Annexure "F3"

CORPORATE GOVERNANCE STATEMENT OF INVESTEC BANK LIMITED

INVESTEC LIMITED

Directors' Responsibility and Corporate Governance

The information provided in this document reflects the situation at March 2003 after the implementation of the Dual Listed Companies structure in July 2002.

Responsibility

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of Investec Limited group financial statements, accounting policies and the information contained in the annual report.

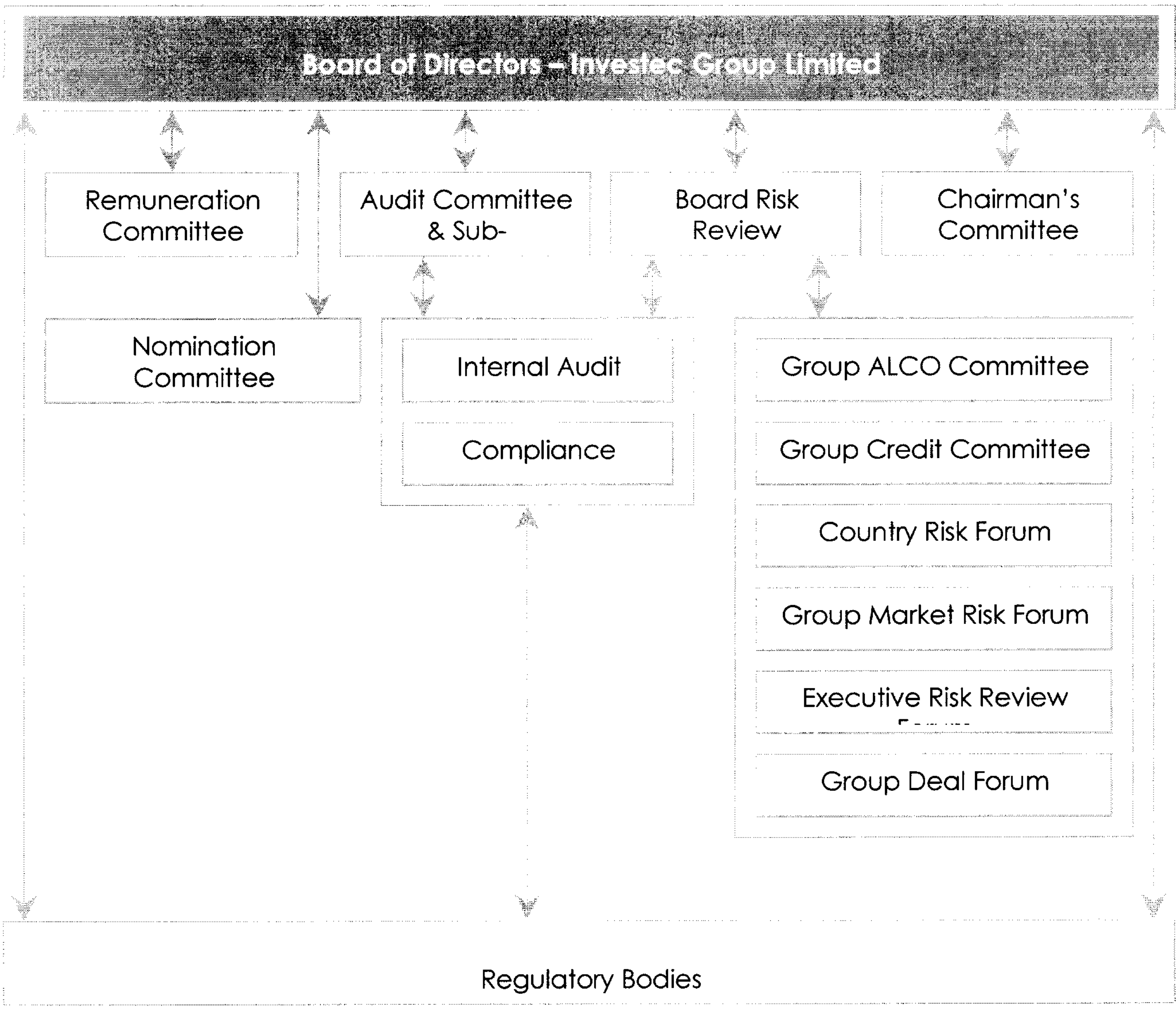
In discharging this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks faced by the company, which was in place for the year under review and up to the date of approval of this annual report and accounts. The process is implemented by Investec management and independently monitored for effectiveness by the audit, risk and other sub-committees of the board which are referred to below.

Corporate governance

Investec has long had an entrenched corporate culture, which emphasises above all the need to conduct the affairs of the Group in accordance with the highest standards of corporate ethics.

