

**CORPORATE GOVERNANCE STATEMENT OF THE STANDARD
BANK OF SOUTH AFRICA LIMITED**



Codes

The group is committed to the highest level of corporate governance and is satisfied that it has complied with the provisions of the King Report on corporate governance (King II) for the reporting period.

The group supports the Code of Banking Practice and endorses the principles contained therein.

The implementation of governance structures is dynamic. During the course of 2003, compliance with relevant governance codes and the evolution of the group's governance policies and processes will continue as priorities.

Boards and directors

Board structure

For most of the year, the board comprised 16 directors, four of whom were executive. There are currently 14 directors. Details of board changes are provided in the Directors' report on page 102. It is a unitary board with a mix of executive (3) and non-executive (11) directors. The majority of board members are independent non-executive directors (as defined in King II). The board is accountable and ultimately responsible for all actions of the board, board committees and management.

The board is responsible for the appointment of the Chief Executive. The board ensures that, as part of succession planning, it familiarizes itself with the executive management team at meetings (both formal and informal). Considerable attention is given to leadership development throughout the group in order to develop and retain a pool of talented individuals. The board has agreed an appointment process that ensures appointments to group subsidiary and associated entity boards receive the requisite consideration.

Strategy

The board is responsible for ensuring that clear strategic direction is provided to the group.

As part of this process, the Chief Executive and senior executives annually present their strategic plans to the board for review and approval.

Board mandate

The board operates in terms of a mandate which sets out its roles and responsibilities. This mandate has been updated taking into account the provisions of King II. The key terms of reference set out in the mandate are:

- agree the group's objectives;
- agree the strategies and plans for achieving those objectives;
- annually review and assess achievement against objectives;

- review board and committee mandates at least annually and approve recommended changes;
- delegate to the Chief Executive or any director holding any executive office or any senior executive any of the powers, authorities and discretions vested in the board, including the power of sub-delegation. Delegate similarly such powers, authorities and discretions to any committee and subsidiary company boards as may be created from time to time;
- determine the terms of reference of all board committees and review reports and/or minutes of committees and significant subsidiary companies;
- review and monitor the performance of the Chief Executive and the executive team which includes the consideration and evaluation of reports;
- establish and review annually and approve major changes to the group's policies;
- approve the remuneration to be paid to non-executive directors for board and committee membership based on recommendations made by the Group Remuneration Committee;
- approve capital funding for the company and the group and the terms and conditions of rights or other issues and any prospectus in connection therewith;
- ensure that an adequate budget and planning process exists, that performance is measured against budgets and plans and approve annual budgets for the group;
- approve significant acquisitions, mergers, take-overs, divestments of operating companies, equity investments and new strategic alliances by the company or its subsidiaries;
- consider and approve capital expenditure recommended by the Group Executive Committee;
- consider and approve any significant changes proposed in accounting policy or practice and consider the recommendations of the Group Audit Committee;
- consider and approve the annual financial statements, interim statements, dividend announcements and notices to shareholders and consider and agree the basis for considering the group to be a going concern;
- have ultimate responsibility for ensuring the adequacy of financial and operational systems and internal controls, the review of which is delegated to sub-committees. The board ensures that reporting on these issues is acceptable;
- have ultimate responsibility for regulatory compliance and ensure that reporting to the board is comprehensive; and
- review non-financial matters which have not been specifically delegated to a sub-committee.

Delegation of authority and effective control

The board retains effective control over the operations of the organisation through a well-developed governance structure that comprises various board committees. These regularly report to the board in terms of their agreed mandates. Management performance is monitored through effective and regular reporting against board agreed strategies and budgets.

Compliance with all relevant laws, regulations and codes of business practice is monitored by the board through the group's governance structures and processes.

In terms of the Banks Act Regulations, the board has adopted a suitable definition of a material malfunction. This definition is reviewed by the board annually. In addition, the board's mandate requires certain material matters to be brought to its attention.

