to invest in a suite of Tax Free Savings accounts. Online Application (eliminating paper) for a suite of banking and savings products in both South Africa and the UK is now available to clients. Major initiatives now include a robo-advisor (automated online financial adviser) for the UK market, Digital Briefcase, self-service document generation, international payments and further enhancements to the online apply, online portfolio management and Investec suite of applications
- Wealth & Investment in South Africa, UK, Mauritius and Switzerland have partnered to provide a single leveraged platform for international trading and investment management to South African clients. Platforms and operations are run out of the UK and Switzerland businesses
- International payments capability has been added in to our online platforms for South Africa, UK, Channel Island and Mauritius clients, with the additional benefit of an automated Balance of Payments (BOP) process for South African clients achieving a near-paperless process
- The payments architecture has been revised to eliminate duplicate payment environments and processes in the bank
- In the UK, the drive to move clients onto online banking, online processing and electronic statement distribution for our Private Banking, Mortgage and Asset Finance businesses remains a high focus area
- In the South African home loan business, property valuations below a specific value are automated, drastically reducing turnaround times and eliminating the need to physically visit property sites.

Security and risk management:

- We continue to enhance Security and Risk Management functions based on clear strategies supported by a targeted architecture to ensure alignment and coordination across all geographies
- This is aimed to meet the ever-growing demands of our threat landscape and we continue to place emphasis on collaborative, proactive risk and security management.

Procurement

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK, additions have been made to our procurement policy to incorporate both green and corporate social responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment. We have recently committed to ensuring that 100% of our beverage offering has the Fairtrade label. This includes beverages available in our staff teapoints, our coffee bar and our hospitality suite. A product that carries the Fairtrade certification mark has met the rigorous Fairtrade standards, which focus on improving labour and living conditions for farming communities and on promoting a way of farming that doesn't harm either people or the environment.

In South Africa, our procurement practices seek to accord with the BEE requirements of the Department of Trade and Industry's Codes of Good Practice and we have an established process for monitoring and measuring our broad-based BEE procurement efforts. Environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of PCs and server equipment subscribe to an electronic code of conduct, which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.

In South Africa our banqueting team uses Rainforest Alliance Certification. Products bearing the seal originate from, or contain ingredients sourced from Rainforest Alliance Certified farms or forests. These farms and forests are managed according to rigorous environmental, social and economic criteria designed to conserve wildlife; safeguard soils and waterways; protect workers, their families and local communities; and increase livelihoods in order to achieve long-term sustainability.

Four

Remuneration report

Statement by the chair of the remuneration committee

This remuneration report was compiled by the board remuneration committee (the committee) and approved by the board.

REMUNERATION PHILOSOPHY REMAINS UNCHANGED

Our overarching remuneration philosophy has remained unchanged from prior years as we maintain focus on employing and retaining the highest calibre individuals through the payment of industry competitive packages and long-term share awards, which ensure alignment with key stakeholders in our business.

Our rewards continue to be distributed from pools of realised earnings generated in excess of targeted thresholds which reflect usage of risk-adjusted capital. This economic value-added model has been in operation for about 17 years and ensures that risk and capital management form the basis for key processes at both a group and transaction level thus balancing the rewards between all stakeholders.

We recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

REMUNERATION OUTCOMES FOR 2015

We received a 75% vote in favour of the executive directors' remuneration policy at the 2015 annual general meeting. The policy incorporated a number of changes, which reflected the outcomes of engagement with shareholders at the time. It is anticipated that this policy will remain in force until the 2018 annual general meeting unless regulatory changes or the business or economic environment necessitate earlier amendment.

The volume and pace of regulatory change continued during 2015 and the committee spent much of its time during the period monitoring and analysing these developments against the group's current remuneration arrangements. The committee is comfortable that our current remuneration policy appropriately reflects our remuneration philosophy, is robust and fit for purpose and complies with applicable regulations. As a result, we have not made any significant changes to the current executive and group remuneration policy.

Malus adjustments on unvested share awards are applicable to all employees across the group. Furthermore, Material Risk Takers are also subject to clawback adjustments.

Further guidance on remuneration practices has been published by the European Banking Authority (EBA) which will be considered by the committee when reviewing policy in calendar year 2016.

BUSINESS CONTEXT AND OUTCOMES FOR THE YEAR UNDER REVIEW

The committee continues to place great importance on ensuring that there is clear alignment between remuneration and delivery of the group's key strategic objectives.

During the 2016 financial year the group benefited from positive business momentum across its operations and delivered a sound performance, notwithstanding challenging operating conditions.

The group's performance against key metrics is shown in the table below.

In light of the positive financial performance of the group during the 2016 financial year and the resultant progress achieved across a range of financial, non-financial and strategic measures (in terms of the executive short-term incentive plan as approved by shareholders and reflected on pages 167 to 169), the remuneration committee approved an annual bonus of £1.4 million each for Stephen Koseff and Bernard Kantor, and £1.2 million for Glynn Burger. Stephen Koseff, Bernard Kantor and Glynn Burger receive 30% of their bonuses in cash, 30% in shares upfront, with the balance deferred in shares. Malus and clawback arrangements apply to these awards.

GROUP PERFORMANCE METRICS	Year ended 31 March 2016	Year ended 31 March 2015	% change
Earnings attributable to shareholder before goodwill, acquired intangibles, non-operating items and after non-controlling interests	£359.7 million	£339.5 million	6.0%
Adjusted earnings per share	41.3 pence	39.4 pence	4.8%
Dividends per share	21.0 pence	20.0 pence	5.0%
Return on equity	11.5%	10.6%	
Recurring income as a % of total operating income	71.7%	74.2%	
Return on average risk-weighted assets	1.34%	1.25%	
Total capital adequacy ratio, Investec plc	15.1%	16.7%	
Core tier 1 capital ratio, Investec plc	9.7%	10.2%	
Leverage ratio, Investec plc	7.0%	7.7%	
Total capital adequacy ratio, Investec Limited	14.0%	14.7%	
Core tier 1 capital ratio, Investec Limited	9.6%	9.6%	
Leverage ratio, Investec Limited	7.0%	8.1%	
Total shareholder return, Investec plc (Pounds Sterling)	(4.8%)	19.7%	
Total shareholder return, Investec Limited (Rands)	13.6%	22.5%	
Variable remuneration pool	£331 million	£337 million	(1.9%)

Hendrik du Toit was awarded a bonus of £3.9 million, determined solely in relation to the performance of Investec Asset Management as set out on page 166. The bonus payable to Hendrik du Toit will not be deferred until such time as the debt taken out by him to fund a substantial investment into Investec Asset Management has been repaid.

The remuneration committee approved inflationary increases in the salary and benefits of the executive directors in line with average salary increases provided to employees across the group.

The board approved a modest increase in fees for the forthcoming year for the non-executive directors.

LOOKING FORWARD

The committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy, risk management and capital management frameworks.

We remain committed to engaging with our shareholders and shareholder representative organisations to ensure that their views are taken into consideration when determining our remuneration practices. We continue to receive positive feedback in this regard.

We are seeking shareholder approval at the 2016 annual general meeting for:

- Our directors' remuneration report for the year ended 31 March 2016
- Our non-executive directors' remuneration.

Signed on behalf of the board

PKOCrosthwaite.

Perry Crosthwaite
Chairman, DLC remuneration committee

9 June 2016

Navigating this report

To help shareholders navigate the remuneration report, a brief summary of key content is set out below.

Executive directors

The executive directors whose remuneration is disclosed in this report are referred to as follows:

- Stephen Koseff – chief executive officer (CEO)
- Bernard Kantor – managing director (MD)
- Glynn Burger – group risk and finance director (GRFD)
- Hendrik du Toit – chief executive officer of Investec Asset Management (CEO of IAM).

Compliance and governance statement

The remuneration report complies with the provisions of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code 2014, the UK Companies Act 2006, the Rules of the UK Listing Authority, the UK Financial Conduct Authority rules, the PRA and FCA Remuneration Code, the South African King III Code of Corporate Practice and Conduct, the South African Companies Act 2008, the JSE Limited Listings Requirements and the South African Notice on the Governance and Risk Management Framework for Insurers, 2014.

The remuneration report comprises the annual statement from the committee chair, the directors' remuneration policy that sets out our remuneration policy for the next two years and the differences between the future policy and the policy operated in the 2016 financial year, and the annual report on remuneration that explains how the policy has been implemented in the 2016 financial year. The report also contains Pillar III disclosures as mandated by the UK's PRA and the South African Reserve Bank.

A summary of the remuneration decisions made during the year ended 31 March 2016

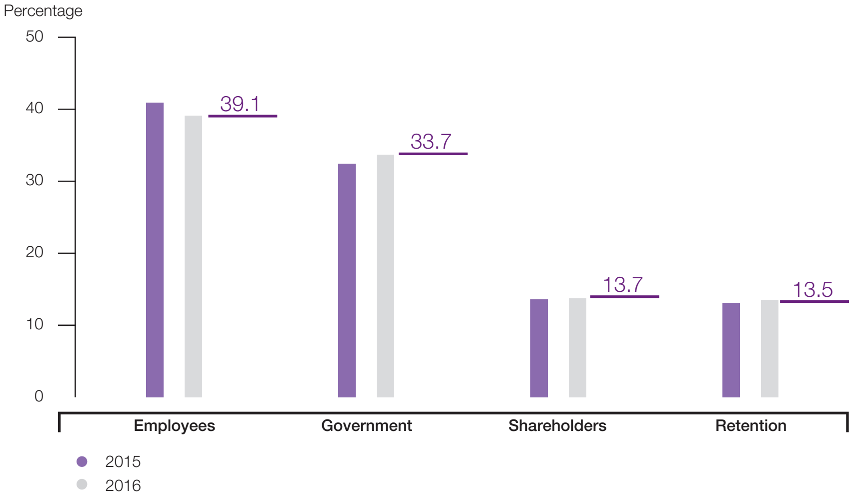
REMUNERATION PHILOSOPHY

Our philosophy, which remains unchanged from prior years, is to:

- Employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies
- Strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance, so that executive directors and employees may be positive contributors to our clients, their communities and the group
- Provide staff share ownership through participation in our employee share schemes to align interests with those of our owners
- Continue to acknowledge the importance of the appropriate division of the returns generated by our business between our owners, our workforce and the societies in which we operate.

In summary, we estimate our total economic return has been divided between government through taxation, owners through dividends and employees through total compensation as follows:

VALUE ADD CONTRIBUTION



The total cost of compensation is managed through staff compensation ratios which are reviewed regularly. The total staff compensation ratios are as follows:

	Staff compensation ratios	
	Year ended 31 March 2016	Year ended 31 March 2015
Total for the group	47.0%	47.4%
Asset Management	48.2%	47.6%
Wealth & Investment	53.8%	55.9%
Specialist Banking	44.8%	45.2%

OUTCOMES FOR EXECUTIVE DIRECTORS DURING THE YEAR

The following table summarises awards made to executive directors for the year. A further breakdown of these awards can be found on page 171.

£'000	Total cash benefits, salary, bonus 31 March 2016	Total cash benefits, salary, bonus 31 March 2015	Total deferred bonus* 31 March 2016	Total deferred bonus* 31 March 2015	Fixed allowance payable in shares subject to retention^ 31 March 2016	Fixed allowance payable in shares subject to retention^ 31 March 2015	Value of LTIPs – not vested and still subject to performance conditions^^ 31 March 2016	Value of LTIPs – not vested and still subject to performance conditions^^ 31 March 2015	Total remuneration awarded in current period 31 March 2016	Total remuneration awarded in current period 31 March 2015	Value of exercised LTIPs** 31 March 2016	Value of exercised LTIPs** 31 March 2015
CEO	1 322	970	562	2 000	1 000	1 000	1 480	–	4 364	3 970	–	–
MD	1 322	970	562	2 000	1 000	1 000	1 480	–	4 364	3 970	–	–
GRFD	1 041	773	488	1 800	1 000	1 000	1 308	–	3 837	3 573	–	–
CEO IAM	4 375	4 811	–	–	–	–	–	–	4 375	4 811	1 089	3 319

* 40% of the bonus is deferred in shares which vest equally after one and two years, subject to six months retention.
^ 20% released each year for a period of five years.
^^ As discussed on page 179, the awards were made on 2 June 2016 and the amount reflected in the table represents the number of awards made multiplied by the share price on the date of award. These awards have not vested and are still subject to performance conditions being met.
** LTIPs awarded in prior years which have been exercised during the financial period. The value represents the number of shares that were exercised multiplied by the market price of the shares at the date on which they were exercised.

The payment and deferral profile of the remuneration awarded to S Koseff (CEO) and B Kantor (MD) during the 2016 financial year is as follows:

£'000	Awarded in 2016	Received in: Year 1 (2016)	Year 2	Year 3	Year 4	Year 5
Remuneration awarded in 2016 not subject to future performance conditions	**2 884**	**1 522**	**481**	**481**	**200**	**200**
Salary and benefits	480	480	–	–	–	–
Fixed allowance payable in shares	1 000	200	200	200	200	200
Short-term incentive	1 404	842	281	281	–	–
Long-term incentive awarded in 2016 still subject to future performance conditions	1 480	–	–	493	493	494
Total remuneration	**4 364**	**1 522**	**481**	**974**	**693**	**694**

The payment and deferral profile of the remuneration awarded to GR Burger (GRFD) during the 2016 financial year is as follows:

£'000	Awarded in 2016	Received in: Year 1 (2016)	Year 2	Year 3	Year 4	Year 5
Remuneration awarded in 2016 not subject to future performance conditions	**2 529**	**1 241**	**444**	**444**	**200**	**200**
Salary and benefits	308	308	–	–	–	–
Fixed allowance payable in shares	1 000	200	200	200	200	200
Short-term incentive	1 221	733	244	244	–	–
Long-term incentive awarded in 2016 still subject to future performance conditions	1 308	–	–	436	436	436
Total remuneration	**3 837**	**1 241**	**444**	**880**	**636**	**636**

The remuneration awarded to HJ du Toit (CEO IAM) will not be deferred until such time as the debt taken out by him to fund a substantial investment in IAM has been repaid.

Annual report on directors' remuneration

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

COMPOSITION AND ROLE OF THE COMMITTEE

Perry Crosthwaite is the chairman of the committee. The other members of the committee are Fani Titi, Charles Jacobs and Zarina Bassa.

Current members of the committee are deemed to be independent as discussed on page 114.

Two members of the committee are also members of the group's board risk and capital committee (as discussed on page 130), thus bringing risk and control mechanisms into the committee's deliberations.

The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities, who are the global heads of our core areas of activity and are members of our global operations forum)
- Commission and consider the results of an annual central and internal review of remuneration policy implementation
- Ensure that qualified and experienced management and executives are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of and determine targets and objectives for any performance-related remuneration schemes operated by the group and approve the aggregate annual payouts under such schemes
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of executive directors and persons discharging managerial responsibilities and Material Risk Takers including, where appropriate, bonuses, incentive payments and share scheme awards
- Review and approve, within the terms of the agreed policy, the total individual remuneration packages of members of the Internal Audit, Risk and Compliance functions
- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to remuneration are respected.

The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties.

The committee's terms of reference are subject to annual review and are available on our website.

Meetings

The remuneration committee met nine times during the financial year. An attendance schedule is provided on page 132.

The company secretary of Investec plc acts as the secretary. Executive directors do not attend meetings of the committee, unless invited or required to do so by the chairman of the committee. The chairman of the committee reports on the activities of the committee at each meeting of the board.

Advisers to the committee and the company

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee and Investec funds any expenses relating to their appointment.