Corporate governance, in essence, is the formal maintenance of the necessary balance between entrepreneurial thrust and enterprise on the one hand and prudential restraint, within the boundaries of regulation, on the other. Accordingly, corporate governance, embodied in Investec's written Statement of Values (which serves as its Code of Ethics) has always been a pillar of Investec's culture. The Group has over time created (and continues to refine) the structures necessary to formalise oversight and to ensure that the values remain embedded in all businesses and processes.

Corporate Governance structure



The Group endorses the South African King II Code of Corporate Governance and operates in broad compliance with its recommendations. International business units operate in accordance with the governance recommendations of their jurisdiction, but with clear reference at all times to Group values and culture. In addition, the Group has adopted the "Turnbull Guidance", containing principles for consideration by directors on the implementation of the Accountability and Audit Principles of the UK "Combined Code" on good governance and best practice. This requires management and the board to assess the control and risk management environment, identify risks and risk information, embed a culture of risk awareness and control consciousness, obtain assurance of implementation of risk management processes and review the governance process.

The Group recognises its responsibility as a financial institution to conduct its affairs with prudence and integrity and to safeguard the interests of all stakeholders.

Annexure B is an assessment by Investec of its compliance with Corporate Governance Principles in the Banks Act and Regulations, including the proposed amendments, and King II.

Board of Directors

Composition

For the year under review Investec Limited had a unitary board comprising four executive and nine non-executive directors. The board is balanced so that no individual or small group can dominate decision making.

Details of the directorate are contained in Annexure A to this document. This board is identical to the board of Investec plc.

All board members are suitably experienced, have a clear understanding of their role in corporate governance and are not subject to undue influence from management or outside concerns. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise. They provide objectivity and independence to board deliberations and decision-making processes.

Executive directors are encouraged to hold other non-executive directorships, but only to the extent that these do not interfere with their immediate management responsibilities.

Independence of non-executive directors

The majority of the non-executive directors are considered to be independent of management and/or do not have any other relationship which could materially interfere with the exercise of their independent judgement. Hugh Herman, Donn Jowell and Ian Kantor are not considered to be independent. The Directors consider that Sam Abrahams and Peter Thomas are independent, notwithstanding the remuneration they receive to sit on various of Investec's compliance and decision making committees (such as the Group Audit Committee, Group Credit Committee, Board Risk Review Committee and various Audit Sub-Committees) in an advisory capacity as non-executive directors.

Appointment and selection

The Nominations Committee is chaired by Hugh Herman and its other members are Sir Chips Keswick and Sam Abrahams. In accordance with the Combined Code and King II all members of the Nominations Committee are Non-Executive Directors. The Nominations Committee is responsible for nominating candidates to fill board vacancies and for making recommendations on board composition and balance. In exercising this role, the Directors will have regard to the recommendations put forward in the Combined Code and King II.

Board effectiveness is subject to regular self-assessment.

New directors may hold office only until the next annual general meeting, at which they retire and become available for re-election. All directors are subject to retirement by rotation and re-election by shareholders at least once every three years. Directors have no fixed term of appointment and their contributions are subject to ongoing review. An executive director is required to retire from the board at the age of 65, while a non-executive director is required to retire at the age of 70.

All non-executive directors, on appointment, are appropriately familiarised with the operations of the Group, senior management and its business environment and are inducted in terms of their fiduciary duties and responsibilities.

Role and responsibility

The board retains full and effective control of the company and is ultimately accountable and responsible for the performance and affairs of the Group. This includes the responsibility for reviewing and guiding corporate strategy, through the establishment of key policies and objectives.

The board has defined the limits of delegated authority and is ultimately responsible for assessing and managing risk policies and philosophies; overseeing major capital expenditures, acquisitions and disposals; approving the establishment of businesses; and approving the introduction of new products and service offerings.

In discharging its responsibilities, the board is supported by members of Investec management, who are required to implement the board plans and strategies. The board monitors management's progress in this regard on an ongoing basis.

Furthermore, the board, directly or through its sub-committees:

- Continually assesses both the quantitative and qualitative aspects of the Group's performance, through a comprehensive system of financial and non-financial monitoring, involving an annual budget process, detailed monthly reporting and management strategic and operational updates.
- Approves the annual budgets and business plans.
- Monitors the Group's compliance with relevant laws, regulations and codes of business practice.
- Monitors the Group's communication with all stakeholders.
- Identifies and monitors key risk areas and key performance indicators.
- Reviews processes and procedures to ensure the effectiveness of the Group's internal systems of control.

The board is accountable to all Investec's stakeholders for exercising leadership, integrity and judgement in pursuit of its strategic goals and objectives. This is to achieve long-term sustainable growth and prosperity for the Group.

All directors are regularly kept abreast of statutory, regulatory, accounting, non-financial and industry developments, which may affect the activities of the Group. Furthermore, all non-executive directors have unrestricted access to management, including the Group Company Secretary, and to such information, records and documents as needed to carry out their duties and responsibilities comprehensively and effectively. To facilitate this, non-executive directors participate in key board sub-committees and other forums, as indicated elsewhere in this section. Furthermore, all directors are able to take independent professional advice, as is necessary to fulfill their duties, at the Group's expense.