The board has formally delegated defined authority to the Chief Executive by virtue of a resolution with the power of delegation, and this process is continually monitored.

In order to facilitate effective control, the information needs of the board are continually assessed. Board members can request further information they require from management. Management reporting is constantly modified to keep pace with changing legislative and other requirements of the board. The board has unrestricted access to all organisational information, records, documents and property that it may need or request.

Chairman and Chief Executive

The roles and responsibility of Chairman and Chief Executive remain separate and distinct.

The performances of the Chairman and Chief Executive are assessed by the Remuneration Committee when determining remuneration.

Board effectiveness

The board again agreed a corporate governance process and objectives in terms of that process. Achievements against this were considered by the board.

The board, through the Governance and Nominations Committee (GNC), regularly reviews and considers its effectiveness and structure. Similarly, consideration is given to the demographic diversity of the directors.

The effectiveness of the board as a whole is evaluated by the GNC in its annual review of performance against mandates. In terms of this, the performance of the board and the committee is benchmarked against their respective mandates. The results are reviewed by the external auditors and, a report submitted to the GNC for discussion and, where necessary, remedial action is taken. In addition the GNC considers board and committee composition and attendance at meetings on an annual basis.

All board and committee mandates specify that members are entitled to take independent advice at the company's expense.

Directors

The board's deliberations are free from the domination of any individual or group of individuals. The non-executive directors (NEDs) possess the caliber, credibility and experience required for them to deliberate, where necessary, independently of management. There are no shadow directors on the board.

No executive directors hold non-executive directorship positions outside the group.

Induction

On appointment, an induction programme designed to meet the needs of each new director, is implemented. The Group Secretary manages the induction programme. The board's code of conduct is provided to new directors on their appointment. New and prospective directors are required to complete the necessary formalities in terms of the relevant legislation and regulations. Directors are advised of new laws and regulations and changing risks to the organisation on an ongoing basis.

Board meetings

The board meets, at a minimum, once every quarter with an additional meeting scheduled annually to discuss strategy. Additional meetings are held whenever deemed necessary. Seven board meetings were held during the year and details of individual attendance at board meetings are set out below.

Directors are provided with comprehensive board documentation at least four days prior to each of the scheduled meetings.

Board meeting attendance

Member	Feb	Mar	May	Aug	Oct	Nov	Dec
Derek Cooper (Chairman)	✓	✓	✓	✓	✓	✓	✓
Roy Anderson	✓	✓	✓	✓	✓	✓	✓
Doug Band	✓	✓	✓	✓	✓	✓	✓
Elisabeth Bradley	✓	✓	✓	✓	✓	A	A
Anthony Evans *	A	✓					
Buddy Hawton	✓	A	✓	✓	✓	✓	✓
Reuel Khoza**	A	A	✓	✓	✓	A	
Selwyn MacFarlane*	✓	✓					
Graham Mackay	✓	✓	✓	A	✓	✓	✓
Saki Macozoma	A	A	A	✓	✓	✓	A
Jacko Maree	✓	✓	✓	✓	✓	✓	✓
Barbara Masekela*	A	A					
Rick Menell	✓	✓	A	✓	✓	A	✓
Robin Plumbridge	✓	✓	A	✓	✓	A	✓
Pieter Prinsloo ***	✓	✓	✓	✓	✓	A	A
Michael Rapp*	✓	✓					
Alan Romanis*	✓	✓					
Myles Ruck	✓	✓	✓	✓	✓	✓	✓
Chris Stals	A	✓	✓	✓	✓	✓	✓
Conrad Strauss	✓	✓	✓	✓	✓	✓	✓
Eddie Theron	✓	✓	✓	✓	✓	✓	✓

* Resigned 12 March 2002

** Resigned 29 November 2002

*** Resigned 31 December 2002

✓ Present

A Apologies

Board committees

The board has established a number of committees to which certain of its functions have been delegated. The committees, except for Group Credit, comprise a majority of independent NEDs and all are chaired by an independent NED. The membership of the committees for the year under review was as follows:

- Governance and Nominations – Derek Cooper (Chairman), Doug Band, Reuel Khoza¹, Graham Mackay and Saki Macozoma.
- Group Audit – Robin Plumbridge (Chairman), Doug Band, Elisabeth Bradley and Alan Romanis²
- Group Risk Management – Robin Plumbridge (Chairman), Derek Cooper, Buddy Hawton, Selwyn MacFarlane³, Rick Menell, Chris Stals and Eddie Theron.
- Group Credit – Derek Cooper (Chairman), Doug Band, Jacko Maree, Simon Ridley, Myles Ruck and Paul Smith.
- Transformation – Saki Macozoma (Chairman), Derek Cooper, Reuel Khoza¹, Jacko Maree and Barbara Masekela³, and
- Group Remuneration – Buddy Hawton (Chairman), Doug Band, Derek Cooper, Graham Mackay and Rick Menell.

Each of the above committees operates in terms of a mandate approved by the board. These mandates describe:

- the extent of its powers;
- the responsibility delegated to it;
- its term;
- its role and function;
- procedure for reporting to the board; and
- its authority to act.

At board meetings, relevant minutes are submitted and the chairman of each committee reports on the committee's activities.

1 Resigned 29 November 2002.

2 Alan Romanis who resigned as a non-executive director on 12 March 2002, has remained on the committee. As a member of the Liberty Group Audit Committee and Chairman of the Stanlib Audit Committee, he provides valuable insight from a group perspective.

3 Resigned 12 March 2002.

Risk management framework

The group's risk management processes are detailed in the risk management review. Fundamental to the management of risk in the group, is the risk framework endorsed by the board. The board has ultimate responsibility for ensuring the adequacy of internal controls. Where appropriate, certain of the board's risk management functions have been delegated to board committees.

The board regularly reviews processes and procedures to ensure the effectiveness of the internal systems of risk control. The framework and structure of the risk committee ensure the recognition of their status within the group.

Governance and nominations committee

The membership of the committee and the attendance at meetings were as follows:

<u>Member</u>	<u>May</u>	<u>Dec</u>
Derek Cooper (Chairman)	✓	✓
Doug Band	✓	✓
Reuel Khoza*	✓	
Graham Mackay	✓	✓
Saki Macozoma	A	A

* Resigned 29 November 2002

The committee's key terms of reference include the following:

- Setting criteria for the nomination of directors and committee members of the board and group subsidiaries and identifying, evaluating and recommending nominees for appointments;
- Reviewing the composition of the board;
- Considering corporate governance best practice and statutory compliance;
- Considering corporate governance best practice and statutory compliance;
- Conducting an annual assessment of the performance of the board and reviewing the effectiveness of all board committees; and
- Periodically reviewing the format and content of the board and committee structures and mandates.

Group Audit Committee

The board has established a Group Audit Committee (GAC) with subsidiary audit committees where required by regulation or deemed appropriate. The majority of the members are independent and all of the members are financially literate. The Chief Executive, external and internal auditors, together with relevant management are required to attend meetings. The board chairman attends meetings by invitation. The committee membership and attendance at the six meetings held during the year were as follows:

<u>Member</u>	<u>Feb</u>	<u>Mar</u>	<u>May</u>	<u>Aug</u>	<u>Nov</u>
Robin Plumbridge (Chairman)	✓	✓	✓	✓	✓
Doug Band	✓	✓	✓	✓	✓
Elisabeth Bradley	✓	✓	✓	✓	✓
Alan Romanis	✓	✓	✓	✓	✓

The GAC operates in terms of a written mandate that deals comprehensively with its membership, authorities and duties. The key terms of reference are divided into the following:

External auditors and external audit – this includes the review or approval of:

- the group audit plan for the year ahead;
- guidelines for the appointment of the external auditors for non-audit related services and for the disclosure thereof. There is separate disclosure in the notes to the financial statements of the amounts paid to the external auditors for non-audit related services;
- reports from the external auditors relating to the systems of accounting and operational controls and the effectiveness of management's response thereto, and;
- the external audit fee.