During the financial year, the committee continued to use the services of its principal advisers, New Bridge Street, which among other things reviewed and provided information on industry consultation papers, regulations and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmarks, industry and comparable organisations' remuneration practices. Their recommendations are valued in the ongoing review of our remuneration practices. New Bridge Street is a signatory to the UK Remuneration Consultants Group's Code of Conduct and does not conduct any material work for the company other than for the committee and is part of Aon plc. The committee, on an annual basis, formally evaluates the advice received from New Bridge Street to ensure that it is both objective and independent, and considers whether this service should be retained for the forthcoming year. Total fees paid to New Bridge Street for the year amounted to £7 318 (based on their standard hourly rates).

The company retained the services of PricewaterhouseCoopers to assist with the development of remuneration arrangements in light of evolving European Banking Authority guidelines and industry remuneration developments. This information was also shared with the committee.

Furthermore, we have used the services of Linklaters who have advised this year mainly on a number of issues pertaining to our existing incentive plans. Linklaters is one of Investec plc's legal advisers.

Certain specialist divisions within the group, for example, human resources and the staff shares schemes division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our finance teams taking into account risk-adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

Statement of implementation of remuneration policy for the year ending 31 March 2017

EXECUTIVE DIRECTORS

As approved at the 2015 annual general meeting, the remuneration policy for the executive directors will be implemented for the year ending 31 March 2017 as follows:

BASE SALARY AND BENEFITS		
	• £480 000 for the CEO • £480 000 for the MD • £308 445 (i.e. R4 500 000 Rand portion and £90 300 Pounds Sterling portion) for the GRFD • £450 874 for the CEO of IAM	No increase
FIXED ALLOWANCE		
	£1 000 000 for each of the three executive directors subject to CRD IV (CEO, MD and GRFD)	• Payable in shares • Vests on award • Retention period: – Released over five years – 20% each year
STI		
	• Incentive pool for CEO, MD, GRFD: – 0.23% each of adjusted operating profit for CEO and MD – 0.20% of adjusted operating profit for GRFD – Subject to a maximum of 100%* of fixed remuneration for each of the three executive directors subject to CRD IV • Incentive pool for CEO of IAM: – 1.85% of the earnings of IAM before variable compensation and tax	• For CEO, MD, GRFD: award subject to performance criteria as set out on pages 167 to 169 – Malus and clawback provisions apply – Deferral period: 30% upfront in cash; 30% upfront in shares; 40% deferred shares vesting after one and two years, subject to six-month holding period • For CEO of IAM: – There will be no deferral of the short-term incentive until such time as the debt taken out by the CEO of IAM to fund a substantial investment in IAM has been repaid
LTI		
	• Maximum 100% fixed remuneration • Paid entirely in shares • Applicable for each of the three directors subject to CRD IV (CEO, MD and GRFD) • CEO of IAM will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme (as explained on pages 196 and 197)	• Award subject to performance criteria as set out on pages 169 and 170 • Award of one times fixed remuneration at face value • Deferral period: equal vesting over years three to five, subject to six-month holding period

* *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

FURTHER DETAILS ON THE EXECUTIVE DIRECTORS' SHORT-TERM INCENTIVE PLAN:

Performance conditions	Weighting	Score range	Achievement levels
Financial metrics	85%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)
Non-financial metrics	15%	0% – 200%	Threshold (0%) Target (100%) Stretch (200%)

Each financial and non-financial metric has set threshold levels below which no short-term incentive will be earned and stretch levels whereby the pool for short-term incentives earned will be increased, but to a level capped as a percentage of adjusted operating profit. The committee believes that these stretch levels are demanding and will result in an incentive pool which will reflect actual performance and align the interests of the executive directors with the interests of shareholders. Achievement levels for the short-term incentive will be reviewed annually regularly by the committee.

Executive short-term incentive – financial metrics and weightings

The weightings for each financial metric are as follows:

Financial metric	Weighting	
Aggregate	85%	
Return on risk-weighted assets[1]	35%	60% attributable to profitability measures
Return on equity[2]	25%	
Tier 1 capital adequacy[3]	12.5%	25% attributable to prudential measures
Liquidity cover ratio[4]	6.25%	
Net stable funding ratio[4]	6.25%	

1 *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items.*
2 *Return on equity is defined as adjusted earnings/average ordinary shareholders' equity (excluding preference share capital).*
3 *Tier 1 capital adequacy condition is a blend of the underlying tier 1 capital adequacy ratios for Investec plc and Investec Limited (50% plc: 50% Limited).*
4 *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK).*

The financial metrics are designed to ensure an appropriate balance between measures which drive profitability (return on risk-weighted assets and return on equity) which comprise 60% of the total weighting of 85% and prudential measures (tier 1 capital adequacy ratios, liquidity cover ratios and the net stable funding ratio) which comprise 25% of the total weighting of 85%.

Executive short-term incentive – financial metrics: achievement levels

Achievement levels for each of the financial metrics, as described above, which determine threshold, target and stretch performance are reviewed regularly by the committee, following a careful and detailed review of relevant economic and market conditions. The threshold, target and stretch performance levels for the financial metrics set by the committee are outlined on the next page. Achievement levels for the year ended 31 March 2016 are shown on page 172.

	Weighting	Achievement levels		
Financial metric	**85%**	**Threshold (0%)**	**Target (100%)**	**Stretch (200%)**
Return on risk-weighted assets	35%	0.9%	1.2%	1.6%
Return on equity	25%	9%	12%	15%
Tier 1 capital adequacy	12.5%	9.5%	10.5%	12%
Liquidity cover ratio*	6.25%	115%	132.5%	162.5%
Net stable funding ratio*	6.25%	82%	89.5%	99.5%

* *The liquidity metrics (liquidity cover ratio and net stable funding ratio) are a blend of the underlying liquidity metrics weighted by region (55% South Africa: 45% UK) as set out below:*

Measure	South Africa	UK
Geographical weighting	55%	45%
Liquidity cover ratio		
Threshold	55%	150%
Target	65%	175%
Stretch	75%	225%
Net stable funding ratio		
Threshold	65%	95%
Target	75%	100%
Stretch	85%	110%

Stretch achievement levels for return on risk-weighted assets and return on equity are considered to be demanding:

- The group's adjusted earnings for the year ended 31 March 2016 amounted to £359.7 million
- In order to achieve the stretch achievement level for the return on risk-weighted assets metric, the group's adjusted earnings for the year ended 31 March 2016 would have needed to be 18.6% larger at £426.6 million *ceteris paribus*
- In order to achieve the stretch achievement level for the return on equity metric, the group's adjusted earnings for the year ended 31 March 2016 would have needed to be 30.0% larger at £467.5 million *ceteris paribus*.

Executive short-term incentive – non-financial metrics: achievement levels

The committee believes that it is right to incentivise executive directors to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns. Without a meaningful weighting and target score for non-financial metrics, the executives would not be rewarded in any significant way for activities which the committee and the board regard as essential to the reputation, risk profile, capability and overall long-term sustainability of the company. The committee considers that both the short- and long-term incentive schemes should properly reflect the board's view of the proper balance of responsibilities for the executive directors.

The areas of focus, weightings and objectives for the non-financial metrics are assessed on a four-point scale (these are reviewed regularly). These are as follows:

	Weighting	Achievement levels				
Non-financial metrics	15%	0%	50%	100%	150%	200%
Culture and values	3.75%	0	1	2	3	4
Franchise development	3.75%	0	1	2	3	4
Governance and regulatory and shareholder relationships	3.75%	0	1	2	3	4
Employee relationship and developments	3.75%	0	1	2	3	4

The committee has set the following areas of focus in respect of the non-financial performance conditions:

- Culture and values
  - Management visible and proactive in demonstrating appropriate behaviour
  - Performance-driven, transparent and risk-conscious organisation
  - Delivering appropriate and sustainable products with high levels of service and responsiveness
  - Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders
  - Continual monitoring of the culture of the group.
- Franchise development
  - Quality of brand, development of client base, commitment to the community and progress in building the firm
  - Environmental and other sustainability issues.
- Governance and regulatory and shareholder relationships
  - Maintaining open and transparent relations with regulators
  - Regulators should have confidence that the firm is being properly governed and managed
  - Shareholders should have confidence that the firm is being properly managed.
- Employee relationship and development
  - Succession and the development of the next generation
  - Diversity and black economic empowerment initiatives and results
  - Continued development of people – both on the job and extramurally.

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances, with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

FURTHER DETAILS ON THE EXECUTIVE DIRECTORS' LONG-TERM INCENTIVE PLAN

The vesting of awards for the executive directors will be conditional on performance weighted as to financial and non-financial performance and measured against prescribed achievement levels.

The number of shares awarded will be decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial metrics, as follows:

	Weighting	Score range	Achievement levels
Financial metrics	75%	0 – 150%	Threshold (0%) Target (100%) Stretch (150%)
Non-financial metrics	25%	0 – 200%	Threshold (0%) Target (100%) Stretch (200%)

The number of shares which vest against both the financial and non-financial performance conditions depend on whether threshold (0%), target (100%) or stretch (150%) levels are achieved, with awards vesting on a linear basis between each level.

If the stretch achievement levels for both the financial and non-financial metrics are satisfied, the number of shares vesting will be increased and capped at a maximum of 135% of the number of shares awarded at the time of grant.

Executive long-term incentive – financial metrics: achievement levels

The achievement levels for each financial metric which determine threshold, target and stretch performance for the three-year performance period applicable to each annual award will be reviewed regularly by the committee in advance of the award being made after a careful review of relevant economic and market conditions. The weightings for each of the financial metrics are expected to remain constant going forward.

Threshold, target and stretch achievement levels for the financial metrics currently are as follows:

	Weighting	Achievement levels		
Financial metrics	75%	Threshold (0%)	Target (100%)	Stretch (150%)
Growth in tangible net asset value[1]	40%	15%	30%	45%
Return on risk-weighted assets[2]	35%	0.7%	1.2%	1.6%

[1] *The growth in tangible net asset value is expressed per share based on neutral currency and after adding back dividends and will be measured over the three financial years preceding the first date of vesting.*

[2] *Return on risk-weighted assets is defined as adjusted earnings/average risk-weighted assets, where adjusted earnings are earnings attributable to ordinary shareholders after taxation, non-controlling interests and preference dividends, but before goodwill, acquired intangibles and non-operating items, and will be measured over the three financial years preceding the first date of vesting by averaging the actual return on risk-weighted assets achieved for each of those three financial years.*

The awards will be tested over the three financial years preceding the first date of vesting against the achievement levels set on grant and the number of shares to be received will be determined by reference to the combined total which has been achieved.

Executive long-term incentive – non-financial metrics: achievement levels

The non-financial metrics and associated objectives for the three-year performance period applicable to each annual award will be reviewed regularly by the committee, in advance of the award being made, taking into account the group's strategic and operational objectives.

The current non-financial metrics are as follows:

	Weighting	Achievement levels				
Non-financial metrics	25%	0%	50%	100%	150%	200%
Culture and values	4%	0	1	2	3	4
Franchise development	13%	0	1	2	3	4
Governance and regulatory and shareholder relationships	4%	0	1	2	3	4
Employee relationship and development	4%	0	1	2	3	4

The committee assesses achievement against objectives for the non-financial metrics on a four-point scale and score 0 (0%) and 4 (200%) only in exceptional circumstances with the typical score range being 1 (50%), 2 (100%) or 3 (150%).

NON-EXECUTIVE DIRECTORS

The fee structure for non-executive directors for the 2016 and 2017 financial years is shown in the table below:

NON-EXECUTIVE DIRECTORS' REMUNERATION	YEAR ENDED 31 MARCH 2016	AS PROPOSED BY THE BOARD FOR THE PERIOD ENDING 31 AUGUST 2017
Chairman's total fee	£415 000 per year	£425 000 per year
Basic non-executive director fee	£70 000 per year	£72 000 per year
Senior independent director	£10 000 per year	£10 000 per year
Chairman of the DLC audit committee	£60 000 per year	£62 000 per year
Chairman of the DLC remuneration committee	£44 000 per year	£45 000 per year
Member of the DLC audit committee	£17 500 per year	£18 000 per year
Member of the DLC remuneration committee	£16 000 per year	£16 500 per year
Member of the DLC nominations and directors' affairs committee	£11 500 per year	£12 000 per year
Member of the DLC social and ethics committee	£11 500 per year	£12 000 per year
Chairman of the board risk and capital committee	£43 500 per year	£44 000 per year
Member of the board risk and capital committee	£14 000 per year	£14 500 per year
Investec Bank Limited board member in attendance of the board risk and capital committee	R142 000 per year	R142 000 per year
Member of the Investec Bank plc board (also member of main board)	£13 000 per year	£13 500 per year
Member of the Investec Bank plc board	–	£55 000
Member of the Investec Bank Limited board (also member of main board)	R290 000 per year	R305 000 per year
Member of the Investec Bank Limited board	–	R450 000
Per diem fee for additional work committed to the group	£2 000/R30 000	£2 000/R30 000

Executive directors' single total figure of remuneration (audited)

The table below provides a single total remuneration figure for each executive director over the financial period.

Executive directors	Salary £	Retire-ment benefits £	Total other taxable benefits £	Fixed allowance £	Gross remunera-tion £	STI – upfront cash and upfront shares £	STI – deferred £	Value of LTIP– not vested and still subject to perfor-mance conditions £	Value of exercised LTIPs £	Total remunera-tion £
S Koseff (chief executive officer)										
– 2016	**409 015**	**60 883**	**10 102**	**1 000 000**	**1 480 000**	**842 400**	**561 600**	**1 480 000**	**–**	**4 364 000**
– 2015	396 524	62 612	10 864	1 000 000	1 470 000	500 000	2 000 000	–	–	3 970 000
B Kantor (managing director)										
– 2016	**445 128**	**25 379**	**9 493**	**1 000 000**	**1 480 000**	**842 400**	**561 600**	**1 480 000**	**–**	**4 364 000**
– 2015	439 120	24 912	5 968	1 000 000	1 470 000	500 000	2 000 000	–	–	3 970 000
GR Burger (group risk and finance director)										
– 2016	**272 098**	**30 688**	**5 659**	**1 000 000**	**1 308 445**	**732 600**	**488 400**	**1 308 445**	**–**	**3 837 890**
– 2015	280 892	35 363	7 162	1 000 000	1 323 417	450 000	1 800 000	–	–	3 573 417
HJ du Toit (CEO IAM)										
– 2016	**440 950**	**–**	**9 924**	**–**	**450 874**	**3 924 000**	**–**	**–**	**1 089 150**	**5 464 024**
– 2015	440 950	–	10 180	–	451 130	4 360 000	–	–	3 319 059	8 130 189

Salary and benefits

- *Gross remuneration comprises base salary, fixed allowance and other benefits.*
- *Gross remuneration of S Koseff and B Kantor (excluding the fixed allowance of £1 million) increased by 2.1% from £470 000 to £480 000. The gross remuneration for HJ du Toit largely remained the same as the prior year. The gross remuneration of GR Burger (excluding the fixed allowance of £1 million) is largely determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's Rand-based gross remuneration increased by 6.1% from R4 240 000 in March 2015 to R4 500 000 in March 2016 and his Pounds Sterling-based gross remuneration increased 4.4% from £86 500 to £90 300 in March 2016.*
- *The executive directors receive other benefits which may include pension schemes; life, disability and personal accident insurance; medical cover; and fixed allowances, on similar terms to other senior executives.*
- *As part of the restructuring of the remuneration arrangements in 2014/2015 to ensure compliance with the requirements of CRD IV, the CEO, MD and GRFD have received fixed allowances, payable in shares. The fixed allowance of £1 million each to S Koseff, B Kantor and GR Burger was awarded in the form of 166 945 forfeitable Investec plc shares to each of the directors which vested immediately on award. These shares are, however, subject to a retention period in terms of which 20% of the shares are released each year over a period of five years. The 166 945 Investec plc shares for each of the directors is included in their beneficial and non-beneficial interest holding on page 176.*
- *Retirement benefits: None of the directors belong to a defined benefit pension scheme and all are members of one of our defined contribution pension or provident schemes. The amounts reflected in the table above represent the contribution to these schemes payable by the company.*