Board meetings

Board meetings are scheduled at the commencement of each calendar year at least once per quarter and directors are provided with full board papers to enable them to consider in advance the issues on which they will be requested to give decisions.

Management has an obligation to provide the board with appropriate and timely information. Board packs typically include:

- Monthly management accounts.
- Quarterly status reports from Group Risk Management, Compliance and Internal Audit.
- Report and minutes of the Audit Committee.
- Report of the Chief Executive Officer, which includes an update on financial and non-financial aspects/developments within each of the operating divisions.
- Reports on proposed acquisitions.
- Reports on significant regulatory issues.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate, so that no individual has unfettered powers of decision making. Both the Chairman and the Chief Executive Officer are appointed by the board. The board is led by the Chairman, Hugh Herman, who is considered a Non-Executive Director. The board appraises the Chairman's performance annually. The Chief Executive Officer is Stephen Koseff, who is responsible to the board for the implementation of its strategies and policies. The Chairman of the board and non-executive directors review the performance of the Chief Executive Officer annually.

Company Secretary

The Company Secretary of Investec Group Limited is suitably qualified and experienced and was appointed by the board in February 1994. Removal of the Company Secretary would be a matter for the board as a whole.

The Company Secretary is responsible for the duties stipulated in section 268G of the Companies Act. The Company Secretary is supported in the role he plays in the Group's corporate governance process by the Head of Corporate Governance and Compliance and is empowered by the board so that he may properly fulfill these duties.

In addition to the statutory duties, the Company Secretary is required to provide the directors of the company, collectively and individually, with guidance on how their responsibilities should be properly discharged in the best interests of the company. The Company Secretary plays an important role in the induction of new directors and also assists the Chairman and Chief Executive Officer in determining the annual board plan. Furthermore, the Company Secretary is required to ensure that the directors are aware of all legislation relevant to, or affecting, the Group and reporting at any meetings of the shareholders of the Group or of the Group's directors, any failure to comply with such legislation.

Management

Global business unit and geographic management are appointed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers with a term of more than three years. Investec's management structure, reporting lines and the division of responsibilities have been built around a geographic, divisional and functional matrix, as depicted on pages 49 and 50 in the 2002 Investec Group Annual Report (which is available at www.investec.com).

Furthermore, each strategic business unit has its own executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the Group strategy and vision.

Executive managers are required to provide the board with appropriate and timely financial and non-financial information necessary for it to fulfill its responsibilities.

On an operational level, below the Investec Limited and Investec plc boards are two principal forums: the Global Operations Forum and the Global Group Management Forum (Global GMF). In addition, there are regional management forums in the UK and South Africa.

Global Group Management Forum

The Global GMF meets bi-monthly, alternating between the UK and South Africa. The purpose of this forum is to identify and discuss key strategic and policy issues and opportunities facing the divisions, geographic operations and Investec as a whole. Typically, acquisition proposals, critical Investec projects, and other key growth and development recommendations are raised and debated at the Global GMF and approved by the directors. The Global GMF serves as an effective integrating mechanism, allowing for constant feedback and input from all members. The forum has given the Group's management teams the opportunity to remain in touch with developments in the Group as a whole, thereby helping to eliminate duplicated effort and to enhance synergies across businesses and geographies.

It also provides a forum for communication between senior management and the executive directors.

The members of the Global GMF are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	50
Bernard Kantor	Managing Director	1980	UK	52
Glynn Burger	Global Head of Group Risk Management and joint managing director of Investec's South African operations	1990	South Africa	45
Fred Carr	Head of Private Client Portfolio Management and Stockbroking - UK	1997	UK	57
Perry Crosthwaite	Head of Investment Banking - UK	1998	UK	53
Steve Elliott	Executive director Carr Sheppard Crosthwaite	1989	UK	48
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	41
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's United Kingdom operations	1999	UK	36
Sam Hackner	Global Head of Private Banking	1982	South Africa	46
Rayanne Jacobson	Global Head of Group Finance	1996	South Africa	33
David Lawrence	Deputy Chairman of South Africa and Global responsibility for banking, institutions and corporate relations	1996	South Africa	51
Andy Leith	Joint managing director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	42
Geoff Levy	Chief Executive Officer of Investec's Australian operations	2001	Australia	43
Patsy McCue	Global Head of Human Resources	1984	South Africa	39
Farrel Meltzer	Managing director of Investec's Australian operation	2000	Australia	37
Simon Shapiro	Global Head of Group Information Technology	1990	South Africa	43
Caryn Solomon	Head of Organisational Development	2000	UK	48
Alan Tapnack	Joint Regional Head of Investec's UK operations and Head of Investec's Israeli operations	1991	UK	55
Bradley Tapnack	Global Head of Corporate Governance & Compliance	1986	South Africa	55
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	41
Raymond van Niekerk	Global Head of Group Marketing	2001	South Africa	39
Allen Zimbler	Chief Integrating Officer	2001	UK	52

Global Operations Forum

The Global Operations Forum meets monthly, with half the meetings in the UK and half in South Africa. The key role of this forum is the implementation of Investec's strategy and global operational responsibility and coordination.

