



STANDARD BANK GROUP LIMITED (SBG)/
THE STANDARD BANK OF SOUTH AFRICA LIMITED (SBSA)

2018 Application of King IV principles

Corporate governance is integrated across the group's operations. The board sees corporate governance as an enabler that creates competitive advantage through enhanced accountability, effective risk management, clear performance management, greater transparency, and effective leadership.

The mandates of the board and its sub-committees are intended to reflect the principles contained in the King IV Code of Corporate Governance (King Code). The board conducts an annual self-assessment of itself and its sub-committees' activities against their mandates to ensure compliance. The chairmen of the board and sub-committees express an opinion on the adequacy and effectiveness of the board and sub-committees against their mandates and the group's external auditors conduct a limited assurance assessment on the self-review and express an opinion in this regard.

This document provides a high-level view of how the board applies the King IV Code.

King IV principle	Compliance	Application of principle	Reference
Principle 1: The governing body should lead ethically and effectively	✓	<p>The board leads ethically and effectively. It is guided by the group's values and code of ethics.</p> <p>On execution of its duties, it ensures that each director is competent, acts with integrity and fairness, is transparent and there is both individual and collective responsibility and accountability.</p> <p>The role of the chairman and the board collectively includes ensuring that the conduct of the board and that of management is aligned with the group's values and the code of ethics. This is also measured as part of the board effectiveness assessment and in the evaluation of performance of the executives.</p>	<p>Corporate Governance Statement</p>
Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	✓	<p>The group social and ethics committee (SEC) has oversight over the implementation, reporting, training and awareness of the group's values and code of ethics. It monitors the conduct of the group, ensuring that it is in line with the group's strategic value drivers.</p> <p>The responsibility for incorporating the spirit of the group's code of ethics has been delegated to the group chief executive and the group ethics officer, who are the formal custodians of the code and are ultimately responsible for entrenching an ethical culture.</p>	<p>Corporate Governance Statement</p> <p>Annual Integrated Report</p> <p>Reporting to Society</p>
Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	✓	<p>The board ensures that the company is and is seen to be a responsible corporate citizen.</p> <p>In formulating the group's strategy, it considers a full range of issues that influence the sustainability of the business, create value over the long term and takes into account the social, economic, and natural environments in which the group operates.</p> <p>SEC provides oversight of the group's activities relating to responsible corporate citizenship.</p>	<p>Annual Integrated Report</p> <p>Reporting to Society</p>
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	✓	<p>In approving the group's strategy, the board appreciates the interconnectedness between the organisation's purpose, vision, values and legitimacy to the risks and opportunities, the group's architecture and performance.</p> <p>The group's strategy is consistent with integrated thinking, it links strategic value drivers to ensure overall good performance resulting in shared social, economic and environmental value.</p> <p>At the board's annual two-day strategy summit, the board deliberates on the group's strategy, assesses the risks and opportunities, considers progress on implementation of the strategy against the five strategic value drivers, and ensures that overall conduct is in line with group's values to ensure long term success and sustainability.</p>	<p>Corporate Governance Statement</p> <p>Annual Integrated Report</p> <p>Reporting to Society</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.</p>	<p>✓</p>	<p>The group produces a full suite of reporting publications to cater for diverse needs of key stakeholders. All external reports are considered and approved by the board prior to publication and include:</p> <p>Annual integrated report – Provides a holistic assessment of the group's ability to create value. It considers the issues that are material to our commercial viability and social relevance, which are required to achieve our strategy in the medium to long term. These include the macroeconomic and socio-political conditions in which the group operates.</p> <p>Governance and remuneration report – provides a detailed review of the group's governance and remuneration practices, including the group's remuneration policy.</p> <p>Annual financial statements – set out the group's full audited annual financial statements, including the report of the group audit committee.</p> <p>Risk and capital management report – provides a detailed view of the management of risks relating to the group's operations.</p> <p>Reporting to society – provides an account of the group's social, economic and environmental impacts and how these contribute to the group's sustainability and its ability to achieve its purpose.</p> <p>The Standard Bank of South Africa Limited Annual Report (SBSA) – the group's largest subsidiary. SBG's other subsidiaries also produce their own annual reports, which include audited annual financial statements.</p> <p>The board acknowledges its responsibility over the integrity of external reports issued, and takes into account the statutory, regulatory and best practice when preparing them.</p>	<p>Suite of External Reports</p>
<p>Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>✓</p>	<p>The board has overall responsibility for corporate governance across the group. It operates within a clearly defined governance framework. It retains effective control through this framework and provides for delegation of authority with clearly defined mandates and authorities. The board has delegated the role of oversight over implementation of corporate governance across the group to the directors' affairs committee (DAC).</p>	<p>Corporate Governance Statement</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>✓</p>	<p>The group board has an appropriate mix in its composition, including:</p> <p>SBG: 16 directors, 10 independent non-executive directors, four non-executive directors and two executive directors.</p> <p>SBSA: 17 directors, 10 independent non-executive directors, four non-executive directors and three executive directors.</p> <p>The boards are considered of appropriate size to enable them to meet and fulfil their governance role and responsibilities objectively and effectively. Non-executive directors bring diverse perspectives to board deliberations, and constructively challenge management. The collective background of the board members provide for a balanced mix of attributes and skills that enable the board to fulfil its duties and responsibilities. The board's breadth of experience includes:</p> <ul style="list-style-type: none"> • Universal banking/banking • Financial services/insurance/asset management • Doing business in sub-Saharan Africa • Capital/risk management and controls • Accounting/auditing • IT/digital • Leadership of a large complex organisation • Voice of the customer/marketing • Culture/conduct • People development/diversity and inclusion • Remuneration • Governance/regulation/public policy • Board experience <p>Annually on recommendation from DAC, the board deliberates and approves the categorisation of directors as independent using the criteria set out in the King Code. Emphasis is placed on ensuring that the board composition reflects diversity in the broadest sense. The board is committed to ensuring diversity, including that of backgrounds, experience, skills, geography, race, age, and gender.