STI

- *Notwithstanding that HJ du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive activities. Accordingly, HJ du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. HJ du Toit is the founder and CEO of IAM and is not classified as Material Risk Takers by PRA regulations. As a result, his compensation arrangements are not affected by the cap on variable remuneration. The short-term incentive payable to the CEO of IAM is 1.85% of the earnings of IAM before variable compensation and tax. For the year ended 31 March 2016, a payment of £3.9 million was due and was paid in cash shortly after the year end. There will be no deferral of the short-term incentive until such time as the debt taken out by the CEO of IAM to fund a substantial investment in IAM has been repaid. Further detail on this equity transaction is provided on pages 196 and 197. IAM reported a decrease in adjusted operating profit before tax and non-controlling interests of 9.5% to £134.8 million. Assets under management amounted to £75.7 billion, with £3.2 billion in net inflows.*
- *S Koseff, B Kantor and GR Burger are classified as Material Risk Takers.*
- *The annual bonus for the year ended 31 March 2016 for S Koseff, B Kantor and GR Burger was determined with reference to performance against financial and non-financial metrics as set out below and described in detail on pages 167 to 169. The short-term incentive is subject to 100% of fixed remuneration as explained on page 166.*
- *Further information on the short-term incentives is set out on pages 167 to 169 and as discussed on page 166 a portion of bonuses are paid in cash and a portion is deferred. The portion deferred is deferred in shares.*

The determination of bonuses for the CEO, MD and GRFD are set out below:

- *The short-term incentive pool available for the CEO, MD and GRFD for the year ended 31 March 2016 amounted to 0.66% of the group's adjusted operating profit, defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests. If the target performance conditions are achieved, distribution of the pool will be as follows: 0.23% to the CEO, 0.23% to the MD and 0.20% to the GRFD.*
- *The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures described in the table below. The maximum aggregate pool, if all financial and non-financial stretch levels are achieved, would be 180% of (adjusted operating profit x 0.66%), subject to the remuneration cap as approved by shareholders. Furthermore, the short-term incentive is subject to 100% of fixed remuneration as explained on page 166.*

The determination of the bonus for S Koseff and B Kantor is shown below:

Adjusted operating profit at 31 March 2016 (£'000)	489 064
CEO/MD 'incentive pool' at 0.23% (£'000)	1 125
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	2 025
Maximum bonus subject to remuneration cap and 100% of fixed remuneration (£'000)	1 480

			Achievement levels				
Financial metrics	Weighting	Actual achieve-ment at 31 March 2016	Threshold 0%	Target 100%	Stretch 200%	Actual allocation achieved £'000	Actual weighting achieved % vs target
Return on risk-weighted assets	35%	1.34%	0.9%	1.2%	1.6%	536	136.0%
Return on equity	25%	11.5%	9%	12%	15%	238	84.7%
Tier 1 capital adequacy	12.5 %	10.7%	9.5%	10.5%	12.0%	158	113.3%
LCR	6.25%	403.9%	115%	132.5%	162.5%	141	200.0%
NSFR	6.25%	118.3%	82%	89.5%	99.5%	141	200.0%
Total	**85.0%**					**1 214**	**127.0%**

The short-term incentive sharing percentage was reduced by 50% to reflect the reintroduction of the long-term incentive. The portion of the 2015 bonus 'achieved' for financial metrics amounted to £2 115 000 (£836 000 for return on risk-weighted assets; £282 000 for return on equity; £463 000 for tier 1 capital adequacy; £267 000 for the LCR; and £267 000 for the NSFR). The portion of the bonus for the 2016 financial year attributable to performance against financial metrics is thus largely as a result of a strong improvement in most of the metrics. Year-on-year comparisons are impacted by the fact that the maximum short-term incentive that could potentially be awarded has halved.

Non-financial metrics

Following an assessment of these metrics (as described on pages 168 and 169) the remuneration committee decided to allocate an award of £190 000 (2015: £385 000) for performance against non-financial metrics. A score of 2 (i.e. weighting of 100%) was awarded to the 'culture and values', 'governance and regulator and shareholder relationships' and 'employee relationship and development' categories and a score of 3 (i.e. weighting of 150%) was awarded to the 'franchise development' category. Year-on-year comparisons are impacted by the fact that the maximum short-term incentive that could potentially be awarded has halved. Further information is provided on page 166.

Final bonus awarded to S Koseff and B Kantor

The results of the performance assessment against financial and non-financial metrics (reflected above) yield a bonus of £1 404 000. The short-term incentive is subject to a maximum of 100% of fixed remuneration, and the bonus awarded to S Koseff and B Kantor falls within that cap.

The determination of the bonus for GR Burger is shown below:

Adjusted operating profit at 31 March 2016 (£'000)	489 064
GRFD 'incentive pool' at 0.20% (£'000)	978
Maximum leverage at 180%, i.e. maximum potential bonus before application of the remuneration cap (£'000)	1 761
Maximum bonus subject to remuneration cap and 100% of fixed remuneration (£'000)	1 308

			Achievement levels				
Financial metrics	Weighting	Actual achieve-ment at 31 March 2016	Threshold 0%	Target 100%	Stretch 200%	Actual allocation achieved £'000	Actual weighting achieved vs % target
Return on risk-weighted assets	35%	1.34%	0.9%	1.2%	1.6%	466	136.0%
Return on equity	25%	11.5%	9%	12%	15%	207	84.7%
Tier 1 capital adequacy	12.50%	10.7%	9.5%	10.5%	12.0%	139	113.3%
LCR	6.25%	403.9%	115%	132.5%	162.5%	122	200.0%
NSFR	6.25%	118.3%	82%	89.5%	99.5%	122	200.0%
Total	**85.0%**					**1 056**	**127.0%**

The short-term incentive sharing percentage was reduced by 50% to reflect the reintroduction of the long-term incentive. The portion of the 2015 bonus 'achieved' for financial metrics amounted to £1 880 000 (£743 000 for return on risk-weighted assets; £251 000 for return on equity; £412 000 for tier 1 capital adequacy; £237 000 for the LCR; and £237 000 for the NSFR). The portion of the bonus for the 2016 financial year attributable to performance against financial metrics is thus largely as a result of a strong improvement in most of the metrics. Year-on-year comparisons are impacted by the fact that the maximum short-term incentive that could potentially be awarded has halved.

Non-financial metrics

Following an assessment of these metrics (as described on pages 168 and 169) the remuneration committee decided to allocate an award of £165 000 (2015: £370 000) for performance against non-financial metrics. A score of 2 (i.e. weighting of 100%) was awarded to the 'culture and values', 'governance and regulator and shareholder relationships' and 'employee relationship and development' categories and a score of 3 (i.e. weighting of 150%) was awarded to the 'franchise development' category. Year-on-year comparisons are impacted by the fact that the maximum short-term incentive that could potentially be awarded has halved. Further information is provided below and on page 166.

Final bonus awarded to GR Burger

The results of the performance assessment against financial and non-financial metrics (reflected above) yield a bonus of £1 221 000. The short-term incentive is subject to a maximum of 100% of fixed remuneration, and the bonus awarded to GR Burger falls within that cap.

An assessment of non-financial metrics

The following aspects were taken into consideration in the assessment of performance against the non-financial metrics for the CEO, MD and GRFD.

Areas of focus as set out on page 168	Achievements during the year
CULTURE AND VALUES:	
• Management visible and proactive in demonstrating appropriate behaviour • Performance-driven, transparent and risk-conscious organisation • Delivering appropriate and sustainable products with high levels of service and responsiveness • Acting with integrity, supporting the community, developing people and maintaining good relations with key stakeholders • Continual monitoring of the culture of the group	• The executive continued to actively engage with employees through, for example, management hosted breakfasts, management panels, induction presentations – facilitating discussions on a number of aspects, including culture and values • The executive hosted a risk appetite forum in which a number of case studies and analyses were presented on various aspects of risk. The purpose of these analyses was to foster debate on our risk culture and determine our risk appetite framework • Our Human Resources and Organisational Development divisions continued to actively work with the executive and our management teams to ensure our values are lived and entrenched into our day-to-day activities. • During the year Customer and Market Conduct Committees were established in the UK and South Africa, with the objective of ensuring that Investec maintains a client-focused and fair outcomes-based culture.
GOVERNANCE AND REGULATORY AND SHAREHOLDER RELATIONSHIPS:	
• Maintaining open and transparent relations with regulators • Regulators should have confidence that the firm is being properly governed and managed • Shareholders should have confidence that the firm is being properly managed	• The executive together with senior employees, the group chairman and the chairman of the remuneration committee meet regularly with shareholders and shareholder representative organisations. These engagements are important and contribute directly to decisions made by the remuneration committee • Members of the Investment Analyst Society in South Africa voted Investec as the leader in corporate reporting in the financial services sector.

Areas of focus as set out on page 168	Achievements during the year
FRANCHISE DEVELOPMENT:	
• Quality of brand, development of client base, commitment to the community and progress in building the firm • Environmental and other sustainability issues	• The past year focused largely on the execution of our planned strategy; we continued to grow the private client, corporate and institutional franchises of the Specialist Bank and invested in the growth of our Asset Management and Wealth & Investment businesses. Our digitisation strategy remains a key focus area. Furthermore, significant effort was made on managing down the legacy portfolio in the UK • Investec maintained its inclusion in a number of international sustainability indices • Our core values include unselfishly contributing to society. During the year we spent £4.9 million on social investment initiatives (2015: £5.4 million) • Our flagship educational initiative in South Africa, Promaths, continues to outpace the national average for Mathematics and Science • Investec has been short listed in the Business Charity Award for Community Impact in the UK for our partnership with the Bromley by Bow Beyond Business incubator • Investec is a finalist in the Lord Mayor's Dragon awards for 2016 for our project, Beyond Business, in the enterprise and employment award category • Investec Gresham Street (UK) won their ninth Platinum award in the City of London Corporation's 2015 Clean City Awards Scheme • The Gresham Street (UK) office retained the ISO 14001 certification and the Energy Reduction Verification (ERV) Kitemark in December 2015 • Investec Limited was one of the five companies in South Africa and 113 companies globally to make the 2015 CDP Climate A List. This includes companies that received an A-grade for their actions to mitigate climate change • We arranged funding for the renewable energy sector of £884 million.
EMPLOYEE RELATIONSHIP AND DEVELOPMENT:	
• Succession and the development of the next generation • Diversity and black economic empowerment initiatives and results • Continued development of people – both on the job and extramurally	• Investec was voted third most attractive employer in South Africa in the 2016 Universum Most Attractive Employer awards • In South Africa, Investec remains committed to black economic empowerment. During the year we received a level 2 BBBEE rating status from Empowerdex. We are committed to achieving and sustaining an equitable workplace that encourages and manages diversity and as such remains focused on the corrective strategies as set out in our employment equity plan for the period 2013 to 2017. In terms of the numerical targets for 2015, we marginally missed our targets (by an average of 3.5%) for African, Coloured and Indian headcount at top, senior, middle and junior management. However, we exceeded targets at the semi-skilled level by 24%. This is due to the implementation of several learnership programmes in line with our strategy of employing individuals at a 'grass roots' level and developing them into skilled leaders over time. Strong emphasis was placed on recruiting black and disabled candidates into these programmes. We delivered on all our non-numerical goals including a continued focus on diversity awareness and, leadership development and retention of black and female talent • The nomination and directors affairs' committee (NOMDAC) received a detailed presentation from the executive regarding senior management succession, and the NOMDAC is satisfied that there is a formal management succession plan in place. The group further made an announcement in this regard in November 2015 • In 2016, we invested £14.7 million in the learning and development of our employees, compared to £14.1 million in the prior year.

Long-term incentive awards

- Long-term incentive awards were granted during the 2016 financial year to S Koseff, B Kantor and GR Burger. The number of long-term incentive awards are shown on page 179. The long-term incentive awards represents 100% of fixed remuneration as explained on page 166. These awards have not yet vested and are still subject to future testing against performance conditions.
- LTIPs for HJ du Toit were exercised in 2016 and 2015. The values provided in the table on page 164 represent the number of shares that were exercised multiplied by the market price of the shares at the date on which they were exercised. Further information is provided on page 177.

NON-EXECUTIVE DIRECTORS' SINGLE TOTAL REMUNERATION FIGURE (AUDITED)

The table below provides a single total remuneration figure for each non-executive director over the financial period.

Name	Total remuneration 2016 £	Total remuneration 2015 £
Non-executive directors (current)		
F Titi (chairman)	415 000	363 438
ZBM Bassa[1]	123 814	41 043
LC Bowden[1]	87 500	21 250
CA Carolus	84 989	82 322
PKO Crosthwaite	196 015	184 069
B Fried	115 666	163 550
D Friedland	294 590	289 763
CR Jacobs[1]	85 988	53 971
IR Kantor	81 500	68 000
Lord Malloch-Brown KCMG[1]	81 500	51 063
KL Shuenyane[1]	121 132	59 315
PRS Thomas	205 510	195 633
Non-executive directors (no longer on the board)		
Sir DJ Prosser (former joint chairman)[2]	–	92 667
GFO Alford[2]	–	72 473
OC Dickson[2]	–	35 819
MP Malungani[2]	–	34 754
H Fukuda[3]	36 900	94 000
Total in Pounds Sterling	**1 930 104**	**1 903 130**

1 *CR Jacobs, Lord Malloch-Brown KCMG and KL Shuenyane were appointed to the board on 8 August 2014. ZBM Bassa was appointed to the board on 1 November 2014 and LC Bowden on 1 January 2015.*
2 *Sir DJ Prosser, GFO Alford, OC Dickson and MP Malungani resigned from the board on 8 August 2014.*
3 *H Fukuda resigned from the board on 6 August 2015.*

PAYMENTS TO PAST DIRECTORS AND PAYMENTS FOR LOSS OF OFFICE (AUDITED)

No such payments have been made.

DIRECTORS' SHAREHOLDINGS, OPTIONS AND LONG-TERM INCENTIVE AWARDS (AUDITED)

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2016.

Directors' shareholdings in Investec plc and Investec Limited shares at 31 March 2016 (audited)

	Beneficial and non-beneficial interest Investec plc[1]		% of shares in issue[1] Investec plc	Beneficial and non-beneficial interest Investec Limited[1]		% of shares in issue[1] Investec Limited
Name	**1 April 2015**	**31 March 2016**	**31 March 2016**	**1 April 2015**	**31 March 2016**	**31 March 2016**
Executive directors						
S Koseff[2]	4 773 200	5 274 035	0.9%	1 534 399	1 234 399	0.4%
B Kantor[2]	488 918	832 657	0.1%	3 600 500	2 800 500	1.0%
GR Burger[2]	2 848 944	3 316 390	0.5%	627 076	327 076	0.1%
HJ du Toit	–	–	–	604 740	604 740	0.2%
Total number	**8 111 062**	**9 423 082**	**1.5%**	**6 366 715**	**4 966 715**	**1.7%**
Non-executive directors						
F Titi (chairman)	–	–	–	–	–	–
ZBM Bassa	–	–	–	–	–	–
LC Bowden	–	–	–	–	–	–
CA Carolus	–	–	–	–	–	–
PKO Crosthwaite	115 738	115 738	–	–	–	–
D Friedland	–	–	–	–	–	–
CR Jacobs	–	–	–	–	–	–
IR Kantor	3 509 545	3 509 545	0.6%	325	325	0.0%
Lord Malloch-Brown KCMG	–	–	–	–	–	–
KL Shuenyane	19 900	19 900	–	–	–	–
PRS Thomas	–	–	–	–	–	–
Total number	**3 645 183**	**3 645 183**	**0.6%**	**325**	**325**	**0.0%**
Total number	**11 756 245**	**13 068 265**	**2.1%**	**6 367 040**	**4 967 040**	**1.7%**

The table above reflects holdings of shares by current directors.