The members of the Global Operations Forum are:

Name	Title	Joined Investec	Residence	Age
Stephen Koseff	Chief Executive Officer	1980	South Africa	50
Bernard Kantor	Managing Director	1980	UK	52
Glynn Burger	Global Head of Group Risk Management and joint managing director of Investec's South African operations	1990	South Africa	45
Richard Forlee	Global Head of Treasury and Specialised Finance and Regional Head of Investec's Asian operations	1988	UK	41
Bradley Fried	Joint Global Head of Investment Banking and Joint Regional Head of Investec's United Kingdom operations	1999	UK	36
Sam Hackner	Global Head of Private Banking	1982	South Africa	46
Andy Leith	Joint managing director of Investec's South African operations and Joint Global Head of Investment Banking	1994	South Africa	42
Hendrik du Toit	Global Head of Investec Asset Management	1991	UK	40
Allen Zimbler	Chief Integrating Officer	2001	UK	52

Regional Management Forums

Investec has Regional Management Forums in each of the principal geographies in which it operates. The forums meet fortnightly and are responsible for the day-to-day management of their respective geographies. Each forum plays an instrumental role in communications and in the sourcing of debates and ideas that are ultimately presented to the relevant boards. The two principal Regional Management Forums are based in the UK and South Africa.

Various other formal and informal processes promote interactive dialogue and independent review between Group management and the non-executive directors.

Succession planning

Succession planning is initiated at management level where the depth, scope and diversity of talent is identified and nurtured. This ensures that the Group maintains a substantial pool of talent from which senior management and executives can be replenished when required.

The executive has identified successors for key executive management positions.

Board sub-committees

To assist the board in the discharge of its duties, a number of board sub-committees have been established. The features of these committees are as follows:

- The committees all have specific terms of reference that include roles and responsibilities, and are accountable to the board.
- The board evaluates the performance and effectiveness of each board committee on a regular and ongoing basis.
- The committees are composed of individuals with the requisite skills commensurate with the committee's objectives/scope of activity.
- Non-executive board members have been assigned to all of these committees.
- Various members of management are invited to attend committee and board meetings whenever appropriate.
- The board sub-committees are free to take independent outside professional advice as and when necessary.

The board sub-committees are outlined below.

Chairman's Committee

The Chairman's Committee is responsible for implementing the Group's strategy and managing its business affairs. Responsibility for the day-to-day operations of the business is delegated to senior management as described above. The committee is chaired by Hugh Herman (Chairman of the board and a Non-Executive Director). Members of the Chairman's Committee are:

- Glynn Burger (Global Head of Risk Management and Joint Managing Director of Investec's South African operations)
- Donn E Jowell (Non-Executive director)
- Bernard Kantor (Managing Director)
- Stephen Koseff (Chief Executive Officer)
- David M Lawrence (Executive Director – Investec Bank Limited)
- Bradley Tapnack (Executive Director – Investec Bank Limited)

The Chairman's Committee met five times during the year.

Nomination Committee

The nomination committee is discussed under "Appointment and selection" above.

Remuneration Committee

The Remuneration Committee is chaired by John Abell and the other members are Sir Chips Keswick and George Alford. In accordance with the requirements of the Combined Code and King II all members of the Remuneration Committee are Non-Executive Directors and are independent directors for the purposes of the Combined Code and King II.

This committee has responsibility for the determination, within agreed terms of reference, of Investec's policy on the remuneration of senior executives and specific remuneration packages for each of the Executive Directors including pension rights, any compensation payment and implementation of employee share plans. The Remuneration Committee will also administer and establish performance targets for Investec's employee share schemes. In exercising this role, the terms of reference of the Remuneration Committee require it to comply with the Combined Code and King II. The policy on the remuneration packages for the Non-Executive Directors are agreed by the Directors as a whole.

Director's remuneration

The remuneration of executive directors comprises both current reward and future entitlements. For the year under review directors did not have service contracts. Remuneration elements are detailed below:

- Executive directors in the Group receive a salary and economic value added driven rewards based on corporate and individual performance. Executives' remuneration packages are designed so that a substantial portion is performance related. Salaries are reviewed annually by reference to performance and the market.
- Executive directors participate in various share incentive schemes.
- Executive directors participate in the defined contribution pension fund and provident fund schemes.
- Non-executive directors receive fees for their services as directors and for services on the various board sub-committees and, where applicable, subsidiary boards and ancillary trusts. The policy on the remuneration packages for the non-executive directors is agreed to by the directors as a whole.