</p>	<p>Corporate Governance Statement</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>✓</p>	<p>The board has delegated certain functions to its committees in line with the corporate governance framework and relevant legislation. The board sub-committees include:</p> <ul style="list-style-type: none"> • Group directors' affairs (DAC); • Group audit (GAC); • Group risk and capital management (GRCMC); • Group social and ethics (SEC); • Group technology and information (GTIC); • Group remuneration (RemCo); • Group model approval (GMAC); and • SBSA large exposure credit (SALE). <p>Each committee has a board approved mandate. In determining the composition of committees, the board considers the skills and experience of its members, applicable regulations, and the committee mandate. Except for GTIC, SEC, GMAC and SALE, where appropriate, and in line with regulations, committees only comprise non-executive directors or a majority of independent non-executive directors.</p> <p>Committee chairmen are accountable for the effective functioning of the committees. They provide verbal updates to the board on committee activities at each board meeting and submit chairmen reports highlighting matters for board attention. The minutes of meetings are also included in the Board Pack for noting.</p> <p>The review of the board's compliance with the provisions of the respective mandates is done annually. The group's external auditors conduct a limited assurance assessment on the review, and express an opinion on this.</p>	<p>Corporate Governance Statement</p>
<p>Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>✓</p>	<p>The board and its committees' performance is assessed in a number of ways:</p> <ol style="list-style-type: none"> 1. A detailed assessment of the board and each sub-committee's compliance with the provisions of their respective mandates is done annually. The group's external auditors conduct a limited assurance assessment on the review and express an opinion in this regard. 2. The chairman, the board and its committees' undergo an effectiveness evaluation annually in terms of the S64B 2(b)(iv) of the Banks Act. The board alternates every other year between an externally facilitated independent evaluation, and an internal evaluation facilitated by the chairman supported by the group secretary. Directors also participate in peer-reviews. 3. Evaluation of individual director performance is carried out by the chairman in one-on-one discussions with individual directors. <p>Action plans are drawn from evaluation findings which are agreed by the board and tracked by the group secretary. A report on progress made against action plans is noted at November board meetings.</p>	<p>Corporate Governance Statement</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>✓</p>	<p>The board is responsible for appointing the group chief executive and through DAC, ensures that the board is kept abreast of executive management succession plans. It has delegated the authority in writing to the group chief executive to manage the business and affairs of the group.</p> <p>The group chief executive is held accountable for the performance of the group. The group has in place a delegation of authority framework, which is reviewed annually in consultation with the group finance function to ensure that the financial limits remain appropriate.</p> <p>The group secretary monitors effective implementation of the authority delegated to the group chief executive.</p> <p>The group chief executive's role is in writing and evaluation against his performance is carried out by the chairman in consultation with the board.</p>	<p>Corporate Governance Statement</p>
<p>Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving strategic objectives.</p>	<p>✓</p>	<p>On the behalf of the board, GRCMC ensures oversight over the governance of risk and capital management by setting the direction for how risk and capital management should be approached and addressed in the group.</p> <p>It regularly reviews and assesses the adequacy and effectiveness of the risk and capital management governance framework by ensuring that risk and capital management standards and policies are in place and they support the group strategy, are fit for purpose and effective operationally.</p> <p>It evaluates and agrees the nature and extent of opportunities and associated risks that the group is willing to take in pursuit of its strategic objectives, and supports a climate of discipline and control.</p>	<p>Risk and Capital Management Statement</p>
<p>Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>✓</p>	<p>The board understands that information and technology is an integral component of the group's strategy. The group technology and information committee assists with the oversight over the governance of information management and technology.</p> <p>It ensures that prudent and reasonable steps have been taken with regard to information and technology governance, including aligning the IT strategy with the group's strategic objectives, performance targets and ensuring that it contributes to the sustainability of the group. It monitors and evaluates significant IT investment and expenditure.</p> <p>The committee has delegated the day-to-day management of, and tasked management with the implementation of the IT governance framework.</p> <p>Technology and information risk is integrated in the company's risk management and is considered by the GRCMC as part of its oversight of operational risk.</p>	<p>Annual Integrated Report</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>✓</p>	<p>Doing the right business, the right way and complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving its strategy and ensuring its legacy.</p> <p>Oversight over compliance management is delegated to GAC which reviews and approves the mandate of the group chief compliance officer, who on a quarterly basis reports on, among others, the status of compliance risk management in the group, significant areas of non-compliance, as well as providing feedback on interaction with regulators.</p> <p>(Refer to principle 3 above on the company's governance of ethics and considerations on being a responsible corporate citizen.)</p>	<p>Annual Integrated Report</p>
<p>Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>✓</p>	<p>Through the group remuneration committee, the board ensures that the group adopts remuneration policies and practices that are aligned with the group strategy, promote sound risk management in line with group's values and code of ethics whilst creating value for the group over the long term.</p> <p>It reviews the remuneration policies regularly to ensure that the design and management of remuneration practices motivate sustained high performance, promote appropriate risk-taking behaviour and are linked to individual and corporate performance.</p> <p>It also ensures transparency and disclosure to enable a reasonable assessment by stakeholders of reward practices and governance processes within the group.</p> <p>Detail on the remuneration practices including remuneration policy is contained in the Group Remuneration Report.</p>	<p>Remuneration Report AGM Notice</p>
<p>Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports</p>	<p>✓</p>	<p>GAC ensures that the group applies a combined assurance model and ensures a coordinated approach to all assurance activities. It reviews the plans and work outputs of the external and internal auditors as well as work on the compliance and group integrated operation risk, and concludes on their adequacy to address all significant financial risks facing the business which can impair the integrity of information used for decision making and external reporting.</p> <p>GAC is responsible for overseeing the group internal audit function. It reviews and approves the annual internal audit charter and audit plan, and evaluates the independence, effectiveness and performance of the internal audit department and its compliance with its charter; it also reviews significant issues raised in the internal audit processes and the adequacy of corrective action in response to such findings; it assesses the adequacy of the performance of the internal audit function and adequacy of the available internal audit resources.</p> <p>In respect of the external auditors and the external audit, GAC recommends the appointment of auditors to the shareholders and oversees the external audit process.</p>	<p>Corporate Governance Report Report from group audit committee</p>