[1] *The number of shares in issue and share prices for Investec plc and Investec Limited over the period is provided on page 180.*

[2] *The beneficial and non-beneficial holdings of S Koseff, B Kantor and GR Burger, include 166 945 Investec plc shares which relate to the award to each of the directors of shares in respect of a £1 million fixed allowance on 1 June 2015 (as explained on page 171). The shares are subject to a retention period in term of which 20% of the shares are released each year over a period of five years.*

There are no requirements for directors to hold shares in the group.

Directors' interest in preference shares at 31 March 2016 (audited)

Name	Investec plc 1 April 2015	Investec plc 31 March 2016	Investec Limited 1 April 2015	Investec Limited 31 March 2016	Investec Bank Limited 1 April 2015	Investec Bank Limited 31 March 2016
Executive director						
S Koseff	101 198	101 198	3 000	3 000	4 000	4 000

- *The market price of an Investec plc preference share at 31 March 2016 was R104.00 (2015: R90.21).*
- *The market price of an Investec Limited preference share at 31 March 2016 was R73.20 (2015: R73.50).*
- *The market price of an Investec Bank Limited preference share at 31 March 2016 was R79.00 (2015: R83.45).*

Directors' interest in options at 31 March 2016 (audited)

Investec plc shares

The directors do not have any interest in options over Investec plc shares.

Investec Limited shares

The directors do not have any interest in options over Investec Limited shares.

Directors' interest in Investec 1 Limited's long-term incentive plans at 31 March 2016 (audited)

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2015	Exercised during the year	Options granted/ lapsed during the year	Balance at 31 March 2016	Market price at date of exercise	Gross gains made on date of exercise	Period exercisable
HJ du Toit	1 July 2010	Nil	187 500	(187 500)	–	–	£5.80	£1 089 150	–

The group has made awards in respect of nil cost options in the capital of Investec plc for nil consideration pursuant to the Long-Term Incentive Plan (LTIP). The awards are in accordance with the determination of the remuneration committee and with the rules of the LTIP. These awards were made prior to Hendrik du Toit becoming an executive director. Hendrik du Toit exercised his options and sold 187 500 Investec plc shares on 1 July 2015 at an average share price of £5.80 per share. There were no performance conditions attached to these awards.

Directors' interest in the Investec plc Executive Incentive Plan 2013 at 31 March 2016 (audited)

Awards made in respect of the financial year ending 31 March 2013

Name	Number of Investec plc shares awarded on 16 September 2013	Exercise price	Performance period	Performance conditions met (Y/N)	Shares awarded for performance conditions being met	Total shares	Period exercisable	Retention period
S Koseff	600 000	Nil	1 April 2013 to 31 March 2016	Yes*	204 617	804 617	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019
B Kantor	600 000	Nil	1 April 2013 to 31 March 2016	Yes*	204 617	804 617	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019
GR Burger	600 000	Nil	1 April 2013 to 31 March 2016	Yes*	204 617	804 617	75% is exercisable on 16 September 2017; and	16 September 2017 to 16 March 2018
							25% on 16 September 2018, subject to performance criteria being met	16 September 2018 to 16 March 2019

The Executive Incentive Plan and the awards made on 16 September 2013 were approved at the July 2013 annual general meeting in terms of which 600 000 nil cost options each were awarded to S Koseff, B Kantor and GR Burger.

* *The performance criteria in respect of these awards are detailed on pages 169 and 170. The performance period for these awards made in 2013 has now been tested and the results are indicated on page 179. In terms of this assessment a total number of 804 617 shares have been awarded to S Koseff, B Kantor and GR Burger. These awards are only exercisable in 2017 and 2018 as shown above.*

Original number of LTIPs awarded on 16 September 2013	600 000
Maximum leverage at 135%, i.e. maximum potential LTIPs if stretch targets obtained	810 000

			Achievement levels				
Financial metrics	Weighting	Result over three-year period. Commencing 1 April 2013 to 31 March 2016	Threshold 0%	Target 100%	Stretch 200%	Actual allocation achieved: number of shares	Actual weighting achieved % vs target
Growth in currency neutral net tangible asset value per share including dividends, over the three-year period	40%	39.7%	15.0%	30.0%	45.0%	383 377	159.7%
Return on risk-weighted assets (average over the three-year period)	35%	1.24%	0.7%	1.2%	1.6%	232 240	110.6%
Total	**75.0%**					**615 617**	**136.8%**

The number of long-term incentive shares 'achieved' for financial metrics amounts to 615 617.

Non-financial metrics

These metrics are assessed over the three-year period. The assessment for 2016 was described on pages 172 and 173 and the assessment for prior periods in those respective annual reports. Following these assessments, the committee decided to allocate an award of 189 000 shares for performance against non-financial metrics. A score of 2 (i.e. weighting of 100%) was awarded to the 'culture and values', 'governance and regulator and shareholder relationships' and 'employee relationship and development' categories and a score of 3 (i.e. weighting of 150%) was awarded to the 'franchise development' category.

Awards made in respect of the financial year ending 31 March 2016

Name	Date of grant	Exercise price	Number of Investec plc shares at 1 April 2015	Conditional awards made during the year	Balance at 31 March 2016	Performance period	Period exercisable	Retention period
S Koseff	2 June 2016	Nil	–	314 225	314 225	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020; and one third on 2 June 2021, subject to performance criteria being met	A further six-month retention after vesting date
B Kantor	2 June 2016	Nil	–	314 225	314 225	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020; and one third on 2 June 2021, subject to performance criteria being met	A further six-month retention after vesting date
GR Burger	2 June 2016	Nil	–	277 801	277 801	1 April 2016 to 31 March 2019	One third is exercisable on 2 June 2019; one third on 2 June 2020; and one third on 2 June 2021, subject to performance criteria being met	A further six-month retention after vesting date

On 2 June 2016, 314 225 nil cost options were awarded to S Koseff and B Kantor and 277 801 to GR Burger. These awards form part of their variable remuneration as approved at the 2015 annual general meeting, in respect of the financial year ending 31 March 2016. The value of these awards is reflected in the table on page 164.

The performance criteria in respect of these awards are detailed on pages 169 and 170. None of these awards have as yet vested. The face value at grant for these awards amounts to £1 480 000 for S Koseff and B Kantor and £1 308 000 for GR Burger based on an actual share price for Investec plc of £4.71 on 2 June 2016 (date of grant). The awards are subject to 100% of fixed remuneration at face value as explained on page 166.

The number of shares in issue and share prices for Investec plc and Investec Limited over the period are provided below:

Summary: Investec plc and Investec Limited share statistics

	31 March 2016	31 March 2015	High over the year	Low over the year
Investec plc share price	£5.13	£5.61	£6.47	£4.03
Investec Limited share price	R109.91	R100.51	R121.90	R93.91
Number of Investec plc shares in issue (million)	617.4	613.6	–	–
Number of Investec Limited shares in issue (million)	291.4	285.7	–	–

Shareholder dilution

SUMMARY OF INVESTEC'S SHARE OPTION AND LONG-TERM INCENTIVE PLANS

Eligibility	Maximum award per individual[1]	Vesting period	Options granted during the year[2]	Total issued at 31 March 2016[3/4/5/6]
INVESTEC 1 LIMITED SHARE INCENTIVE PLAN – 16 MARCH 2005 – INVESTEC PLC				
• New and existing full-time employees • Excluding employees in South Africa, Botswana, Namibia and Mauritius • Excluding executive directors	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1x remuneration package	• Long-term share awards: one-third at the end of years three, four and five; and for Material Risk Takers: nil cost options: one-third at the end of two and a half years, three and a half years and four and a half years plus a six-month retention period • Short-term share awards: equally over three years from date of award • Market strike options: 25% end of years two, three, four and five	6 664 976 1 450 950	Number: 28 364 499 % of issued share capital of company: 3.12% Number: 344 026 % of issued share capital of company: 0.0%
INVESTEC LIMITED SHARE INCENTIVE PLAN – 6 MARCH 2005 – INVESTEC LIMITED				
• New and existing full-time employees in South Africa, Botswana, Namibia and Mauritius • Excluding executive directors	• Cumulative limit of 2 500 000 across all option plans • Excluding EVA awards • In any financial year: 1x remuneration package	• Long-term share awards: one-third at the end of years three, four and five • Short-term share awards: equally over three years from date of award	8 431 958	Number: 37 773 545 % of issued share capital of company: 4.16%

1 *The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit.*

2 *This represents the number of awards made to all participants. For further details, see pages 53 and 54 in volume three. More details on the directors' shareholdings are also provided in tables accompanying this report.*

3 *Dilution limits: Investec is committed to following the Investment Association principles of remuneration: 2014 edition (formerly ABI remuneration principles) and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling 10-year period. We have, since our listing date, complied with both the 10% in 10 years guideline for discretionary and non-discretionary awards in aggregate as well as the 5% in 10 year guideline for discretionary awards. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. Shares issued in terms of the group's EVA scheme are paid for by the respective division at the time of the award and are not included in these dilution calculations as they have been issued for full value. The issued share capital of Investec plc and Investec Limited at 31 March 2016 was 617.4 million shares and 291.4 million shares, respectively.*

4 *The market price of an Investec plc share at 31 March 2016 was £5.13 (2015: £5.61), ranging from a low of £4.03 to a high of £6.47 during the financial year.*

5 *The market price of an Investec Limited share at 31 March 2016 was R109.91 (2015: R100.51), ranging from a low of R93.91 to a high of R121.90 during the financial year.*

6 *The rules of these long-term incentive plans do not allow awards to be made to executive directors. The table above excludes details of the Investec plc executive incentive plan 2013 on pages 178 and 179.*

Directors' remuneration – alignment of interests with shareholders (unaudited)

PERFORMANCE GRAPH: TOTAL SHAREHOLDER RETURN

We recognise that remuneration is an area of particular interest to shareholders and that in setting and considering changes to remuneration it is important that we take their views into account. Accordingly, a series of meetings are held each year with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the group chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002. We have been listed in South Africa since 1986.

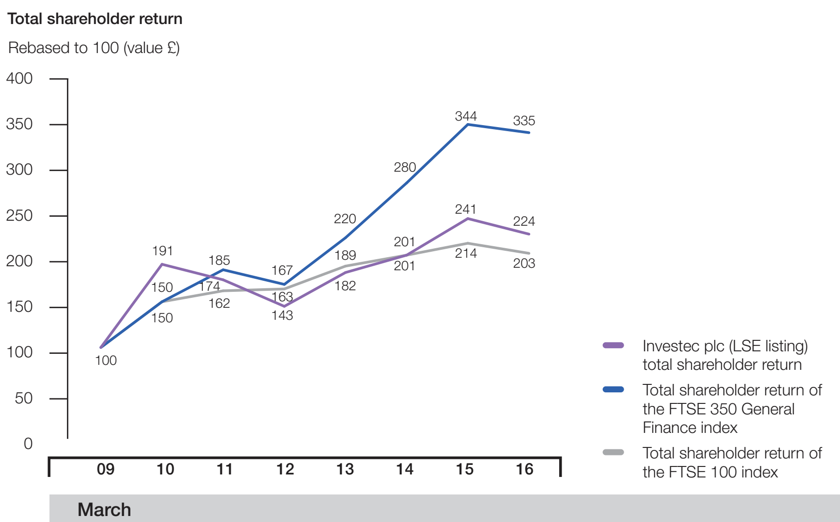
Schedule 8 of the UK Large and Medium-sized Companies and Groups (Accounts and Report) Regulations 2008 (as amended) requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, to date this has been the most appropriate index against which to measure our performance on the LSE. Although we are not currently included in the FTSE 100, we were part of that index between 2010 and 2011 and we have included the total shareholder return of that index for illustrative purposes.

The graph below shows the cumulative shareholder return for a holding of our shares (in purple) in Pounds Sterling on the LSE, compared with the average total shareholder return of other members of the FTSE 350 General Finance Index and the FTSE 100 Index. It shows that, at 31 March 2016, a hypothetical £100 invested in Investec plc at 31 March 2009 would have generated a total return of £124 compared with a return of £235 if invested in the FTSE 350 General Finance Index and a return of £103 if invested in the FTSE 100 Index.

During the period from 1 April 2015 to 31 March 2016, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was -4.8% and 13.6%, respectively. This compares to a -2.6% return for the FTSE 350 General Finance Index, a return of -5.3% for the FTSE 100 Index and a return of 3.3% for the JSE Top 40 Index.

The market price of our shares on the LSE was £5.13 at 31 March 2016, ranging from a low of £4.03 to a high of £6.47 during the financial year. The market price of our shares on the JSE Limited was R109.91 at 31 March 2016, ranging from a low of R93.91 to a high of R121.90 during the financial year.

PERFORMANCE GRAPH



Source: Datastream

REMUNERATION REPORT

TABLE OF CEO REMUNERATION

In addition, the table below provides a seven-year summary of the total remuneration of the CEO. For the purpose of calculating the value of the remuneration of the CEO, data has been collated on a basis consistent with the 'single remuneration figure' methodology as set out on page 171.

Year ended 31 March	2010	2011	2012	2013	2014	2015	2016
CEO single figure of total remuneration (£'000)	**2 660**	**3 425**	**450**	**4 602**	**2 420**	**3 970**	**4 364**
Salary, benefits, fixed allowance and bonus (£'000)	2 660	3 425	450	1 950	2 420	3 970	2 884
Long-term incentives granted (value reflects share price multiplied by number of shares awarded at date of award)* (£'000)	–	–	–	2 652	–	–	1 480
% maximum of short-term incentive	n/a^	n/a^	n/a^	n/a^	50%	65%	95%

* *Historical long-term incentives did not vest as they did not meet performance conditions in the relevant periods. Incentives awarded on 16 September 2013 have been tested against performance criteria, as shown on page 179, and are now due to vest in 2017 and 2018. Incentives awarded on 2 June 2016 (as reflected in the March 2016 information) are still subject to performance conditions and have not yet vested.*

^ *Historically annual bonuses were not determined in terms of a formulaic approach where maximum and minimum awards could be derived.*

PERCENTAGE CHANGE IN THE CEO'S REMUNERATION

The table below shows how the percentage change in the CEO's salary and annual bonus between 2015 and 2016 compares with the percentage change in the average of each of those components of remuneration for Investec plc employees and Investec Limited employees.

	Salary and benefits	Annual bonus
CEO (in Pounds Sterling)	2.1%	(43.8%)*
Average based on Investec plc employees (in Pounds Sterling)	2.3%	(1.8%)
Average based on Investec Limited employees (in Rands)	16.9%	13.4%

* *The short-term incentive sharing percentage was reduced by 50% to reflect the reintroduction of the long-term incentive.*

RELATIVE IMPORTANCE OF SPEND ON REMUNERATION

Our value-added statement is provided on page 10. In summary, the relative importance of remuneration and distributions to shareholders is shown below:

£'000	31 March 2016	31 March 2015	% change
Group compensation costs	912 435	927 980	(1.7%)
– Fixed	581 847	590 896	(1.5%)
– Variable	330 588	337 084	(1.9%)
Dividends to shareholders	206 139	204 913	0.6%
– Ordinary shares	180 009	168 486	6.8%
– Preference shares	26 130	36 427	(28.3%)

Statement of voting at 2015 annual general meeting

At the 2015 annual general meeting, the voting results on the four remuneration resolutions were as follows:

	Number of votes cast 'for' resolution	% of votes 'for' resolution	Number of votes cast 'against' resolution	% of votes 'against' resolution	Number of abstentions
To approve the directors' remuneration report	567 427 567	84%	105 021 932	16%	2 843 336
To approve the directors' remuneration policy	505 159 546	75%	167 830 111	25%	2 303 178
To approve the non-executive directors' remuneration	516 480 504	77%	154 581 743	23%	4 171 858

Additional remuneration disclosures (unaudited)

SOUTH AFRICAN COMPANIES ACT, 2008 DISCLOSURES

Subsequent to regulatory developments in South Africa, Investec Limited is required to disclose the remuneration of those individuals that are defined by the South African Companies Act, No 71 of 2008 (as amended), read together with the Companies Regulations 2011 (together the Act), as prescribed officers.

