# Governance Framework

Stanbic

**Principle 1: The board structure should enable effective leadership and good governance**

*Supporting Practices*

1.1 The group is a proponent of the unitary board structure, which comprises both executive and non-executive directors, with the chairman leading the board.

1.2 Executive directors are executives involved in the day-to-day management of the company exercising judgement within the approved strategy, risk appetite and control frameworks. Non-executive directors bring diverse views to the board, whilst constructively challenging and guiding executive management.

1.3 The role of chairman should be separate from that of the chief executive and there should be a clear division of responsibilities between the board and executive management.

1.4 The board should act as a cohesive unit. Directors have a responsibility to fulfil their fiduciary duties and ensure the long-term success of the company.

**Principle 2: The board should lead ethically**

*Supporting Practices*

2.1 Individual director's conduct should be consistent with the group's values and codes of ethics.

2.2 Directors must act ethically, in good faith and in the best interests of the company.

2.3 The role of the chairman and the board collectively should ensure that the conduct of the board and that of management is aligned with the group's values and the code of ethics.

2.4 The board should be provided with reports from management on the governance of ethics and conduct in the company.

**Principle 3: The board should provide oversight on the performance of the company and monitor the performance of senior management.**

*Supporting Practices*

3.1 At least annually, the board should hold a strategy session involving the relevant senior management to debate company strategy in the context of group strategy and risk appetite.

3.2 The board is responsible to shareholders, local regulators and other key stakeholders. It should set performance targets and hold management accountable for delivery against targets.

3.3 The board should oversee the implementation of the agreed strategy and ensure that the company meets its regulatory obligations.

3.4 The board should ensure that management sets the appropriate ethical tone and culture in the leadership of the company.

**Principle 4: Board composition should comprise a mix of executive and non-executive directors, with an appropriate balance of knowledge, skills, experience, diversity, and independence.**

*Supporting Practices*

4.1 The size of the board and its composition is dependent on the nature, scale and complexity of the company. Boards should comprise minimum three directors and should not exceed 20 unless local legislation specify.

4.2 The board should not have more than 49% of its membership comprising of executives. The majority of the non-executive directors should be independent.

4.3 The board should have sufficient breadth of skills and understanding of the company's business to provide effective challenge to executives.

4.4 The chairman of any company with an external interface should be an independent non-executive director. In exceptional cases, where the board chairman is not independent, consideration should be given to the appointment of a lead independent director.

4.5 The company should be able to explain how its governance arrangements satisfy the need for independent oversight of the board.

4.6 Independence of non-executive directors is determined by considering criteria such as:
- the length of time served on the board;
- the percentage shareholding held by a director (directly or indirectly) being less than 5% of the company's total number of shares in issue and less than 10% of the director's personal wealth;
- whether the director is free from any business or other relationship which could be seen to materially interfere with the individual's capacity to act in an independent manner; and
- whether the director has not been employed by the company or within the group of which the company forms part in any executive capacity in the past three years.

4.7 There are no term limits prescribed in this framework for how long a director should serve on the board. Non-executive directors who have served on the board for longer than 9 years can still be classified as independent (unless local regulations prescribe otherwise), however to confirm this, a rigorous test for independence is required. The process must confirm that the director continues to exercise independent judgement and has no interest, association or relationship which, when judged from the perspective of an informed third party, is likely to influence unduly or cause bias in decision making.

*Appointment of Directors*

4.8 There should be a formal, rigorous and transparent process for the appointment of directors to the board. Appointments to the board should be made in terms of the documents of incorporation or constitution of the company, in line with the Nomination and Appointment policy in place from time to time, and consistent with home and host regulations.

4.9 On evaluation of candidates for appointment, the board should consider, among other things, the candidate's integrity, independence, experience, diversity, leadership qualities and their ability to exercise sound and independent judgment.

4.10 All director appointments to the board will be considered temporary until the next AGM where such appointments will be ratified by shareholder approval. As a minimum, one third of non-executive directors should retire by rotation annually at the AGM and may stand for re-election if duly supported by the board having considered director performance, including attendance and contribution at meetings.

4.11 All new board and committee appointees should receive a formal letter of appointment setting out expectations, applicable fees, terms and conditions of their appointment including confidentiality and dispute resolution clauses.

**Principle 5: The board should ensure that there is adequate succession planning in place for the board and senior management positions.**

*Supporting Practices*

5.1 Board succession plans should take into account current and future business requirements. The board should regularly review the leadership needs of the company and for management succession consider reports on talent management, including any measures taken to improve the pipeline of existing talent.

5.2 A skills matrix should be developed and used as a tool to assist the board in identifying competencies and skills required by the board to fulfil its role in light of the company's strategic direction and regulatory requirements.