Detail of directors remuneration is published in the remuneration report in the 2002 Investec Group Annual Report.

Audit Committee

The Audit Committee is chaired by Donn Jowell and its other members are Sam Abrahams and Peter Thomas. In addition members of the plc audit committee and Dr Morley Nkosi may attend. In accordance with the requirements of the Combined Code and King II all members of the Audit Committee are Non Executive Directors and a majority of the voting members are, in the opinion of the Group, independent directors. This committee has responsibility for, among other things, the planning and reviewing of Investec's combined consolidated report and accounts and the supervision of Investec's auditors in the review of such reports and accounts. The Audit Committee will focus particularly on Investec's compliance with legal requirements, accounting standards and the relevant listing requirements and will seek to ensure that effective systems of internal financial controls and for reporting non-financial operating data are maintained. The ultimate responsibility for reviewing and approving the annual and half yearly report and accounts will remain with the Boards.

The risk and compliance managers, internal auditors, respective firms of external auditors, non-executive directors and various supervisory and regulatory bodies all have unrestricted access to the Chairman of the Audit Committee and to each other. They submit formal reports to the committee at its meetings throughout the year.

Board Risk Review Committee

The Board Risk Review Committee is chaired by Stephen Koseff (Chief Executive Officer) and comprises:

- Sam E Abrahams (Non-Executive Director)
- Glynn Burger (Global Head of Risk Management and Joint Managing Director of Investec's South African operations)
- Richard Forlee (Global Head of the Treasury and Specialised Finance division)
- Donn E Jowell (Non-Executive Director)
- Bernard Kantor (Managing Director)
- David M Lawrence (Executive Director – Investec Bank Limited)
- Alan Tapnack (Chief Executive Officer of Investec Bank (UK) Limited)
- Bradley Tapnack (Executive Director – Investec Bank Limited)
- Peter R S Thomas (Non-Executive Director)

The committee acts as agent of the board. Its purpose is to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec, and that the risk management structure is adequate with sufficient resource and budget and will report exceptions to the board. It also ratifies exposure limits for market and credit risk. In addition, the committee ensures that there is an ongoing process of risk and control identification, particularly for any changes to business objectives and the bases of measuring risk.

The Board Risk Review Committee defines the processes by which internal financial control risk is assumed and monitored. The Audit Committee is responsible for reviewing these processes, which are the domain of the Board Risk Review Committee. The independent Group Risk Management division provides the expertise and basic materials from which the processes can be built and monitored daily.

A number of committees are dedicated to aspects of risk management and report directly to the Board Risk Review Committee and the Board of Directors. These include the Group ALCO Committee, Group Credit Committee, Country Risk Forum, Group Market Risk Forum and Group Deal Forum. Details of these committees can be found in the section on Risk Management on pages 100 to 126 in the 2002 Investec Group Annual Report.

The Board Risk Review Committee meets monthly and before each board meeting.

There is a clear distinction between the governance and implementation of risk processes. The former is vested in the Board of Directors and the board committees, while the latter is the responsibility of management who report to these committees regularly. Management has unrestricted access to these committees.

Risk management

Risk management is critical to Investec. The Group strives to understand and measure risks in order to make considered judgements and decisions and to limit loss situations. The board is responsible for the total process of risk management and the system of internal control and has implemented a number of committees (as mentioned above) to assist it in this regard.

An independent Group Risk Management division, which is accountable to the board, is responsible for implementing, designing and monitoring the process of risk management and integrating it into the day-to-day activities of Investec.

The board has developed and set the Group's risk strategy and philosophies together with executive directors and senior management, and is responsible for the ongoing assessment of the effectiveness of the Group's risk management processes. Furthermore, the Group continues to embed a culture of risk awareness, control and compliance in its activities.

The effectiveness of any bank's polices and procedures for managing risk can never be completely or accurately predicted or fully assured. The board is of the view that there are sufficient ongoing processes, which have steadily improved over the years, for identifying, assessing and monitoring the significant risks faced by the Group. These processes have been in place for the year under review and up to the date of approval of the annual report and financial statements.

For further details on the Group's risk management process refer to pages 100 to 126 in the 2002 Investec Group Annual Report.

Internal financial control

Financial controls throughout the Group focus on critical risk areas. These areas are, as appropriate, identified by operational management, confirmed by Group management, monitored by the board, reviewed by Group Risk Management, assessed by the risk assurance functions of Internal Audit and Compliance, and evaluated by the independent auditors.

Internal financial controls are based on established policies and procedures (see "Responsibility" above). Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified and that an appropriate segregation exists between duties and independent review. Processes are in place to monitor internal control effectiveness, identify and report material breakdowns and ensure that timely and appropriate corrective action is taken.