In keeping with the group's integrated global management structure as well as the three distinct business activities of the group, i.e. Asset Management, Wealth & Investment and Specialist Banking, the prescribed officers for Investec Limited, as per the Act, are the following heads of the group's three distinct business activities:

- Asset Management
  - Hendrik du Toit
- Wealth & Investment
  - Steve Elliott
- Specialist Banking
  - David van der Walt
  - Ciaran Whelan

Hendrik du Toit is one of the executive directors of Investec Limited and his remuneration is disclosed on page 171.

Steve Elliott is remunerated by Investec Wealth & Investment Limited (a UK domiciled company and subsidiary of Investec plc), and David van der Walt and Ciaran Whelan are employed by Investec Bank plc (a UK domiciled company and a subsidiary of Investec plc). As a result, they are not required to disclose their remuneration under the South African Companies Act.

Directors' remuneration policy for the year ending 31 March 2017 and subsequent years

Shareholders voted in favour of our directors' remuneration policy at the August 2015 annual general meeting and the policy was effective from that date. It is anticipated that it will remain in force until the 2018 annual general meeting unless regulatory changes or the business or economic environment necessitate earlier amendment.

SCOPE OF OUR REMUNERATION POLICY

The Investec group aims to apply remuneration policies to executive directors and employees that are largely consistent across the group, but recognises that certain parts of the group are governed by local regulations that may contain more onerous requirements in certain respects.

In those cases, the higher requirements are applied to that part of the group. This is relevant to Investec plc and its subsidiary companies that are subject to the PRA and FCA Remuneration Code (as a level 2 organisation as defined therein), and in particular in relation to Material Risk Takers. Additionally, where any aspect of our remuneration policy contravenes local laws or regulations, the local laws or regulations shall prevail.

The following Investec plc group entities are separately regulated by the PRA and/or FCA and as such maintain their own remuneration policies separate from the Investec group policy and in line with such entity's own risk profile and business activities:

- Investec Asset Management Limited
- Investec Wealth & Investment Limited
- Investec Bank plc
- Hargreave Hale Limited.

Under the PRA and FCA Remuneration Code, Investec Bank plc is the only group entity which is classified as being level 2. It should be noted that our Asset Management and Wealth Management businesses have been classified as level 3 entities under the proportionality rules of the PRA and FCA Remuneration Code.

More details of the remuneration policies applied in each of our subsidiary companies can be found on pages 191 to 197.

REMUNERATION PHILOSOPHY

Our philosophy, which remains unchanged from prior years, is to employ the highest calibre individuals who are characterised by integrity, intellect and innovation and who adhere and subscribe to our culture, values and philosophies. We strive to inspire entrepreneurship by providing a working environment that stimulates extraordinary performance so that executive directors and employees may be positive contributors to our clients, their communities and the group.

REMUNERATION PRINCIPLES

Remuneration policies, procedures and practices, collectively referred to as the 'remuneration policy', are designed, in normal market conditions, to:

- Be in line with the business strategy, objectives, values and long-term interests of the Investec group
- Be consistent with and promote sound and effective risk management, and not encourage risk taking that exceeds the level of tolerated risk of the Investec group
- Ensure that payment of variable remuneration does not limit the Investec group's ability to maintain or strengthen its capital base
- Target gross fixed remuneration (base salary and benefits including pension) at median market levels to contain fixed costs
- Ensure that variable remuneration is largely economic value added (EVA) – based and underpinned by our predetermined risk appetite and capital allocation
- Facilitate alignment with shareholders through deferral of a portion of short-term incentives into shares and long-term incentive share awards
- Target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of Material Risk Takers (as discussed hereunder).

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive (share awards) providing long-term equity participation
- Certain of our Material Risk Takers receive fixed monthly cash allowances (where appropriate for the role) and a commensurate reduction of variable short-term incentive.

BENCHMARKS

The short-term incentive initially allocated to the CEO and pool (as reflected in our policy) in 2015 was arrived at after extensive benchmarking over a five-year period against short-term incentives of: (i) chief executive officers, and (ii) groups of executive directors for a bespoke peer group (and sub-groups of South African and non-South African peers) comprising: Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon. The short-term incentive sharing percentage has been reduced by 50% in 2016 to reflect the reintroduction of the long-term incentive.

The levels of CEO profit share and the pool are more compatible with international reward levels than South African reward levels. The committee believes this is appropriate, given the complexity of Investec and the challenges involved in managing a group operating across three businesses in two core geographies.

The pool is decreased or increased by a performance multiplier comprising weightings and achievement scores within score ranges for the financial and non-financial performance measures (as discussed on pages 167 to 169).

IMPACT OF CRD IV ON EXECUTIVE DIRECTORS' REMUNERATION ARRANGEMENTS

CRD IV is EU regulation that has been effective from 1 January 2014. The main feature of CRD IV that impacts directors' remuneration at Investec is the application of a cap on variable remuneration that can be awarded to Material Risk Takers (including executive directors). At the 2014 annual general meeting, shareholders approved a maximum variable remuneration: fixed remuneration ratio of 2:1, which applied to variable remuneration awarded in respect of the 2015 performance year and thereafter.

REMUNERATION OF THE CEO OF IAM

Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive duties. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Consequently, the structure and quantum of his remuneration differs in many respects from that of the other executive directors. For example, in line with practice in asset management businesses, his short-term incentive is uncapped.

Hendrik du Toit's remuneration arrangements are not impacted by CRD IV as IAM is not subject to these requirements, and accordingly Hendrik du Toit is not defined as a Material Risk Taker. He is entitled to an annual bonus as determined with respect to the performance of IAM only. Hendrik is the founder of IAM and is entitled to 1.85% of the earnings of IAM before tax and variable remuneration.

Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme as explained on pages 196 and 197.

EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE

The table below summarises the remuneration policy for executive directors for the year ending 31 March 2017 and subsequent years.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
FIXED REMUNERATION			
SALARY			
• To provide an industry competitive package so that we are able to recruit and retain the people that we need to develop our business • Salaries reflect the relative skills and experience of, and contribution made by, the individual	• Salaries of executive directors are reviewed and set annually by the remuneration committee • Salaries are benchmarked against relevant comparator groups	• Targeted at median market levels when compared with relevant comparator groups[1] • Annual increases in salaries are referenced to the average increase awarded to other employees, unless the remuneration committee deems adjustments to be made relating to market factors	• None
FIXED ALLOWANCES – CEO, MD AND GRFD			
• To provide competitive remuneration recognising the breadth and depth of the role	• Fixed allowance reviewed by the remuneration committee every three years or on a change of role • Paid in shares • Deferred over a five-year period with 20% being released each year	• £1 million per annum paid in shares	• None
BENEFITS			
• To provide a market competitive package	• Benefits are benchmarked against relevant comparator groups[1] • Executive directors may elect to sacrifice a portion of their annual gross remuneration in exchange for benefits such as travel allowances and medical aid	• Benefits include: life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices • There is no maximum value but the value of benefits provided will generally be in line with market comparators	• None
PENSION/PROVIDENT			
• To enable executive directors to provide for their retirement	• Executive directors participate in defined contribution pension/provident schemes • Only salaries, not fixed allowances or annual bonuses, are pensionable	• The individual can elect what proportion of fixed remuneration is allocated as their pension/provident contribution	• None

Note:
Refer to page 187.

EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
VARIABLE REMUNERATION			
SHORT-TERM INCENTIVE – CEO, MD AND GRFD			
• Alignment with key business objectives • Deferral structure provides alignment with shareholders	• Establishment of a short-term incentive pool based on the group's adjusted operating profit (AOP)[2] • Receive 30% in cash immediately; 30% in upfront shares; the remaining 40% is deferred in shares which vest equally after one and two years • Deferred shares must be retained for a period of six months after vesting • The retention period may be extended to one year to meet regulatory requirements • Remuneration committee retains discretion to reduce the amount payable to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome • Malus and clawback may be applied to deferred shares	• Based on a balanced scorecard of financial and non-financial performance measures with achievement levels that correspond with our short-term objectives • 85% based on financial measures including: – Return on risk-weighted assets; – Return on equity; – Tier 1 capital adequacy; – Liquidity coverage ratio; and – Net stable funding ratio. • 15% based on non-financial measures including: – Culture and values; – Franchise development; – Governance and regulatory compliance; and – Employee and shareholder relationships. • If target performance conditions achieved, distribution will be as follows: 0.23% of AOP to CEO; 0.23% of AOP to MD; and 0.20% of AOP to GRFD[2] • If all financial and non-financial stretch levels are met, up to 180% of the target may be awarded, subject to an overall maximum of variable remuneration (including LTIPs) being subject to the remuneration cap[5] • The remuneration committee has discretion to vary the weightings of the performance metrics to improve alignment with business strategy	• None
SHORT-TERM INCENTIVE – CEO OF IAM[3]			
• To reward behaviour and effort against objectives and values and retain key employees • The cash bonus pool determination is based on the profitability of IAM only	• Any short-term incentive is payable in cash shortly after the end of the financial year • The short-term incentive for the CEO of IAM will not be subject to deferral during the period when the debt to finance his investment in IAM is being repaid • The cash bonus payment to the CEO of IAM is approved by the DLC remuneration committee	• The CEO of IAM is entitled to 1.85% of the earnings of IAM before tax and variable compensation • The IAM remuneration committee reviews the financial results of IAM within the context of the risk appetite of the business and can risk-adjust the cash bonus should they believe this is required given the risk taken and the overall financial results	• None

Note:
Refer to page 187.

EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE *(continued)*

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
LONG-TERM INCENTIVE – CEO, MD AND GRFD			
• Clear link between performance and remuneration • Embeds alignment with shareholder returns • Performance targets aligned with business objectives • Non-financial metrics take into account the group's strategic and operational objectives	• Applies to the CEO, MD and GRFD[4] • Conditional awards of shares subject to performance conditions measured over three financial years • Awards vest in three equal tranches on the third, fourth and fifth anniversary of grant • Vested shares are subject to a further six-month retention period • The retention period may be extended to one year to meet regulatory requirements • Awards are subject to malus of unvested shares and clawback of vested shares • Remuneration committee retains discretion to adjust the level of awards vesting to ensure that incentives truly reflect performance and are not distorted by an unintended formulaic outcome	• Annual award of 100% of aggregate fixed remuneration • Awards are subject to the following performance measures and weightings: – Growth in tangible net asset value (40%); – Return on risk-weighted assets (35%); – Non-financial measures (25%). • Targets for financial performance measures and non-financial metrics will be set annually by the remuneration committee in advance of the award being made • The remuneration committee has discretion, in exceptional circumstances, to amend targets or measures if an event happens that, in the opinion of the committee, caused those targets or measures to no longer be appropriate • The remuneration committee retains the discretion to adjust the weightings of performance measures to best meet the objectives of the business	• None

Notes to the table above:

1 *Peer group companies include Aberdeen Asset Management, Barclays Africa Group, Alliance Bernstein, Close Brothers Group, FirstRand, Invesco, Jefferies, Julius Baer, Macquarie Group, Man Group, Nedbank Group, Rathbone Brothers, Schroders, Standard Bank Group and Tullett Prebon.*

2 *AOP defined as operating profit before taxation, goodwill, acquired intangibles and non-operating items and after non-controlling interests.*

3 *Notwithstanding that Hendrik du Toit is currently a director of Investec plc and Investec Limited, he does not perform Investec group-wide executive activities. Accordingly, Hendrik du Toit and any remuneration benefits due to him are subject to the remuneration policies, rules and regulations applicable to employees of IAM and not the remuneration policies, rules and regulations applicable to other entities within the Investec group. Hendrik du Toit is not defined as a Material Risk Taker and is entitled to an annual bonus as determined with respect to the performance of IAM only as explained in the table above.*

4 *Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme as explained on pages 196 and 197.*

5 *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

HOW WILL EXECUTIVE DIRECTORS' PERFORMANCES BE ASSESSED?

The short-term and long-term incentives are subject to performance conditions.

A detailed explanation of these performance measures is provided on pages 167 to 169. The performance measures have been selected taking into account:

- Key stakeholders' requirements (including shareholders and regulators) which were assessed through extensive consultations on the matter
- The preference of the committee and the board is for a range of financial metrics that ensure an appropriate balance between measures which drive profitability and prudential measures. In addition, the remuneration committee believes that it is right to include non-financial measures in determining levels of awards as directors should be incentivised to attend to important matters on which the long-term performance of the company depends, but which cannot in any one performance period be directly linked to financial returns.

Differences between the remuneration policy of the executive directors and the policy for all employees

We apply consistent remuneration principles and philosophies across the whole employee population and are cognisant of these when considering executive directors' remuneration. The quantum of salary and benefits paid to executive directors is benchmarked against appropriate comparator groups (as discussed on page 184), however, the annual increase in such remuneration is referenced to the average increase awarded to employees in South Africa and the UK, respectively. Although this has not been the case of late, the remuneration committee may, under certain circumstances, make adjustments outside these parameters, particularly in cases when there have been large adjustments in the comparator group referenced.

As is the case with other employees, the short-term incentive is performance-based, however, there are a number of specific performance criteria that apply in the case of determining the annual bonus for the CEO, MD and GRFD (as set out below). The annual bonus for Hendrik du Toit (CEO of IAM and executive director of the Investec group) is referenced to the performance of IAM only. Short-term incentives for executive directors and the employees, defined as Material Risk Takers, are subject to deferral, malus and clawback requirements. The requirements of CRD IV are only applicable to the CEO, MD and GRFD and to some employees in the UK Specialist Bank who are classified as Material Risk Takers.

More details of the approach to employee remuneration can be found on pages 191 to 198.

Policy for the recruitment of new executive directors

It is intended that the approach to the recruitment of new executive directors will be in line with the current remuneration policy for executive directors as outlined above and below. However, the remuneration committee will consider levels of remuneration for new recruits that are competitive for the skills and experience of the individual being recruited. For individuals covered by the bonus cap under CRD IV, the treatment of each element of remuneration on recruitment will be as set out below.

ELEMENT	COMMENTARY	MAXIMUM VALUE
Salary	• Determined by market conditions, market practice and ability to recruit • If salary below market level on recruitment or promotion, remuneration committee may realign salary over transitional period with higher than normal increases	In line with policy
Fixed allowance	Determined by similar factors to salary	Currently £1 million
Pension	In line with normal policy	15% of salary
Other benefits	Offered in line with normal policy	In line with policy
STI	In line with normal policy	100%* of fixed remuneration
LTIP	In line with normal policy	100%* of fixed remuneration
Buy-outs	• The remuneration committee can buy out a bonus or incentive awards that the new executive director has forfeited as a result of accepting the appointment, subject to proof of forfeiture where applicable • As required by the PRA and FCA Remuneration Code, any award made to compensate for forfeited remuneration should be broadly no more generous than, and should aim to mirror the value timing, and form of delivery of the forfeited remuneration	

* *Cap defined in line with EBA discounting rules which allow, when 25% of variable remuneration is deferred over at least five years, a slightly higher cap than 2x fixed remuneration (typically approximately 2.2x fixed remuneration dependent on interest rates and inflation). These limits will be in line with this EBA cap.*

If the new joiner is not affected by the bonus cap then the remuneration committee may construct a package as set out above, but then may allocate the amount of the fixed allowance into STI or LTI award opportunities as appropriate given market factors and other relevant comparator trends.

Service contracts and terms of employment

The terms of service contracts and provision for compensation for loss of office for the four executive directors is set out below.

