

Pillar of value creation

Governance

The Board's primary responsibilities

Decision-making: The Board approves the Group's strategic goals and the associated budgets, key policies, major policy decisions and certain significant actions.

Oversight: The Board delegates to management authority and responsibility for the day-to-day running of the business and reviews management's performance and effectiveness by overseeing strategy execution, delivery against plan, the customer franchise, the control environment, the adequacy of systems, employees and resources.

3 oversight priorities

Risk and control oversight

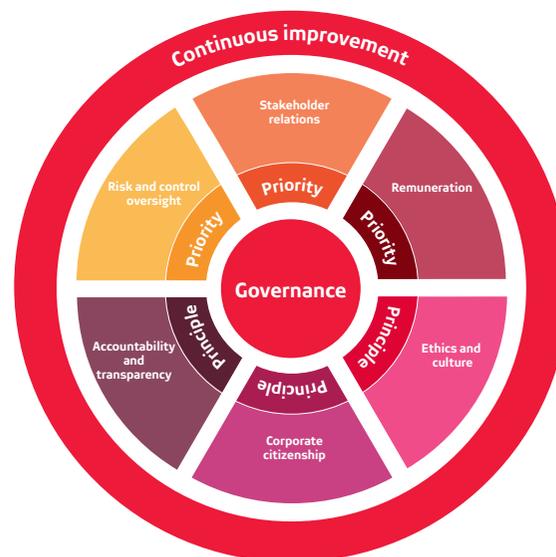
The Board approves the Group's Enterprise Risk Management Framework (incorporating the principal and key risks) and the Group's risk appetite and then monitors the implementation of both, including the approval of key risk frameworks through its committees; and receiving reports on under and over utilisation of risk appetite together with triggers, limits and management actions.

Stakeholder relations

The Board and management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the Group's approach, and strategic partnerships are driven with like-minded stakeholders.

Remuneration

The Board ensures our remuneration principles and practices are designed to deliver remuneration that is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and is aligned with risks as well as the conduct expectations of the Group. The Board is aware of the need to deliver value to shareholders and to pay for performance, and takes this into account when considering management's remuneration.



The Board is committed to continuous improvement of our corporate governance principles, policies and practices and does so, through awareness of evolving regulation and best practices, engagement with regulators and industry bodies, and regular feedback from other stakeholders.

3 underpinning principles

Ethics and culture

The Board is committed to the highest standards of ethical behaviour. Directors strive to uphold the standards of conduct required of them by law, regulation and policies; while demonstrating the behaviours that are consistent with the Group's Values.

Corporate citizenship

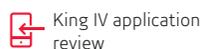
The Board acknowledges the role of the Group in (i) contributing to the growth and development of the societies in which we operate; (ii) being accountable for our impact on the environment; and (iii) evolving as our communities change. Compliance with laws and regulations is a critical aspect of our citizenship efforts.

Accountability and transparency

The Board commits to providing credible and comprehensive financial and non-financial reporting accompanied by constructive stakeholder engagement. With respect to the public and other stakeholder interests, we will align with best practice relating to disclosures and be subject to internal and/or external assurance and governance procedures.

Embedding Corporate governance

Good corporate governance creates and sustains shareholder value; ensures that our behaviour is ethical; and promotes positive outcomes for all stakeholders. Our approach is assessed against the King IV Code of Corporate Governance.



King IV application review

Applying King IV	Group Governance Framework
<p>Our governance practices align with those recommended in King IV and so comply with the related JSE Listings Requirements. We consider the expected governance benefits from application of the recommended practices to our key governance areas against King IV's envisioned outcomes of ethical culture, effective control, good performance and legitimacy. We seek to continuously improve, and to mature our practices. We are now largely compliant against the 17 principles and the 400 underlying recommended practices.</p> <p>In 2018, we undertook a number of key activities relating to our application of King IV:</p> <ul style="list-style-type: none"> Completed the development of a Group Governance Framework, engaged with our material subsidiaries regarding the application of King IV using internally developed proportional application guidelines, and on the terms of the Group Governance Framework, received inputs and incorporated same through an iterative process; Reviewed the governance structures of our material subsidiaries as part of the Board's oversight of group governance as recommended under Principle 16. Progressed the Group's stakeholder engagement approach including Board approval of our revised stakeholder policy and framework. Progressed combined assurance with a clearer definition of the 2nd and 3rd lines of defence and further measures to embed throughout our operations. Notably, combined assurance is an integral control applied to the Separation projects. Received reports from internal audit at each reporting cycle on King IV related to the governance environment, noting how it supported financial reporting; and the positive outcomes thereof for the Group. Developed a revised reward philosophy and policy which has been approved by the Remuneration Committee. 	<p>As a major bank, investment manager and insurer in various jurisdictions, we have significant responsibilities to our customers, in particular our depositors and to the public at large to contribute to a stable, secure and prosperous environment. We acknowledge our significant responsibility to our regulators and continue to have open, transparent and constructive relationships with them.</p> <p>Our Framework standardises the application of policies and standards and ensures the Group's minimum requirements in governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics management, human resource management, information management, stakeholder relationships and sustainability are complied with. It provides clarity on roles and responsibilities of the Group and subsidiary boards, the proportional application of King IV by subsidiaries as well as the management of discretion limits across the Group.</p> <p>At a subsidiary level, each management team is responsible to report back to the legal entity board on a regular basis so that the entity's board can monitor business performance, comply with its fiduciary responsibilities and local regulatory requirements, matters affecting the risk profile and risk appetite, the control environment, and matters of citizenship, ethics and stakeholder relationships. As a shareholder, the Group is involved in approving material decisions of its subsidiaries, but with the ultimate approval rights resting with the subsidiary boards.</p> <p>While recognising the importance of local regulatory requirements, our Group functions are responsible for the design of the systems and processes to promote adherence by all Group companies to the minimum Group requirements.</p> <p>Regular engagements take place between the Group Chairman and the chairs of major subsidiary boards to discuss both strategic and operational matters.</p> <p>Our Chief Executive: Absa Regional Operations, Peter Matlare, engages with the subsidiary bank boards to manage business performance, regulatory relations and Separation related activities.</p>