The directors consider that the Group's system of internal financial control is adequately designed (within reason) to:

- Provide reasonable assurance of both the integrity and reliability of financial information.
- Safeguard, verify and maintain accountability of assets.
- Prevent and detect fraud.
- Support business objectives and sustainability under normal and adverse operating conditions.
- Ensure compliance with applicable laws and regulations.

Controls are reviewed and evaluated regularly for appropriateness and effectiveness. The Board Risk Review Committee and the Audit Committee assist the board in this regard (as discussed above). Best practices are reinforced through active risk management processes and initiatives. During the previous financial year, the Group initiated a programme to implement the "Turnbull Guidance", which specifically relates to the accountability and audit aspects of corporate governance practices as set out in the "London Combined Code".

This programme continues to be monitored and enhanced to support the board in its responsibilities regarding risk management and internal control as envisaged by the London Combined Code and King II.

Internal and external audit

An Internal Audit function is based in each significant jurisdiction in which the Group operates. Internal Audit operates independently from executive management, with unrestricted access to the Chairman of the Group Audit Committee. The Audit Committees review the mandate, authority, resources, scope of work and effectiveness of Internal Audit annually. The review also includes an assessment of the work conducted by internal and external audit. For further details on the Group's Internal Audit function, refer to page 120 in the 2002 Investec Group Annual Report.

The Group's external auditors are KPMG and Ernst & Young. The Group encourages consultation between external and internal auditors within defined parameters that does not in any way impair the independence of either party.

Group Compliance

Investec has an independent Group Compliance function within its risk management framework which is responsible for assisting management in complying with statutory, regulatory, supervisory and policyholder protection rule requirements. The Compliance division has unrestricted access to the Chairman of the Group Audit Committee. For further details on the Group's Compliance function, refer to page 121 in the 2002 Investec Group Annual Report.

Communication, disclosure, transparency and relations with stakeholders

The Board of Directors subscribes to a philosophy of providing meaningful, transparent, timely and accurate financial and non-financial information to its primary stakeholders, which include shareholders, employees, rating agencies, regulatory bodies, clients and industry investment analysts. This is to help these stakeholders make meaningful assessments and informed investment decisions about the Group.

Investec endeavors to present a balanced and understandable assessment of the Group's position, addressing material matters of significant interest and concern, and showing a balance between the positive and negative aspects of the activities of the Group, in order to achieve a comprehensive and fair account of its performance.

The board recognises the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all the Group's stakeholders and building lasting relationships with them.

All shareholders are encouraged to attend the annual general meeting and any other meetings of Investec, and to raise issues and participate in discussion on items included in the notice of the meeting.

The Group has an Investor Relations division which is responsible for ensuring appropriate communication with its stakeholders. Regular contact is maintained with domestic and international institutional shareholders, fund and asset managers, analysts and rating agencies through a comprehensive investor relations programme. This includes meetings with executive management, investor road shows, presentations to the investment community, communication by e-mail, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division regularly reports back to the operating divisions, the Group executive and the board on various matters/concerns raised by stakeholders.

Furthermore, the Group maintains a comprehensive investor relations web site, which ensures that all stakeholders readily have access to historical and current information, including credit ratings, financial results and share price information. The contact details of the Investor Relations division are provided at the beginning of this report.

The Group's Marketing team, in close co-operation with the executive and the Investor Relations division, liaises with the media to ensure that the public is kept fully informed. The Group has also employed an external public relations specialist to assist in this regard.

The Group's ongoing commitment to providing timeous, detailed and relevant disclosure to its stakeholders was rewarded during the year under review, when it received the following awards:

- Best Investment Analyst Society Presentation - Investment Analysts Society of Southern Africa.

- Best Annual Report in the Financial, Insurance and Property Services Sector - South African Institute of Chartered Secretaries and Administrators.
- 10th place out of the top 100 listed companies on the JSE - Ernst & Young Excellence in Financial Reporting Award.

Investec's communication policy focuses on ensuring that all employees in all jurisdictions in which the Group operates are kept informed of its aspirations and activities. The Group produces a quarterly magazine, *Impact*, for all its employees, which provides information on the latest happenings within Investec. Furthermore, the Group has established a comprehensive intranet site in South Africa and the UK, which provides employees with prompt communication on Group developments and topics of interest. Urgent notices are sent out to all staff through the Group's internal e-mail systems.

Communication between the board, the Group executive and senior management is facilitated by the Global GMF and the regional management forums, as discussed on pages 132 and 133. In addition, the Group holds an annual management conference at which approximately 400 of its senior management from all around the world meet to discuss strategic initiatives as well as key business and industry developments and issues.

Regulation and supervision

The Group is subject to external regulation and supervision by various South African and international statutory bodies and regulators. The Group strives to achieve an open and active dialogue with its regulators and supervisors to comply with the various regulatory and supervisory requirements. The Group reports to regulators and supervisory bodies regularly. Where appropriate, the Group participates in industry committees and discussion groups to maintain and enhance the regulatory environment in which it operates.