CEO, MD AND GRFD	CEO IAM
Indefinite service contracts of employment, terminable by either party with six months' written notice	Indefinite contract of employment, terminable by either party with three months' written notice
Salary, fixed allowance, benefits and pension payable for period of notice	Salary, benefits and pension payable for period of notice
No provision for compensation payable on early termination	No provision for compensation payable on early termination
Outstanding deferred bonus EVA shares or LTI awards lapse on resignation or termination for gross misconduct	n/a
Deferred share or LTI awards may be retained if the director is considered a 'good leaver' (e.g. retirement with a minimum of 10 years' service, disability or ill health)	n/a
In the event of a takeover or major corporate event, the remuneration committee has the discretion to determine whether all outstanding awards vest at the time of the event or whether they continue in the same or revised form	n/a
There is no formal shareholding requirement	There is no formal shareholding requirement

Executive directors are permitted to accept outside appointments on external boards or committees provided these are not deemed to interfere with the business of the company. Any fees earned by executives in this regard are forfeited to Investec.

Copies of the service contracts are available for inspection at the company's registered office.

How does executive directors' remuneration change based on performance?

ILLUSTRATIVE SCENARIOS FOR EXECUTIVE DIRECTORS' REMUNERATION

The charts on page 190 show the potential value of the executive directors' remuneration arrangements under this policy in three performance scenarios:

- 'Minimum' – fixed remuneration only
- 'At target' – fixed remuneration and the 'at target' variable short-term annual incentive and 'at target' vesting of any long-term incentives that may be awarded
- 'At stretch' – fixed remuneration and the 'stretch' achievement levels that may be awarded for variable short-term annual incentive and 'stretch' vesting of any long-term incentives that may be awarded.

The scenarios do not reflect share price movement between award and potential vesting, nor are any dividends or dividend equivalents taken into account.

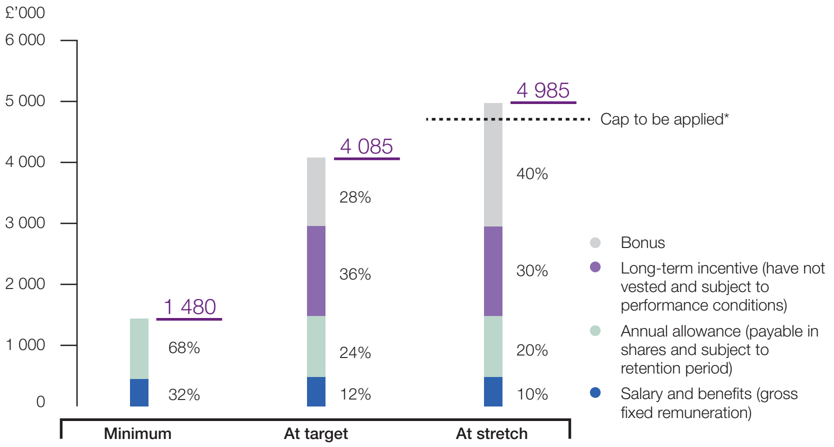
For the CEO, MD and GRFD based on the remuneration policy proposed for the year ending 31 March 2017:

- Fixed remuneration includes salaries, company pension contributions and benefits receivable (i.e. as proposed for the year ending 31 March 2017), and a fixed allowance of £1 million
- Target variable short-term incentive is 0.23% (CEO and MD) and 0.20% for the GRFD of adjusted operating profit (after total non-controlling interests) based on £489.1 million as reported for the financial year ended 31 March 2016 and maximum variable short-term incentive is 180% of target (subject to an overriding maximum in terms of the remuneration cap as approved by shareholders)
- Target long-term incentive is equal to one times fixed remuneration.

For the CEO of IAM:

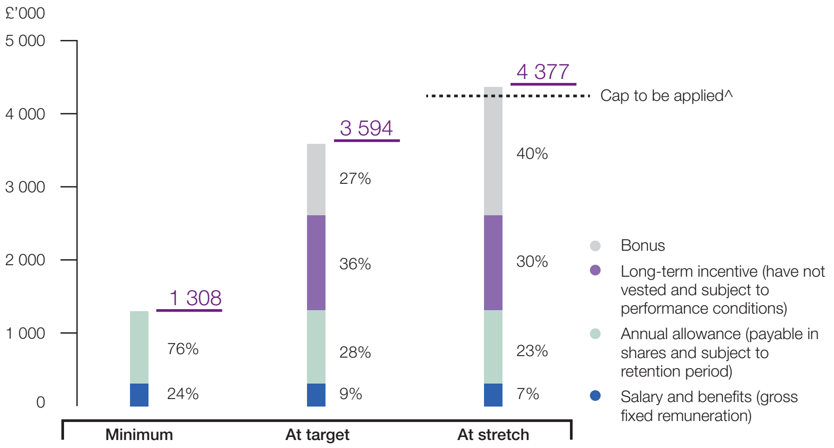
- Fixed remuneration includes the latest known salary, company pension contributions and the benefits receivable during the year ended 31 March 2016
- Variable short-term incentive is 1.85% of pre-tax and pre-compensation earnings of IAM, determined on a discretionary and uncapped basis
- Hendrik du Toit will no longer receive long-term incentive awards as he is a participant in the IAM equity ownership scheme
- Forecasted information cannot be provided to determine a stretch or target amount for future years and thus the graph on the next page merely depicts amounts paid in the current and prior financial year.

ILLUSTRATIVE PAYOUTS FOR THE CEO AND MD



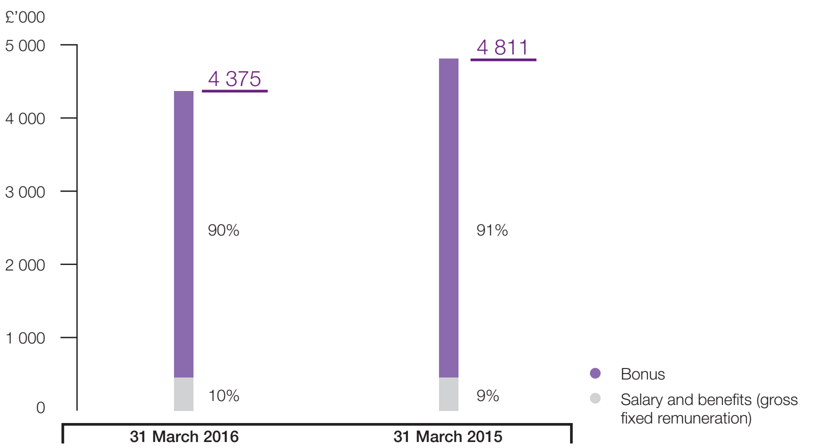
* *The maximum potential remuneration as calculated in terms of the formula is £4.985 million. However, this amount will be capped to £4.810 million when one applies the remuneration cap as approved by shareholders.*

ILLUSTRATIVE PAYOUTS FOR THE GRFD



^ *The maximum potential remuneration as calculated in terms of the formula is £4.377 million. However, this amount will be capped to £4.251 million when one applies the remuneration cap as approved by shareholders.*

ILLUSTRATIVE PAYOUTS FOR THE CEO OF IAM



Remuneration policy for non-executive directors

The board's policy is that fees should reflect individual responsibilities and membership of board committees. The increase in non-executive directors' fees for the forthcoming year reflects current market conditions and additional time commitment required. Their fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African-listed Investec Limited boards and are awarded equally between the two companies.

Purpose and link to strategy	Operation	Maximum value and performance targets	Changes from prior year
Non-executive directors' remuneration			
FEES			
To provide industry competitive fees to attract non-executive directors with appropriate skills and experience	• Fees of non-executive directors are reviewed annually by the board taking into account market data and time commitment • The fee structure covers the dual roles that the directors perform for the UK-listed Investec plc and the South African-listed Investec Limited boards • In addition to fees for board membership, fees are payable to the senior independent director, chairmanship and membership of major DLC board committees, membership of the Investec Bank Limited and Investec Bank plc boards and for attendance at certain committee meetings	• Fee increases will generally be in line with inflation and market rates • Aggregate fees are subject to an overall maximum of £1 million under the Investec plc articles • Refer to page 170 for further information	None

Fees are also payable for any additional time committed to the group, including attendance at certain other meetings.

There is no requirement for non-executive directors to hold shares in a group company. The group has left this choice to the discretion of each non-executive director.

The policy as described above will be taken into account in the recruitment of new non-executive directors.

Copies of the letters of appointment are available for inspection at the company's registered office.

Shareholder and employee views

SHAREHOLDER VIEWS IN THE CONSIDERATION OF EXECUTIVE DIRECTORS' REMUNERATION ARRANGEMENTS

We recognise that remuneration is an area of particular interest to shareholders and shareholder representative bodies, and that in setting and considering changes to remuneration, it is important that we take their views into account. Accordingly, we meet regularly with our major shareholders and shareholder representative groups. The remuneration committee chairman attends these meetings, accompanied by senior Investec employees and the chairman. This engagement is meaningful and helpful to the committee in its work and contributes directly to the decisions made by the committee.

The remuneration committee and the board believe in effective and transparent communication with key stakeholders, and will continue to engage on matters that may arise and are of importance and/or concern to stakeholders.

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

The remuneration policy of executive directors has been drawn up in line with our group-wide remuneration philosophy and principles (refer below), subject to the requirements of CRD IV. The committee is mindful of the remuneration arrangements across the group.

Additional remuneration disclosures (unaudited)

REMUNERATION POLICY AND PRINCIPLES FOR EMPLOYEES

Our policy with respect to the remuneration of employees has remained unchanged during the year ending 31 March 2016. Investec currently has 45 Material Risk Takers, of which a number receive a fixed monthly cash allowance where appropriate for the role.

All remuneration payable (salary, benefits and incentives) is assessed at a group, business unit and individual level. This framework seeks to balance both financial and non-financial measures of performance to ensure that the appropriate factors are considered prior to making awards, and that the appropriate mix of cash and share-based awards are made.

We reward employees generally for their contribution through:

- An annual gross remuneration package (base salary and benefits) providing an industry competitive package
- A variable short-term incentive related to performance (annual bonus)
- A long-term incentive (share awards) providing long-term equity participation
- Certain of our Material Risk Takers receive fixed monthly cash allowances (where appropriate for the role) and a commensurate reduction of variable short-term incentive.

We consider the aggregate of the above as the overall remuneration package designed to attract, retain, incentivise and drive the behaviour of our employees over the short, medium and longer term in a risk-conscious manner. Overall, rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

We have a strong entrepreneurial, merit and values-based culture, characterised by passion, energy and stamina. The ability to live and perpetuate our culture and values in the pursuit of excellence in a regulated industry and within an effective risk management environment is considered paramount in determining overall reward levels.

The type of people the organisation attracts, and the culture and environment within which they work, remain crucial in determining our success and long-term progress. Our reward programmes are clear and transparent, designed and administered to align directors' and employees' interests with those of all stakeholders and ensure the group's short-, medium- and long-term success.

We target total compensation (base salary, benefits and incentives) to the relevant competitive market at upper quartile levels for superior performance.

Given our stance on maintaining a low fixed cost component of remuneration, our commitment to inspiring an entrepreneurial culture, and our risk-adjusted return on capital approach to EVA, we do not apply an upper limit on variable rewards other than in respect of Material Risk Takers (as discussed on page 184).

The fixed cost component of remuneration is, however, designed to be sufficient so that employees do not become dependent on their variable compensation as we are not contractually (and do not consider ourselves morally) bound to make variable remuneration awards. Investec has the ability to pay no annual bonuses and make no long-term incentive awards should the performance of the group or individual employees require this.

We do not pay remuneration through vehicles that facilitate avoidance of applicable laws and regulations.

Furthermore, employees must undertake not to use any personal hedging strategies or remuneration or liability-related contracts of insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Group Compliance maintains arrangements designed to ensure that employees comply with this policy.

No individual is involved in the determination of his/her own remuneration rewards and specific internal controls and processes are in place to prevent conflicts of interest between Investec and its clients from occurring and posing a risk to the group on prudential grounds.

In summary, we recognise that financial institutions have to distribute the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. Our group-wide remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders, and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

DETERMINATION OF REMUNERATION LEVELS

Qualitative and quantitative considerations form an integral part of the determination of overall levels of remuneration and total compensation for each individual.

Factors considered for overall levels of remuneration at the level of the group include:

- Financial measures of performance:
  - Risk-adjusted EVA model
  - Affordability.
- Non-financial measures of performance:
  - Market context
  - Specific input from the Group Risk and Compliance functions.

Factors considered to determine total compensation for each individual include:

- Financial measures of performance
  - Achievement of individual targets and objectives
  - Scope of responsibility and individual contributions.
- Non-financial measures of performance
  - Alignment and adherence to our culture and values
  - The level of cooperation and collaboration fostered
  - Development of self and others
  - Attitude displayed towards risk consciousness and effective risk management
  - Adherence to internal controls procedures
  - Compliance with the group's regulatory requirements and relevant policies and procedures, including treating customers fairly
  - The ability to grow and develop markets and client relationships
  - Multi-year contribution to performance and brand building
  - Long-term sustained performance
  - Specific input from the Group Risk and Compliance functions
  - Attitude and contribution to sustainability principles and initiatives.

Remuneration levels are targeted to be commercially competitive, on the following basis:

- The most relevant competitive reference points for remuneration levels are based on the scope of responsibility and individual contributions made
- The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets

- Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly
- For employees generally, combinations of firms from the JSE Financial 15 and the FTSE 350 General Finance sector have offered the most appropriate benchmarks
- In order to avoid disproportionate packages across areas of the group and between executives, adjustments may be made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of remuneration components for individuals, in cases where a higher level of investment is needed in order to build or grow or sustain either a business unit or our capability in a geography.

The following section outlines our remuneration policy in more detail for each element of total compensation as it applies to employees.

GROSS REMUNERATION: BASE SALARY AND BENEFITS

Salaries and benefits are reviewed annually and reflect the relative skills and experience of, and contribution made by, the individual. It is the group's policy to seek to set base salaries and benefits (together known as gross remuneration) at median market levels when compared like for like with peer group companies.

The Human Resources division provides guidelines to business units on recommended salary levels for all employees within the organisation to facilitate the review. These guidelines include a strategic message on how to set salary levels that will aid Investec in meeting its objectives while remaining true to corporate values, and incorporate guidance on increasing levels to take account of the change in the cost of living over the year to ensure that salary levels always allow employees to afford a reasonable standard of living and do not encourage a reliance on variable remuneration.

Advisers are often engaged by either the Human Resources division or the business units to obtain general benchmark information or to benchmark specific positions to ensure that gross remuneration levels are market-driven and competitive so that levels of remuneration do not inhibit our ability to recruit the people we need to develop our business.

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes; life, disability and personal accident insurance; medical cover; and other benefits, as dictated by competitive local market practices. Only salaries, not annual bonuses or Material Risk Takers allowances, are pensionable.

VARIABLE SHORT-TERM INCENTIVE: ANNUAL BONUS

All employees are eligible to be considered for a discretionary annual bonus, subject inter alia to the factors set out above in the section dealing with the determination of remuneration levels. The structure of short-term incentives varies between employees of our three operating divisions: Asset Management, Wealth & Investment and the Specialist Bank. This reflects differing regulatory requirements on the different legal entities and also differing competitive pressures in each distinct market.

Specialist Banking: variable short-term incentive

Risk-weighted returns form basis for variable remuneration levels

In our ordinary course of business we face a number of risks that could affect our business operations, as highlighted on pages 40 to 48.

Group Risk Management is independent from the business units and monitors, manages and reports on the group's risk to ensure it is within the stated risk appetite as mandated by the board of directors through the board risk and capital committee (BRCC). The group monitors and controls risk exposure through credit, market, liquidity, operational and legal risk divisions/forums/committees.

Risk consciousness and management is embedded in the organisational culture from the initiation of transactional activity through to the monitoring of adherence to mandates and limits and throughout everything we do.

The BRCC (comprising both executive and non-executive directors) meets six times per annum and sets the overall risk appetite for the Investec group and determines the categories of risk, the specific types of risks and the extent of such risks which the group should undertake, as well as the mitigation of risks and overall capital management and allocation process. Senior members of the group's risk management teams, who provide information for the meeting packs and present and contribute to the committee's discussions, attend these meetings.