Financial reporting and financial controls – this includes a review of:

- the adequacy of capital, provisions for bad debt and any material diminution in the value of other assets;
- accounting policies and proposed changes thereto;
- the effectiveness of financial management and the quality of the accounting control systems and financial reporting;
- reports on material defalcations; and
- the group's interim results, annual financial statements, dividend announcements and all financial information for publication in the media.

Internal audit – this includes consideration of:

- the internal audit mandate and an evaluation of the independence and effectiveness of the internal audit function;
- the internal audit plan for the year ahead;
- quarterly reports on the activities of the internal audit function, including the identification of control weaknesses and of remedial action taken by management; and
- reports on the activities of the Forensic Audit department.

Compliance –this includes a review of:

- the compliance plan for the year ahead;
- the internal control structure;
- the effectiveness of the compliance function and the adequacy of its resources; and
- the level of compliance with relevant external legislation, regulations and codes, and with internal policies, procedures and controls. This includes identification of incidents of non-compliance and of remedial action taken by management.

Ethics – this includes monitoring ethical conduct throughout the group.

In addition to the above, the GAC undertakes such other reviews as may be considered necessary in the fulfillment of its responsibilities or as may be requested by the board.

Other relevant activities of the GAC include:

- the attendance by the chairman of the GAC at the annual general meeting and his availability to respond to questions from shareholders on the activities of the committee;
- a recommendation to the board on the appointment of external auditors. In this regard, the group is informed and has no reason to doubt that the external auditors are required to observe, and do so observe, high levels of business and professional ethics; and
- ensuring that there is reasonable and responsible integration of the activities of the external and internal audit functions.

In May 2003, the GAC will consider whether or not the interim financial reports should be reviewed by the external auditors.

Group Risk Management Committee

The Group Risk Management Committee (GRMC) had the following membership and attendance during the year:

Member	Mar	May	Aug	Nov
Robin Plumbridge (Chairman)	✓	✓	✓	✓
Derek Cooper	✓	✓	✓	✓
Buddy Hawton	✓	✓	✓	✓
Selwyn MacFarlane*	✓			
Rick Menell	✓	✓	A	✓
Chris Stals	✓	✓	✓	✓
Eddie Theron	✓	✓	✓	✓

*Resigned 12 March 2002

The GRMC's mandate includes the following key terms of reference:

- review reports which detail the adequacy and effectiveness of the group's risk management function and control its implementation by management;
- ensure that risk definitions and policies are formally and regularly reviewed. Further details on the group's approach and the risks considered are details in the risk management review;
- review the acceptability of the group's risk profile and its overall risk appetite; and
- review risk identification and measurement methodologies.

Key non-financial aspects are included in the quarterly GRMC reporting process. Some of the aspects reported on are:

- new products and services;
- people risk;
- environmental risk and sustainability issues; and
- information risk management.

Asset and liability risk issues are managed through the group Asset and Liability Committee (ALCO). The Group Strategic Technology Forum focuses on technology and systems risk issues.

Group Credit Committee

The credit governance structure of the group was reviewed during the course of 2002. There is now a Group Credit Committee with regional credit committees in Africa and London.

The committee's main terms of reference include:

- setting the group credit governance structure to ensure that there are clearly defined mandates and delegated authorities within the structure;
- reviewing the group credit portfolio, including trends and provisions, to ensure alignment with group credit strategy and risk appetite; and
- noting or approving large exposures as defined by the regulatory authorities.