Values and code of conduct

The Group has a strong culture of entrenched values, which forms the cornerstone of the expected behaviour of the Group towards all stakeholders, both internal and external. These values are embodied in a written Statement of Values, which serves as the Group's Code of Ethics and is continually reinforced. The Group's Code of Ethics is updated from time to time. Investec's values demand that the directors and employees of the Group conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust.

The Group views all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are invited to attend induction processes at which the Group's philosophies, values, culture and compliance procedures are explained and discussed. Furthermore, the Group's Organisational Development team plays an important role in facilitating the understanding and ongoing practice of the Group's values, philosophies and culture. For further information in this regard, refer to page 97 in the 2002 Investec Group Annual Report.

Investec continually strives to conduct its business with uncompromising integrity and fairness so as to promote complete trust and confidence in the banking industry.

Dealings and securities

Investecs' policy on Personal Account Dealing is based on the Position Paper and guidelines issued by the regulators and is established on international best practice. The policy includes the following features:

- The policy prohibits trading by staff for speculative purposes (and therefore requires a 30-day holding period for securities).
- The Group's Compliance division is required to sign-off on all employee dealings in securities.
- It facilitates the compilations of a restricted list and imposes a closed period for staff dealing in Investec securities prior to the publication of the financial statements. In terms of this "closed period" policy, directors, officers, participants in the share incentive scheme and staff who may have access to price sensitive information are precluded from dealing in Investec shares approximately two months prior to the release of the Group's interim and financial results.

The Group's Compliance divisions administer compliance with the Group's Personal Account Dealing policy. Each employee is required to sign the undertaking on this policy, whereby they agree to disclose all their personal and connected party accounts. The policy, furthermore, requires that all staff dealings be facilitated internally and not through an external broker.

Details of directors' dealing in Investec shares are disclosed to the board and, in accordance with the JSE Listings Requirements, are also made publicly available.

Employee participation and skills

Investec aspires to be one of the world's great specialist banking groups and its success depends on its employees. Investec recognises that its people are the most important asset and, therefore, the Group's philosophy is to employ the highest calibre individuals, who are characterised by integrity, intellect and innovation, and demonstrate compatibility with Investec's philosophy and core values. Investec has a flat, integrated structure, where individuality is encouraged.

The directors believe that, ultimately, Investec's success depends on its people working together in the interests of Investec's clients. For this reason, Investec emphasises strongly the processes of recruitment, education and development. To this end, Investec has an internal business learning centre which, together with the various divisions, has created a wide range of training programmes aimed at enhancing employee potential. The Group's culture values employee participation in the decision-making process, and encourages communication throughout the Group, achieved in part by both permitting and encouraging wide participation in formal forums and processes.

Material employee ownership - staff share schemes

Material employee ownership is one of Investec's fundamental philosophies. As at 31 March 2002, management and staff held an effective interest in Investec Group Limited of approximately 20%. Ownership of the Group is devolved on employees through the staff share scheme, and participation in ownership by all employees is actively encouraged. The purpose of the staff share scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and Group performance by allowing all staff to share in the risks and rewards of the Group.

The Group makes shares or debentures available to staff members through the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the Group structure. Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the Group and stock market conditions.

At present the practice of the Group is to give all permanent staff members a share allocation in proportion to their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, participants may not deal in any shares acquired in terms of the scheme within two years of accepting them. Thereafter they may acquire them over a minimum or maximum period of a further three or eight years respectively. After the initial allocation referred to above, additional allocations are made to staff members at the discretion of Group management and depending on the individual performance of, and contribution made by, the respective staff members.

From July 2002, there are performance criteria relating to the vesting of instruments, granted after that date.

In addition to the staff share scheme, other incentive schemes are operated by the Group. While the objectives of such schemes are identical to the staff share scheme, membership of them is not extended to all staff members but to key members of the Group whom executive membership believe are in a position to add significant value to the Group. While housed in different structures from the staff share scheme, the underlying assets in them are Group instruments. Any benefits the members derive from such schemes thus totally depend on the performance of the Group.

Sustainability reporting

The Group is aware of the requirement as laid out by King II to report on its "triple bottom line". While the Group does report on, and implement processes regarding these non-financial matters, it is continually improving its reporting in this regard.

Investec has strategically focused on education, economic growth and entrepreneurship in addressing empowerment in society and the workplace. The Group's societal focus is on developing the skills pool of the country and the organisation. The historical make-up of the financial skills sector and the vast skills deficit created by years of systemic inequality within the formal education system in South Africa, will only be overcome with commitment, creativity, focus and hard work. Progress will require extensive investment in training and development, both with employees and in educational institutions. Further aspects of the Group's employment equity strategy concentrate on creating a learning environment, ensuring equal opportunity in recruitment and providing growth and development opportunities for all employees.