The DLC capital committee is a sub-committee of the BRCC and provides detailed input into the group's identification, quantification and measurement of its capital requirements, taking into account the capital requirements of the banking regulators. It determines the amount of internal capital that the group should hold and its minimum liquidity requirements, taking into account all the associated risks plus a buffer for any future or unidentified risks. This measure of internal capital forms part of the basis for determining the variable remuneration pools of the various operating business units (as discussed above).

The executive risk review forum (ERRF), comprising members of the executive and the heads of the various risk functions, meets weekly. Its responsibilities include approving limits and mandates, ensuring these are adhered to and that agreed recommendations to mitigate risk are implemented.

The group's central credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis, and the riskiness of business undertaken is therefore evaluated and approved at initiation of the business through deal forum, investment committee and ERRF and is reviewed and ratified at ERRF on a regular basis. These central forums provide a level of risk management by ensuring that risk appetite and various limits are being adhered to and that an appropriate interest rate and, by implication, risk premium is built into every approved transaction. The approval of transactions by these independent central forums thus ensures that every transaction undertaken by the group results in a contribution to profit that has already been subject to some risk adjustment.

Our EVA model as described in detail below is principally applied to realised profits against predetermined targets above risk and capital weighted returns. In terms of the EVA structure, capital is allocated based on risk and therefore the higher the risk, the higher the capital allocation and the higher the hurdle return rate required. This model ensures that risk and capital management are embedded in key processes at both a group and transaction level, which form the basis of the group's performance-related variable remuneration model, thus balancing the interests of all stakeholders.

Further, both the Risk and Compliance functions are also embedded in the operating business units and are subject to review by the internal audit and compliance monitoring teams. The Risk and Compliance functions also provide, on an exception-only basis, information relating to the behaviour of individuals and business areas if there has been evidence of non-compliance or behaviour which gives rise to concerns regarding the riskiness of business undertaken.

EVA MODEL: ALLOCATION OF PERFORMANCE-RELATED BONUS POOL

Our business strategy and associated risk appetite, together with effective capital utilisation, underpin the EVA annual bonus allocation model.

Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk-adjusted capital base in excess of their target return on equity. Many of the potential future risks that the firm may face are avoided through ensuring that the bonus pools are based on actual realised risk-adjusted profits.

The bonus pools for non-operating business units (Central Services and Head Office functions) are generated by a levy payable by each operating business on its operating profit. This bonus pool may, in some years, be supplemented by a discretionary allocation as determined by the chief executive officer and managing director, and agreed by the remuneration committee.

Our EVA model has been consistently applied for a period of about 17 years and encompasses the following elements:

- The profitability of each operating business unit is determined as if they are a stand-alone business. Gross revenue is determined based on the activity of the business, with arm's length pricing applicable to inter-segment activity. Profits are determined as follows:
  - Realised gross revenue (net margin and other income)
  - *Less:* Funding costs
  - *Less:* Impairments for bad debts
  - *Add back:* Debt coupon or preference share dividends paid out of the business (where applicable)
  - *Less:* Direct operating costs (personnel, systems, etc)
  - *Less:* Group-allocated costs and residual charges (certain independent group functions are provided on a centralised basis, with an allocation model applied to charge out costs incurred to business units. Costs allocated are based on the full operational costs for the particular central service area, inclusive of the variable remuneration cost of the central service. Allocation methodologies generally use cost drivers as the basis of allocation)
  - *Less:* Profits earned on retained earnings and statutory held capital
  - *Add:* Notional profit paid by centre on internal allocated capital
  - *Equals:* Net profits.
- Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy
- The group has always held capital in excess of minimum regulatory requirements, and this principle is perpetuated in our internal capital allocation process. This process ensures that risk and capital discipline is embedded at the level of deal initiation and incorporates independent approval (outside of the business unit) of transactions by the various risk and credit committees.

A detailed explanation of our capital management and allocation process is provided on pages 80 to 95 in volume two.

- Internal capital comprises the regulatory capital requirement taking into account a number of specified risks plus a capital buffer which caters, inter alia, for any unspecified or future risks not specifically identified in the capital planning process. The Investec group then ensures that it actually holds capital in excess of this level of internal capital
- Internal capital is allocated to each business unit via a comprehensive analysis of the risks inherent within that business and an assessment of the costs of those risks
- Hurdle rates or targeted returns are determined for each business unit based on the weighted average cost of capital (plus a buffer for trading businesses to take into account additional risks not identified in the capital allocation process) applied to internal capital
- Targeted returns differ by business unit reflecting the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to the degree of risk and the competitive benchmarks for each product line
- In essence, varying levels of return are required for each business unit reflecting the state of market maturity, country of operation, risk, capital invested (capital intensive businesses) or expected expense base (fee-based businesses)
- Growth in profitability over time will result in an increasing bonus pool, as long as it is not achieved at the expense of capital efficiency
- Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes. These targets are subject to annual review
- The group's credit and risk forums provide transaction approval independent of the business unit on a deal-by-deal basis adding a level of risk consciousness to the predetermined (and risk-adjusted) capital allocation and required hurdle rates and thus ensure that each transaction generates a return that is commensurate with its associated risk profile.

In terms of our EVA process, if business and individual performance goals are exceeded, the variable element of the total remuneration package is likely to be substantially higher than the relevant target benchmark. This ensures that overall remuneration levels have the potential to be positioned at the upper quartile level for superior performance, in line with our overarching remuneration policy.

In circumstances where an operating business unit does not have an EVA pool (e.g. when it incurs a loss or when it is a start-up), the chief executive officer and managing director may consider a discretionary allocation to allow for a modest bonus for those staff who were expected to contribute to the longer-term interests of that business unit or the group, despite the lack of EVA profits in the short term, e.g. control functions, support staff and key business staff.

It should be noted the salaries and proposed bonuses for employees responsible for risk, internal audit and compliance are not based on a formulaic approach and are independent of any revenues or profits generated by the business units where they work. The level of rewards for these employees are assessed against the overall financial performance of the group; objectives based on their function; and compliance with the various non-financial aspects referred to above.

Key elements of the bonus allocation process are set out below:

- A fixed predetermined percentage of any return in excess of the EVA hurdle accrues to the business units' EVA pool
- A portion of the total EVA pool is allocated towards the bonus pool for central service and head office employees
- These bonus pools are reviewed regularly by the appropriate management and non-executive committees to ensure that awards are only paid when it is appropriate to do so, considering firm-wide performance against non-financial risk (both current and future) and compliance-based objectives and in order to ensure that the payment of such discretionary bonuses does not inhibit the group's ability to maintain/raise its capital levels. All users of capital operate within a strict philosophical framework that requires a balancing of risk and reward and that is designed to encourage behaviour in the interests of all stakeholders as opposed to just employees
- The EVA pools are calculated centrally by the group's Finance function and subject to audit as part of the year-end audit process
- Once the annual audit is complete, line managers in each business unit will make discretionary bonus recommendations for each team member taking into consideration qualitative and quantitative criteria (as mentioned above)
- Bonus recommendations are then subject to an extensive geographic review involving human resources, local management and local remuneration committees
- Thereafter, these recommendations are subject to a global review by executive management before the remuneration committee's review and approval process.

The group remuneration committee specifically reviews and approves the individual remuneration packages of the executive directors, persons discharging managerial responsibilities, and Material Risk Takers. The committee also reviews the salaries and performance bonuses awarded to a number of other senior and higher paid employees across the group. In addition, the committee specifically reviews and approves the salaries and performance bonuses awarded to each employee within the Internal Audit, Compliance and Risk functions, both in the business units and in the central functions, ensuring that such packages are competitive and are determined independently of the other business areas. In making these decisions the committee relies on a combination of external advice and supporting information prepared internally by the group.

DEFERRAL OF ANNUAL BONUS AWARDS: OTHER THAN MATERIAL RISK TAKERS WITHIN THE SPECIALIST BANK

All annual bonus awards exceeding a predetermined hurdle level are subject to 60% deferral in respect of that portion that exceeds the hurdle level. The deferred amount is awarded in the form of: forfeitable share awards vesting in three equal tranches at the end of 12 months, 24 months and 36 months; or cash released in three equal tranches at the end of 12 months, 24 months and 36 months. Where shares are being awarded to employees as part of the deferral of performance bonus awards, these are referred to as short-term EVA shares. These awards are made in terms of our existing long-term incentive plans (refer to page 180). The entire amount of the annual bonus that is not deferred is payable upfront in cash.

DEFERRAL OF VARIABLE REMUNERATION AWARDS: UK MATERIAL RISK TAKERS WITHIN THE SPECIALIST BANK

- Material Risk Takers include senior management, risk takers, staff engaged in central functions and any other employees whose professional activities have a material impact on Investec's risk profile within Investec plc
- Individual awards to Material Risk Takers are determined based on EVA pools in the same manner as is applicable to all staff (as set out above), and subject to the group remuneration policy and governance processes (also set out above)
- Annual bonus awards to directors of the UK Specialist Bank (excluding executive directors who are employees of a separately regulated firm) and all annual bonus awards where total variable remuneration exceeds £500 000 are subject to 60% deferral
- All other annual bonus awards to Material Risk Takers are subject to 40% deferral
- The 40% not deferred in the former instance or the 60% not deferred in the latter instance will be awarded as to 50% in cash and 50% in EVA forfeitable shares (upfront EVA forfeitable shares)
- The upfront EVA forfeitable shares will vest immediately, but will only be released after a period of six months, which we consider to be an appropriate retention period
- Variable remuneration awards for Material Risk Takers who are not exempted by the *de minimis* concession are subject to 40% deferral (60% if total variable remuneration exceeds £500 000) after taking into account the value of share awards granted to each staff member in the applicable financial year and which are included in deferred variable remuneration. The deferred portion of discretionary awards to Material Risk Takers will, at the election of the staff member, be made either entirely in the form of short-term share awards, or 50% in short-term share awards and 50% in cash
- All deferrals in the form of forfeitable shares (being either 50% or 100% of such deferral) vest in equal amounts at

the end of 12 months, 24 months and 36 months and are then subject to an appropriate period of retention, being six months.

IAM: variable incentive

The Investec Asset Management (IAM) remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy, principles and policy of IAM. The proposals from this committee are subject to final approval by the DLC remuneration committee.

IAM operates the following annual bonus schemes which may result in annual payments to employees:

- Annual Discretionary Cash Bonus Scheme (ADCBS) (all employees of IAM are currently eligible to be considered for a cash bonus payment under this scheme)
- Deferred Bonus Plan (DBOP) (participation in this scheme is determined on an annual basis at the discretion of IAM based on the roles of individual employees).

The percentage of profit allocated to the variable remuneration pool has been agreed (at a fixed participation rate) and approved by both the DLC and IAM remuneration committees. The same fixed participation rate has been applied consistently for many years. This structure has been a key contributor to the long-term success of IAM and encourages the staff to behave like owners. We believe in aligning the long-term interests of clients, shareholders and staff.

Individual annual bonus awards are approved by the IAM remuneration committee and the DLC remuneration committee annually.

ANNUAL DISCRETIONARY CASH BONUS SCHEME (ADCBS)

Awards under the ADCBS are payable entirely in cash. The purpose of the cash bonus is to reward behaviour and effort against objectives and values, and retain key employees. The cash bonus pool determination is based on the profitability of IAM only. In principle, there would be no cash bonus payments should IAM be loss-making (although this would be reviewed where it was considered that bonus payments were necessary in order to retain staff and protect the business in the long term even if the business had been loss-making in the short term).

Management information is provided to the IAM remuneration committee to ensure that IAM's financial results are put into the context of the risk appetite of the business and the IAM remuneration committee is able to risk-adjust the cash bonus pool should they believe this is required given the risk taken and the overall financial results.

DEFERRED BONUS PLAN (DBOP)

As noted above, participation in the DBOP is determined on an annual basis at the discretion of IAM based on the roles of individual employees. The purpose of the DBOP is both to retain key employees and to provide better alignment of the interests with clients and to manage potential, currently unknown future risks.

The conditions for participation in the DBOP are approved by the IAM remuneration committee annually, based on the remuneration requirements in the year being considered. This will take into consideration local market remuneration practices and relevant and required regulations.

The DBOP awards are made in the form of investments into various funds managed by IAM and with specific allocations for the portfolio managers into their own funds. The deferral period is just over three years and awards are only paid out under specific listed conditions. The award does not accrue to the employee until the end of the deferral period and as such both the asset and liability remain on the balance sheet of IAM until that time. Employees forfeit their allocations if they resign or their employment terminates (other than at the discretion of IAM for redundancy, retirement, death or disability) prior to the vesting date.

Payments can only be made to participants prior to a scheduled vesting date with the consent of the IAM executive committee and ultimately by the IAM remuneration committee.

IAM's governance processes, operating within the context of the broader Investec group's processes, ensure robust oversight of reward and effective management of any potential conflicts of interest while reflecting the need to link remuneration decisions with IAM's risk appetite.

The head of the IAM risk committee assesses the risk appetite, risk tolerance level and risk management for IAM and feeds her views into the remuneration decision-making process, including sending a risk report to the IAM remuneration committee for consideration when making remuneration decisions. IAM HR and Compliance are responsible for ensuring that remuneration processes are compliant with applicable regulations.

In addition, IAM HR and Compliance are responsible for ensuring that the IAM remuneration committee takes into consideration financial and non-financial criteria, risk and compliance reports, and any other relevant information in making decisions around remuneration.

The primary determinant of the variable compensation pool available for distribution is IAM's own annual profit. There is an annual budget against which the business is measured.

The variable compensation pool is allocated to business divisions and then to individuals based on divisional performance and the individual's performance. This ensures that staff are rewarded appropriately for meeting their objectives and keeping within the values of the business.

The oversight of conflicts of interest and the link between risk and reward is achieved through a combination of effective remuneration components, designed to incorporate risk and of the dual operation of the DLC remuneration committee and IAM remuneration committee in ensuring appropriate and, where necessary, independent oversight of both remuneration policy and outcomes.

EMPLOYEE EQUITY OWNERSHIP

In August 2013, 40 employees of IAM acquired a 15% stake in the IAM business, ultimately through a trust structure in which each employee owns a portion of the underlying trust assets. Each employee funded their portions through a combination of existing deferred compensation (for which vesting was accelerated), personal debt and personal cash. Annual bonuses for these senior employees will not generally be deferred until such time as the debt taken out by these employees to fund their investment has been repaid. This structure locks in key talent and aligns employees' interests with the interests of the firm as a whole, our shareholders and our clients.

Employees' portion holdings are governed by the terms of a trust deed to which all portion holders have agreed. In summary, various pre-emption provisions apply to the transfer of employees' portions. On leaving, an employee is required to offer their portions for sale (save in limited circumstances where part of the portion holding may be retained). Good leaver/bad leaver provisions apply to determine the price at which the portions must be offered for sale.

Investec Wealth & Investment other than in South Africa: variable short-term incentive

Investec Wealth & Investment recognises Investec's obligation to ensure that all businesses within the group satisfy their obligations under the PRA and FCA Remuneration Code. Wealth & Investment recognises that the policy, procedures and practices it has adopted should not conflict with the group's obligations under the PRA and FCA Remuneration Code. The Wealth & Investment remuneration committee is responsible for considering, agreeing and overseeing all elements of remuneration and the overall remuneration philosophy and policy of Wealth & Investment within the context of the Investec group's agreed remuneration philosophy and policy. The proposals from this committee are subject to final approval by the DLC remuneration committee.

Wealth & Investment operates the following performance-related discretionary remuneration plans:

- Core incentive plan – for those in client-facing roles and administrative staff who support them directly
- Bonus plan – for those in non-client-facing, central services and support functions
- Growth plan – for staff primarily in client-facing roles who generate income directly.

Funding is at the discretion of the remuneration committee. Under the core plan, an incentive pool is derived from a formula that is directly related to the profitability of a team or business unit. The pool is distributed to the members of the team or business unit on a discretionary basis.

