Chairman's overview

Dear stakeholder

On behalf of the board, it is my pleasure to present the group's corporate governance statement for 2014.

The theme of change, and how important it is that the group inculcates an ability to manage it effectively, runs throughout our integrated report for the year. Seeking continuous improvement in relation to a dynamic environment is a feature of this ability and underpins our approach to corporate governance. It is valuable therefore to reflect specifically on the milestones we have attained and the challenges we have considered in our corporate governance journey, and to highlight our focus areas for the year ahead.

The profound changes in the group's operating environment, and specifically those in respect of regulatory compliance, have significant implications for board composition, the induction and training of directors, and the processes of decision-making. However, one thing remains unchanging – our resolute commitment to operating in an ethical, responsible and accountable manner, giving fair consideration to the legitimate interests and expectations of all our stakeholders.

My chairman's report, starting on page 24, elaborates more fully on how the changes in the group's operating environment are impacting how we think about our strategy, performance and people management.

Board changes

In 2013 our focus was on the succession of executive leadership, one of the most critical duties of any board. In the last year we turned our sights to the composition of the board, taking into account the strategy and future needs of the group.

Koosum Kalyan resigned from the board on 3 March 2014. Doug Band, having reached the retirement age as set out in the company's memorandum of incorporation, retired from the board at the company's annual general meeting on 29 May 2014. Chris Nissen also retired at the annual general meeting and was not available for re-election. Saki Macozoma, one of the group's joint deputy chairmen, stepped down from the board on 31 December 2014, having served for over 15 years. The board is grateful for their immense contribution and wise counsel.

Our board succession planning culminated in the appointment of four new independent non-executive directors. Francine-Ann (Fran) du Plessis, André Parker and Swazi Tshabalala were appointed to the board on 14 March 2014. Atedo Peterside CON, who has specific experience in doing business in West Africa, was appointed on 22 August 2014. These appointments have provided the depth and diversity of expertise and experience the group requires in line with our strategy to build a leading African financial services organisation. Work is underway to appoint a director with East African business experience.

In addition to these appointments, ICBC changed the nominated directors on the board, thus a total number of six new non-executive directors joined the board in the past year.

Further details on the composition of the board are contained in the corporate governance report on **page 104**.

Board strategy session

The board held its annual strategy review session at the end of September 2014. The date was brought forward by a month to allow the executive team sufficient time to develop a budget for the following year, based on the strategic priorities agreed at this session. The group's strategy, adopted in 2011 and refreshed in 2014, places Africa at the centre of the group's purpose and vision. The disposal of a controlling interest in Standard Bank Plc to ICBC was the last significant transaction in repositioning our operations outside Africa in relation to this strategic focus. This has been a complex transaction to close and management continues to implement the terms of the agreement reached with ICBC.

The strategy refresh was debated in detail at the board strategy session. This allowed the board to ensure that, in rearticulating the group strategy, the executive team had taken into account the full range of issues that influence the sustainability of the business and the social, economic and natural context in which we operate. Following a process of consultation with senior executives, the executive team presented the finalised strategy to the board in November 2014. This process has been one of the best examples of the partnership that exists between the board and executive management. Supporting the executive team in aligning the group's operating model to the intent of the strategy continues to be a focus area for the board. An important aspect of this is to inculcate the concept of empowered accountability in the group's culture. Specifically, this has involved changing decision-making processes to ensure effectiveness and efficiency – where appropriate, accountability has been shifted from committee structures to the individuals who have the requisite line of sight.

Management succession and talent management

The culture we build for our people is one of the group's three guiding principles. Having the right people in the right roles is a critical driver of the group's performance. Processes have been put in place to ensure continuous engagement between the board and management beyond the group chief executives' direct reports. In the year under review, the group manco was expanded to ensure that all enabling functions within the group are represented.

The composition of the group executive and management committees starts on **page 123** of the corporate governance report.

One of the processes put in place is a quarterly discussion between members of the manco with chairmen of board committees, undertaken approximately a month before committee and board meetings. The objective is to obtain committee chairmen's input into the preparation of the agenda, discuss any general issues relevant to the committee and developments that are concerning or challenging to management. These engagements also maintain open lines of communication between directors and management in the periods where no meetings are scheduled.

The board, through its directors' affairs committee, spent time considering talent management processes within the group, as well as individual profiles in relation to all critical roles. The framework in place ensures a consistent approach to talent management across the group, as well as targeted investment in and development of key talent. The board remains satisfied with the depth of the senior management team.

Delegation of authority

Apart from the critical role played by the board committees in executing the responsibilities of the board, as well as board-reserved matters set out in the board mandate, the board delegates responsibility for the day-to-day management of the group to the group chief executives according to a carefully considered authority framework.

The board recognises that, while delegating authority is not to abdicate its duties and accountability, respect for the distinction between the board's responsibilities – setting direction, leadership, oversight and control – and management's responsibility to run the business, is vital. This is particularly important in the context of a group structure as it ensures that the board does not stand in the way of effective management while at the same time ensuring effective control. We continue to focus on maintaining the appropriate balance between oversight and compliance while ensuring that this is not at the expense of strategic execution, risk management and growth.

Key challenges

The complexities of managing regulatory compliance and the associated costs are a key challenge for the board given the pace and scale of regulatory change. The board has continued to ensure that there are rigorous processes in place to monitor the group's compliance with all applicable laws and regulations. We recognise that any potential weaknesses in our compliance management systems pose serious risks to the group's reputation. The regulatory fines imposed on the group's entities in the United Kingdom and South Africa have served to underscore the importance of continuously improving the robustness of our processes. Work is underway to ensure that a culture of compliance is embedded across the group.

The board is pleased with the progress we are making in growing our business in the rest of Africa. However, Africa is not a homogenous market, and has a great diversity of regulatory and business requirements. The challenges also differ from jurisdiction to jurisdiction and across cultures. With this in mind, there can be no uniform approach and the board must constantly work to keep abreast of specific developments in these jurisdictions while also ensuring that learnings are shared across the group.

Looking ahead

It is fair to say that we have succeeded in creating a largely new board. This will require that the board finds the balance between ways of working that have served it well in the past, while accommodating fresh perspectives and approaches specifically in the board's interactions with executive management. This will be a key consideration for the new chairman.

The board's programme in the year ahead will include further extensive engagements with the leaders of entities of the group in the various jurisdictions across Africa. We will continue to support management in implementing strategy, playing both a monitoring and oversight role while giving space to management for execution.

Finally, I would like to conclude this letter by recording my sincere gratitude to my fellow directors and each and every person in the Standard Bank family whose commitment and dedication continues to propel the group forward.

Africa is our home, and we remain resolute in driving her growth.

Fred Phaswana
Chairman