The membership and attendance at Group Credit Committee meetings were as follows:-

<u>Member</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Oct</u>
Derek Cooper (Chairman)	A	A	✓	A	✓	✓	✓
Doug Band	✓	✓	✓	✓	✓	✓	A
Jacko Maree	✓	✓	A	✓	✓	A	A
Simon Ridley*							✓
Myles Ruck	✓	✓	A	✓	✓	✓	✓
Paul Smith	✓	✓	✓	✓	✓	✓	✓

* Appointed 3 October 2002

Transformation Committee

The Transformation Committee was established to accelerate the achievement of equity targets. The membership of the committee and attendance at meetings for the year were as follows:

<u>Member</u>	<u>Feb</u>	<u>Aug</u>
Saki Macozoma (Chairman)	✓	✓
Derek Cooper	✓	✓
Reuel Khoza*	✓	A
Jacko Maree	✓	✓
Barbara Masekela**	A	✓

* Resigned 29 November 2002

** Resigned 12 March 2002

Dealings in securities

The group has a formal policy restricting trading in securities by certain employees (as defined in the policy) during closed periods. No embargoed employees are permitted to trade in any Standard Bank instruments or securities from one month prior to the end of an accounting period (interim or final) until the announcement of results. This embargo includes directors.

All trading in Standard Bank instruments or securities by an employee must take place through the Group Share Incentive Scheme administration area. Compliance with the policy is monitored on an ongoing basis. In addition, certain nominated employees (as defined in the policy) are prevented from trading in shares of other companies during specified periods.

Group Secretary

In order to enable her to fulfill her duties, the Group Secretary has been fully empowered by the board and has complete access to people and resources to facilitate this.

The Group Secretary plays an important role in supporting the Chairman and the Chief Executive.

The Group Secretary provides a central source of guidance and advice on business ethics and good governance. In addition, guidance is provided to directors both together and individually on an ongoing basis. Relevant information on new regulations and legislation that may impact directors is tabled when necessary.

Going concern

In accordance with Companies Act requirements, the board records its opinion on going concern aspects in the annual report. The Banks Act Regulations also require the group to report on the going concern status of the bank.

The board considers the going concern concept in the context of its deliberations on the annual financial statements. The facts and assumptions underlying the board's assessment are documented. The directors' approval of the annual financial statements containing the going concern declaration is set out in the annual report.

Sustainability

The group recognises its obligation to contribute to broader socio-economic goals and general social upliftment. This is done primarily through the Standard Bank Foundation.

Greater details on the group's sustainability activities are contained in the annual report. The format of this report follows the Guidelines released by the Global Reporting initiative with consideration given to the group's relationship with various stakeholders including shareholders, customers, employees, suppliers, government and regulatory agencies, society and the community, and the environment.

Organisational integrity / ethical behaviour

Information on the group's Code of Business Ethics is set out in the sustainability report in the annual report.

Currently, the forensic audit team assists in monitoring adherence to the group's ethical values. Attention will be given to further monitoring of the code in the year ahead.

Communication with shareholders

The group is involved in meaningful and constructive dialogue with investors. Further detail on the role of the investor relations function is provided in the annual report.

Shareholders are invited by the Chairman, Derek Cooper (who is also chairman of the Group Credit and Governance and Nominations Committees) to attend the annual general meeting (AGM). The chairman of the Group Audit and Remuneration Committees, Robin Plumbridge and Buddy Hawton respectively, are available to respond to questions from shareholders.

A brief CV of the directors standing for re-election is set out in the notice of the AGM.

The group is at all times mindful of its statutory and regulatory obligations regarding the dissemination of information. The effects of any proposed resolutions are fully explained in the AGM notice and in the letter from the chairman. The chairman provides adequate time for discussion of proposed resolutions at general meetings. Poll forms are prepared and available at a general meeting if required. The results of all special business at general meetings are publicly disseminated as soon as possible after the conclusion of the meeting.

The directors acknowledge their responsibility for the fair presentation in the financial statements of the:

- state of affairs of the group as at the end of the financial year under review;
- net income for that period; and
- cash flows for that period.