5.3 The board should ensure that the Group Governance Office through the company secretary is notified of any major senior personnel decisions, including hire/dismissal decisions or changes of executive management, especially in instances where such appointment would require regulatory approval.

**Principle 6: The board should ensure that directors receive induction on appointment and there should be a program in place that ensures continuous professional development for directors.**

*Supporting Practices*

6.1 On appointment to the board and/or board committees, directors should receive comprehensive induction tailored to the company's operations and activities. The induction should be designed and arranged by the company secretary in consultation with the chairman. It should include meetings with other directors, senior management and key stakeholders including group representatives. Induction should include introduction to the group's strategy, values and code of ethics.

6.2 Ongoing board education is essential for director development and includes updates to changes in legislation and regulations. As part of continuing board education, risk and audit committee chairmen are encouraged to engage and communicate with the relevant counterparties at Group level.

**Principle 7: Directors should ensure that they allocate sufficient time to their duties, including attendance of board and committee meetings. Appropriate information should be provided to the board to enable it to fulfil its duties.**

*Supporting Practices*

7.1 There should be a minimum of 4 scheduled board meetings a year. Directors should attend in person, and where legislation permits, may attend by electronic means (telephone or video-conference).

7.2 The quorum for a meeting is determined by the founding documents of the company and/or informed by the mandate of the board or committee concerned. In general, it is considered good practice for a quorum to constitute at least a majority of members.

7.3 Where a director is absent, for more than 40% of board meetings, his/her continued membership should be reviewed by the chairman of the board and/or relevant board committee.

7.4 Directors are not prohibited from holding other properly disclosed outside appointments. However, directors are required to commit sufficient time to ensure their effectiveness. Any position which may cause conflict should be discussed with the chairman before such appointment is accepted. Should a conflict be to such an extent that it interferes with the director's ability to fulfil their fiduciary duties or may cause reputational damage to the company, the director must resign.

7.5 At the invitation of the chairman or board, members of senior management may attend a board or committee meeting. Members of management attending board and / or committee meetings may not be so many as to render candid board or committee discussions difficult.

7.6 The chairman in consultation with the chief executive and with the support of the company secretary should determine the agenda, and ensure that sufficient time is allocated to agenda items.

7.7 Board materials relating to agenda items should be provided to directors sufficiently in advance of meetings to allow directors to prepare for meetings.

7.8 All papers and matters discussed at meetings are strictly confidential. All information provided to directors may not be shared with or disclosed to third parties without the express permission of the chairman or board.

7.9 Minutes of meetings must record the proceedings and decisions taken and must be taken by a suitably qualified company secretary and retained for record purposes.

7.10 Where physical Annual General Meetings are held for subsidiaries not wholly owned by the group, the chairman, the chief executive, chief financial officer / senior executive responsible for finance and chairmen of board committees are required to attend the AGM. All other board members are encouraged to attend the AGM as this is considered good governance.

**Principle 8: Board directors should retire from the board after reaching 70 years of age unless local regulations prohibit the stipulation of a retirement age.**

8.1 The company secretary should provide the Group Governance Office with a letter of motivation/support in instances where boards of companies propose to deviate from the 70 years' retirement age principle. Deviations from this clause require approval by the Group Directors' Affairs Committee.

**Principle 9: Directors should at least annually, and from time-to-time when changes occur, declare all outside interests.**

**At the start of board and committee meetings, directors should also declare whether there are any conflicts of interest in respect of matters on the agenda.**

*Supporting Practices*

9.1 A register of directors' interests and conflicts must be kept by the company secretary and reviewed at least annually. A director's direct or indirect interests include, but are not limited to, outside directorships, other fiduciary positions, investments or shareholdings in companies.

9.2 In respect of conflicts identified regarding matters considered or proposed at meetings, directors must disclose the conflict and recuse themselves from such deliberations, unless legislation prescribes otherwise.

9.3 Minutes of meetings should also reflect such declarations and conflicts, and how these were managed.

9.4 Directors are restricted in dealing group shares; derivative instruments; bonds and debentures and securities listed on any exchange during closed periods which are effective from 1 June until the interim results are released and from 1 December until the publication of the final results. In addition, directors may be embargoed at any time should the need arise.

**Principle 10 : The board should ensure that a suitable delegation of authority framework (DoA), which is in line with the group's DoA framework exists.**

*Supporting Practices*

10.1 The board shall delegate the responsibility for the day-to-day management of the company to the chief executive, who reports to the board. In so doing, the board does not abdicate its accountability.

10.2 The board should set the direction and parameters for the powers which are to be reserved for itself, and those that are to be delegated to management via the CE.