Funding for bonuses is related to the overall profitability of the Wealth & Investment business and is awarded to individuals on a discretionary basis.

The growth plan incentivises growth in revenues, net of the impact of market movements. Awards relate to performance for each year to 28 February, are payable in cash, and are deferred over a three-year period. Payments do not attract employer pension contributions.

Under the core incentive and bonus plans, awards relate to performance for the financial year ending 31 March. An interim payment on account of the annual award is considered at the half-year.

Non-financial performance is reviewed, and where individuals fall below the standards expected, awards may be deferred or forfeited, in part or in full. Payments are made entirely in cash and do not attract employer pension contributions. The award may be paid directly to the individual (subject to the deduction of income tax and national insurance) or, at Wealth & Investment discretion, as an additional employer pension contribution.

Wealth & Investment executive directors participate in the bonus plan, and where an individual's role is primarily client-facing that director will also be eligible to participate in the core incentive and growth plans.

Investec Wealth & Investment South Africa: variable short-term incentive

As there are no overriding regulatory requirements applicable to the business, the policies applicable to the Specialist Bank are applied to this business unit as set out on pages 193 to 195.

OTHER INFORMATION ON DEFERRED AWARDS AND CLAWBACK PROVISIONS WITHIN THE GROUP

Employees who leave the employment of Investec prior to vesting of deferred incentive awards will lose their EVA forfeitable shares other than as a result of retirement, subject to the group's normal good leaver provisions and approval process in exceptional cases.

The deferred share awards for Material Risk Takers are subject to malus and clawback adjustments. The assessment of whether any malus adjustment should be made to an individual's unvested award will be undertaken within the following framework:

- Where there is reasonable evidence of employee misbehaviour
- Where the firm or operating business unit suffers a material downturn in its financial performance
- Where the firm or business unit suffers a material failure of risk management.

In these cases, management and the remuneration committee will take into account the following factors in determining the extent (if any) to which the quantum of deferred awards should be subject to clawback:

- The extent to which the individual had control over the outcome
- Failure of internal control systems
- The impact of the risk profile of the relevant member of the group or business unit
- Any violation of the group's culture and values
- The long-term impact of the outcome on the group or relevant business unit
- External factors including market conditions
- Any other relevant factors.

Specifically for EVA share awards, where profits used to determine the original EVA bonus are materially reduced after the bonus determination, the awards will be recalculated for such reduction and consideration given to clawback (if any) to the extent that the prior period's EVA pool is reduced and the extent to which it affected each employee.

The deferred share awards of non-Material Risk Takers are subject to malus adjustments.

LONG-TERM INCENTIVE: SHARE AWARDS

We have a number of share option and long-term share incentive plans that are designed to align the interests of employees with those of shareholders and long-term organisational interests, and to build material share ownership over the long term through share awards. These share option and incentive plans are also used in appropriate circumstances as a mechanism for retaining the skills of key talent.

Awards are made in the form of forfeitable share awards other than for countries where the taxation of such awards is penal. In these cases awards are made in the form of conditional awards or market strike options.

In principle all employees are eligible for long-term incentives. Awards are considered by the remuneration committee and made only in the 42-day period following the release of our interim or final financial results in accordance with the Investment Association principles of remuneration: 2014 edition (formerly ABI remuneration principles). These awards comprise three elements, namely:

- 'New starter' awards are made based on a *de facto* non-discretionary basis using an allocation table linked to salary levels
- 'General allocation' awards are also *de facto* non-discretionary awards of the same quantum as new starter awards and are made to employees who have not had any other share award in a three-year period
- 'Top up' awards are made at the discretion of line management primarily to ensure multi-year performance and long-term value generation.

All proposed long-term incentive awards are recommended by business unit management, approved by the staff share executive committee and then the remuneration committee before being awarded. Awards of Investec plc forfeitable shares are made to employees of Investec plc and awards of Investec Limited forfeitable shares for employees of Investec Limited. At IAM, long-term awards are only generally considered for employees who do not participate in the DBOP and/or the IAM equity ownership scheme.

Forfeitable shares for non-Material Risk Takers are subject to one-third vesting at the end of the third, fourth and fifth year, which we believe is appropriate for our business requirements. LTIP awards to Material Risk Takers are subject to performance conditions and to one-third vesting at the end of two and a half years, three and a half years and four and a half years, and are then subject to a six-month retention period. The awards are forfeited on termination, but 'good leaver' discretion is applied in exceptional circumstances.

Retention is addressed through the long-term nature of awards granted, which provides an element of 'lock-in' for employees throughout the vesting period and allows for multi-year contribution to performance and brand building.

OTHER REMUNERATION STRUCTURES

Guaranteed variable remuneration

Guaranteed variable remuneration comprises all forms of remuneration whose value can be determined prior to award. This includes, but is not limited to sign-on, buy-out and guarantee awards. Guaranteed variable awards will not be awarded, paid or provided to any individual within the group unless they are:

- Exceptional
- In the context of hiring new staff
- Limited to the first year of service.

The remuneration committee at least annually reviews guaranteed variable remuneration payments and the number of guarantees awarded and approves any exceptions.

Retention awards

Investec only pays retention awards to serving staff in exceptional circumstances. In all such cases, human resources shall review proposed payments to ensure that they are in line with this policy and any other relevant regulation. Additionally, for Material Risk Takers, the remuneration committee shall review all proposed awards. Circumstances where the group will consider making retention awards include the case of a major restructuring of the company or any subsidiary or one of its business units (for instance in the start-up of a new business line, or the closure of a business line) where the retention of individuals is essential to the completion of the task. A valid business case for the retention of the individual must be presented in order for a retention award to be approved and the PRA should be notified prior to the retention award being made to Material Risk Takers, and should consider seeking guidance on the appropriateness of retention awards for certain individuals.

Severance awards

Severance payments by Investec plc or one of its subsidiary companies for the early termination of a contract are at executive management's absolute discretion and must reflect performance achieved over time and be designed in a way that does not reward failure. Severance payments for Material Risk Takers shall be subject to approval by the DLC remuneration committee.

Discretionary extended pension benefits policy

All proposed extended pension payments made to employees upon reaching retirement will be reviewed by the remuneration committee for alignment with appropriate laws, policy and regulation.

PRA and FCA Remuneration Code disclosures

In terms of the PRA's Chapter on Disclosure Requirements (BIPRU 11.5.18) the bank in the UK is required to make certain quantitative and qualitative remuneration disclosures on an annual basis with respect to Material Risk Takers.

Material Risk Takers are defined as those employees (including directors) whose professional activities could have a material impact on the bank's risk profile. A total of 45 individuals were Material Risk Takers in 2016.

The bank's qualitative remuneration disclosures are provided on pages 160 to 198.

The information contained in the tables below sets out the bank's quantitative disclosures in respect of Material Risk Takers for the year ended 31 March 2016.

Aggregate remuneration by remuneration type

£'million	Senior management	Other Material Risk Takers	Total
Fixed remuneration	11.4	10.5	21.9
Variable remuneration*			
– Cash	3.2	2.9	6.1
– Deferred cash	0.7	1.6	2.3
– Deferred shares	3.5	1.9	5.4
– Deferred shares – long-term incentive awards**	6.9	2.2	9.1
Total aggregate remuneration and deferred incentives	**25.7**	**19.1**	**44.8**
Ratio between fixed and variable pay	0.8:1	1.2:1	1:1

* *Total number of employees receiving variable remuneration was 45.*

** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to performance conditions and to 75% vesting at the end of three and a half years and the final 25% at the end of four and a half years, subject to a six-month retention period.*

Material Risk Takers received total remuneration in the following bands:

	Number of Material Risk Takers
£800 000 – £1 200 000	9
£1 200 001 – £1 600 000	2
£1 600 001 – £2 000 000	1
£2 000 001 – £2 400 000	1
£2 400 001 – £2 800 000	1
£2 800 001 – £3 200 000	1
£3 200 001 – £3 600 000	–
£3 600 001 – £4 000 000	3
£4 000 001 – £4 400 000	–
£4 400 001 – £4 800 000	–
£4 800 001 – £5 200 000	–
> £5 200 001	–

Additional disclosure on deferred remuneration

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the beginning of the year	18.9	39.7	58.6
Deferred unvested remuneration adjustment – employees no longer Material Risk Takers and reclassifications	(9.5)	(5.0)	(14.5)
Deferred remuneration awarded in year	11.1	5.7	16.8
Deferred remuneration reduced in year through performance adjustments	–	–	–
Deferred remuneration vested in year	(4.9)	(5.3)	(10.2)
Deferred unvested remuneration outstanding at the end of the year^^	**15.6**	**35.1**	**50.7**

^^ *All employees are subject to clawback provisions as discussed on page 197. No remuneration was reduced for ex post implicit adjustments during the year.*

£'million	Senior management	Other Material Risk Takers	Total
Deferred unvested remuneration outstanding at the end of the year			
– Equity	12.1	31.3	43.4
– Cash	2.5	2.9	5.4
– Other	1.0	0.9	1.9
	15.6	**35.1**	**50.7**

£'million	Senior management	Other Material Risk Takers	Total
Deferred remuneration vested in year			
– For awards made in 2015 financial year	(1.1)	(2.0)	(3.1)
– For awards made in 2014 financial year	(1.9)	(1.9)	(3.8)
– For awards made in 2013 financial year	(1.9)	(1.4)	(3.3)
	(4.9)	**(5.3)**	**(10.2)**

Other remuneration disclosures

£'million	Senior management	Other Material Risk Takers	Total
Sign-on payments			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–
Severance payments			
Made during the year (£'million)	0.8	–	0.8
Number of beneficiaries	1	–	1
Guaranteed bonuses			
Made during the year (£'million)	–	–	–
Number of beneficiaries	–	–	–

Pillar III remuneration disclosures

The bank in South Africa is required to make certain quantitative and qualitative remuneration disclosures on an annual basis in terms of the South African Reserve Bank's Basel Pillar III disclosure requirements.

The bank's qualitative remuneration disclosures are provided on pages 160 to 198.

The information contained in the tables below sets out the bank's quantitative disclosures for the year ended 31 March 2016.

Aggregate remuneration by remuneration type

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Fixed remuneration	42.5	49.1	164.9	256.5
Variable remuneration*				
– Cash	85.8	85.7	74.2	245.7
– Deferred shares	40.1	42.9	1.0	84.0
– Deferred cash	29.7	–	–	29.7
– Deferred shares – long-term incentive awards**	100.4	70.2	63.9	234.5
Total aggregate remuneration and deferred incentives	**298.5**	**247.9**	**304.0**	**850.4**

^ *See page 201.*
* *Total number of employees receiving variable remuneration was 258.*
** *Value represents the number of shares awarded multiplied by the applicable share price. These awards were made during the period but have not yet vested. These awards are subject to 75% vesting at the end of four years and the final 25% at the end of five years.*

Additional disclosure on deferred remuneration

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the beginning of the year	565.5	368.3	169.6	1 103.4
Deferred unvested remuneration adjustment – employees that are no longer employed by the bank and reclassifications	(205.4)	(103.4)	(8.0)	(316.8)
Deferred remuneration awarded in year	170.2	113.1	64.9	348.2
Deferred remuneration reduced in year through performance adjustments	–	–	–	–
Deferred remuneration vested in year	(46.6)	(25.0)	(1.6)	(73.2)
Deferred unvested remuneration outstanding at the end of the year	**483.7**	**353.0**	**224.9**	**1 061.6**

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred unvested remuneration outstanding at the end of the year				
– Equity	434.8	284.7	193.7	913.2
– Cash	48.9	–	–	48.9
– Other	–	–	–	–
	483.7	**284.7**	**193.7**	**962.1**

R'million	Senior management^	Risk takers^	Financial and risk control staff^	Total
Deferred remuneration vested in year				
– For awards made in 2015 financial year	(18.2)	(11.0)	(0.7)	(29.9)
– For awards made in 2014 financial year	(15.0)	(6.8)	(0.6)	(22.4)
– For awards made in 2013 financial year	(13.4)	(7.2)	(0.3)	(20.9)
	(46.6)	**(25.0)**	**(1.6)**	**(73.2)**

Other remuneration disclosures

	Senior management^	Risk takers^	Financial and risk control staff^	Total
Sign-on payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Severance payments				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–
Guaranteed bonuses				
Made during the year (R'million)	–	–	–	–
Number of beneficiaries	–	–	–	–

^ ***Senior management:*** *All members of our South African general management forum, excluding executive directors.*
Risk takers: *Includes anyone (not categorised above) who is deemed to be responsible for a division/function (e.g. lending, balance sheet management, advisory and transactional banking activities) which could be incurring risk on behalf of the bank.*
Financial and risk control staff: *Includes everyone in central group finance and central group risk as well as employees responsible for Risk and Finance functions within the operating business units.*

Definitions

ADJUSTED SHAREHOLDERS' EQUITY

Refer to calculation on page 64

COST TO INCOME RATIO

Operating costs divided by operating income (net of depreciation on leased assets). Depreciation on operating leased assets has been netted off against operating income

CORE LOANS AND ADVANCES

Net loans and advances to customers plus net own originated securitised assets

Refer to calculation on page 33 in volume two

DIVIDEND COVER

Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share

EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS (I.E. ADJUSTED EARNINGS)

Refer to page 57 in volume three

ADJUSTED EARNINGS PER ORDINARY SHARE BEFORE GOODWILL, ACQUIRED INTANGIBLES AND NON-OPERATING ITEMS

Refer to page 57 in volume three

EFFECTIVE OPERATIONAL TAX RATE

Tax on profit on ordinary activities (excluding non-operating items) divided by operating profit

MARKET CAPITALISATION

Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange

NET TANGIBLE ASSET VALUE PER SHARE

Refer to calculation on page 62

NON-OPERATING ITEMS

Reflects profits and/or losses on termination, restructuring or disposal of group operations and acquisitions made

OPERATING PROFIT

Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets. This amount is before goodwill, acquired intangibles and non-operating items

OPERATING PROFIT PER EMPLOYEE

Refer to calculation on page 68

RECURRING INCOME

Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income

RETURN ON AVERAGE ADJUSTED SHAREHOLDERS' EQUITY

Refer to calculation on page 64

RETURN ON AVERAGE ADJUSTED TANGIBLE SHAREHOLDERS' EQUITY

Refer to calculation on page 64

RETURN ON RISK-WEIGHTED ASSETS

Adjusted earnings divided by average risk-weighted assets

RISK-WEIGHTED ASSETS

Is calculated as the sum of risk-weighted assets for Investec plc and Investec Limited (converted into Pounds Sterling) as reflected on page 90 in volume two

STAFF COMPENSATION TO OPERATING INCOME RATIO

All employee-related costs expressed as a percentage of operating income

THIRD PARTY ASSETS UNDER ADMINISTRATION

Includes third party assets under administration managed by the Wealth & Investment, Asset Management and Property businesses

TOTAL CAPITAL RESOURCES

Includes shareholders' equity, subordinated liabilities and non-controlling interests

TOTAL EQUITY

Total shareholders' equity including non-controlling interests

WEIGHTED NUMBER OF ORDINARY SHARES IN ISSUE

The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 57 in volume three

Notes

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Registration number 3633621

Investec Limited

Registration number 1925/002833/06

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DIRECTORATE

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Stephen Koseff (chief executive officer)
Bernard Kantor (managing director)
Glynn R Burger (group risk and finance director)
Hendrik J du Toit (chief executive officer, Investec Asset Management)

Non-executive directors

Fani Titi (chairman)
Zarina BM Bassa
Laurel C Bowden
Cheryl A Carolus
Perry KO Crosthwaite (senior independent director)
David Friedland
Charles R Jacobs
Ian R Kantor
Lord Malloch-Brown KCMG
Khumo L Shuenyane
Peter RS Thomas

Bradley Fried resigned effective 31 March 2016 and Haruko Fukuda OBE resigned effective 6 August 2015.

For contact details for Investec offices internationally refer to pages 146 and 148 in volume three.