King IV principle	Compliance	Application of principle	Reference
<p>Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>✓</p>	<p>The board through SEC ensures the development of appropriate policies that appreciate that stakeholders' perceptions affect the group's reputation. Stakeholder engagement activities are governed by a stakeholder engagement policy approved by the board which delegates the management of relationships with specific stakeholder groups to management.</p> <p>Relationships within a group of companies: In line with good governance, the group board has overall responsibility for adequate corporate governance across the group and ensuring that there are governance policies and mechanisms appropriate to the structure, business and risks of the group and its entities. To achieve this outcome, the group has a subsidiary governance framework, the aim of which is to ensure consistent application of sound governance practices and appropriate risk management, thereby creating long-term value for the group and its stakeholders. As part of the interface between the parent company and the subsidiaries, the SBG architecture ensures an effective line of oversight and alignment.</p> <p>The subsidiary governance framework recognises each subsidiary in the group as a separate and independent juristic person to whom its directors owe fiduciary duties.</p>	<p>Corporate Governance Report</p>
<p>Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.</p>	<p>✓</p>	<p>Principle 17 not applicable.</p>	

Contact and other details

Standard Bank Group

Registration No. 1969/017128/06
Incorporated in the Republic of South Africa

Head: investor relations

Sarah Rivett-Carnac
Tel: +27 11 631 6897

Group financial director

Arno Daehnke
Tel: +27 11 636 3756

Group secretary

Zola Stephen
Tel: +27 11 631 9106

Registered address

9th Floor, Standard Bank Centre
5 Simmonds Street, Johannesburg 2001
PO Box 7725, Johannesburg 2000



www.standardbank.com



Please direct all annual report queries and comments to:

Annual.Report@standardbank.co.za

Please direct all customer-related queries and comments to:

Information@standardbank.co.za

Please direct all investor relations queries and comments to:

InvestorRelations@standardbank.co.za

Disclaimer

This document contains certain statements that are 'forward-looking' with respect to certain of the group's plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "predict" or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature, involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the group's control, including but not limited to, domestic and global economic conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the group and its affiliates operate. The group's actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The group makes no representations or warranty, express or implied, that these forward-looking statements will be achieved and undue reliance should not be placed on such statements. The group undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.



Respecta 60, the FSC® Mix* certified high quality recycled coated fine paper for prestigious printing, with a 60% recycled fibre content. A choice that gives a natural brilliance to creativity.



[standardbank.com](https://www.standardbank.com)