**Principle 11: The board should perform an annual review of its performance, that of its chairman, board committees and individual directors.**

*Supporting Practices*

11.1 The board should apply itself and determine the best process for conducting effectiveness evaluations. Evaluations should support continued improvement of performance and effectiveness, therefore treatment of evaluations as a tick-boxing approach is discouraged.

11.2 Evaluation formats may differ from year to year, and can take the form of a detailed questionnaire (in paper format or electronically) supplemented by structured individual interviews with each of the directors.

11.3 The board should include a statement in the annual report on the evaluation results of the board and its committees.

**Principle 12: The board should ensure that its responsibilities and that of its committees are clearly set out in writing.**

*Supporting Practices*

12.1 The responsibilities of the board and its committees should be included in the terms of reference as set out in the mandate. Mandates should be reviewed by the board from time to time and at least annually to accord with regulatory and legislative changes.

12.2 The board should consider group policies, standards and frameworks proposed for board adoption taking into account local legislation and regulatory requirements. The board may delegate authority to a relevant committee to adopt and approve the relevant policy, standard or framework.

**Principle 13: The board should govern risk, conduct, information technology and data appropriately.**

*Supporting Practices*

13.1 Board committees should assist the board in discharging its duties. The board retains accountability for major decisions and reporting on risk/finance/information-technology/remuneration/conduct matters. Where appropriate, issues should be escalated to the group without undue delay, following the management matrix structure and reporting lines.

13.2 The committee structure of a board should be limited to those committees required in terms of regulation. Where the establishment of a new board committee is mandated by regulation, prior to establishment of such new committee, the company secretary should notify the group governance office.

13.3 Each subsidiary within the group should, as a minimum, have an audit committee and where appropriate a separate risk and capital management committee, unless another company within the group performs this function on its behalf. These committees should only have non-executive membership and appropriate consideration given to independence in committee composition.

13.4 Technology, Information and data governance forms an integral part of the overall corporate governance of the company. Governance responsibilities including providing direction for how technology and information should be approached, addressed and conducted. This is followed by the formulation of policy in the form of frameworks, standards and plans by management to be approved by the relevant governing body. The relevant governing body oversees and monitors the implementation and execution by management and ensures there is accountability for performance through reporting and disclosure.

13.5 The board should monitor availability of financial resources (capital, liquidity) to support the company's risk appetite/business and must ensure the Group, through the Group's Treasury and Capital Management function, is notified of any issues emerging.

**Principle 14: The board should ensure that the directors' remuneration (including directors' fees) promotes the long-term success of the group.**

*Supporting Practices*

14.1 The Group recognises that the contribution directors make goes beyond attendance at board meetings. It is a proponent of a flat fee structure; however, it is recognised that as practice in some jurisdictions a "sitting fee" is paid.

14.2 Non-executive directors' remuneration is determined by shareholders in a general meeting on recommendation by the board and where relevant, the Group Remuneration Committee.

14.3 Non-executive directors' remuneration should be reviewed on an annual basis and benchmarked against local peers.

14.4 Non-executive directors do not receive shares or options or any incentive in addition to fees.

14.5 Where a director serving on the board of a subsidiary company is an employee of a group company, director's fees due to such director must be paid to the group company employing the director. Where a company is a wholly owned subsidiary of the group and there are no external directors i.e. all directors are employees of group companies, no fees are payable or required to be determined.

**Principle 15: The board should have access to external professional advice to enable them to discharge their duties effectively.**

*Supporting Practices*

15.1 The board must adopt an Independent Professional Advice Policy, which should set out principles for obtaining professional advice and process to be followed in such instances.

15.2 Directors may consult with independent legal, financial, accounting and other relevant advisors to assist in the fulfilment of their duties to the company and its shareholders in accordance with the approved policy.

15.3 Board directors should have access to members of management and employees of the company.

**Principle 16: The board should ensure that the company is seen to be a responsible corporate citizen and adopts appropriate mechanisms to support stakeholder engagement.**

*Supporting Practices*

16.1 The board should identify material stakeholders, as well as their legitimate interest and expectations relevant to the company's strategic objectives in the short, medium and long-term. Stakeholder groups include regulators, shareholders, customers, employees, company associates, communities, suppliers, creditors, governments and corporate partners.

16.2 The board should oversee management's mechanisms and process that support stakeholder engagement, and must be kept appraised of engagements with key stakeholder groupings.

**Principle 17: The board should adopt a dispute resolution process that best serves the interest of the company.**

*Supporting Practices*

17.1 The board should adopt a dispute resolution process that best serves the interest of the company whilst preserving stakeholder relationships, this should be included in the letter of appointments to directors.

**Acceptance of Principles**

Each company as defined is required to consider the adoption of this framework and adapt it where required by local regulation. Any significant deviations from the framework will require approval of the Group Directors' Affairs Committee.