The Group recognises that the creation of a diverse workforce will better position it to meet the needs of a diverse client base and the challenges of a global economy. Within this context, the Investec Group in South Africa has developed an employment equity philosophy, which captures its employment equity objectives. Further details of the Group's employment equity, internal skills building, black economic empowerment, environmental and corporate social responsibility processes and initiatives are set out in the handout accompanying the Annual Report.

Annexure A
Directors

Corporate governance and the implementation of the Dual Listed Companies Structure

As discussed on page 26 in the 2002 Investec Group Annual Report, Investec was given permission in November 2001 to dual list the Group on the JSE and LSE. The implementation of the Dual Listed Companies structure has not, in any way, altered the Group's commitment to conducting its affairs in accordance with the highest standards of corporate governance. The directors continue to seek to comply with the requirements of all applicable guidelines on corporate governance, including the London Combined Code and the King II Code. They also seek to operate procedures required to comply with appropriate internal control aspects of all applicable corporate governance provisions, including the Combined Code in accordance with the Turnbull Report.

The board of Investec Limited and Investec plc will comprise the same persons and will consist of four executive directors and 9 non-executive directors. The details of the individuals who comprise the reconstituted board of directors, are set out below:

Executive Directors

Stephen Koseff, aged 50, Chief Executive Officer, BCom CA (SA) H Dip BDP MBA. Stephen joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, and General Manager of Banking, Treasury and Merchant Banking. His directorships include the JSE Securities Exchange, South Africa, Investec Group Limited, Investec Bank Limited, Investec Bank (UK) Limited and The Bidvest Group Limited.

Bernard Kantor, aged 52, Managing Director. Bernard joined Investec in 1980. He has had diverse experience within Investec as a Manager of the Trading division, Marketing Manager and Chief Operating Officer. His directorships include Investec Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Glynn Burger, aged 45, Executive Director responsible for Finance and Risk, MBL, B.Acc, CA (SA). Glynn joined Investec in 1980. He has had diverse experience within Investec as Chief Accounting Officer, Group Risk Manager and Joint Managing Director for South Africa. His directorships include Investec Bank Limited.

Alan Tapnack, aged 55, Executive Director, BCom, CA (SA). Alan practised as a chartered accountant and is a former partner of Price Waterhouse and former Managing Director of Grey Phillips Bunton Mundell and Blake. Alan joined Investec in 1991 and subsequently became Chief Executive Officer of Investec's UK operations. He is also responsible for Investec's Israeli operations. His directorships include Investec Bank (UK) Limited and Carr Sheppards Crosthwaite Limited.

Non-Executive Directors

Hugh S Herman, aged 61, Non-Executive Chairman, BA, LLB. Hugh practised as a lawyer before joining Pick 'n Pay, a leading South African supermarket group, where he became Managing Director. He joined Investec in 1994. His directorships include Investec Group Limited and Investec Bank (UK) Limited, and he is a non-executive director of Pick 'n Pay Holdings Limited and Pick 'n Pay Stores Limited.

John Abell, aged 70, Non-Executive Director, MA (Hons). John is former Chairman and Chief Executive of Orion Royal Bank and former Chairman of CIBC Wood Gundy Europe. His directorships include Investec Group Limited and Investec Bank (UK) Limited.

Sam E Abrahams, aged 63, Non-Executive Director, FCA CA (SA). Sam is a former international partner and South African Managing Partner of Arthur Andersen. His current directorships include Foschini Limited, Super Group Limited, Investec Group Limited and Investec Bank Limited.

George Alford, aged 54, Non-Executive Director, FCIS, FIPD, MSI. George was appointed Head of Private Banking at Kleinwort Benson Group in 1991 and is currently a senior adviser to the FSA. His directorships include Investec Group Limited and Investec Bank (UK) Limited.

Donn E Jowell, aged 60, Non-Executive Director, BCom, LLB. Donn is Chairman of Jowell Glyn & Marais Inc, the South African legal advisers to the company. His current directorships include Anglovaal Mining Limited, Comparex Holdings Ltd, Investec Group Limited and Investec Bank Limited and various other Investec companies.

Ian R Kantor, aged 55, Non-Executive Director, BSc (Eng), MBA. Ian is former Chief Executive of Investec Bank Limited, resigning in 1985 and relocating to the Netherlands. His current directorships include Insinger de Beaufort Holdings SA (where he is Chairman of the management board and in which Investec holds an 8,6% interest), Bank Insinger de Beaufort NV, Investec Group Limited, Investec Bank Limited and Investec Bank (UK) Limited.

Sir Chips Keswick, aged 62, Non-Executive Director. Sir Keswick is former Chairman of Hambros Bank Limited and Hambros PLC and a former director of Anglo American Plc and was on the Court of the Bank of England. His directorships include De Beers SA, De Beers Consolidated Mines Limited, IMI Plc, Persimmon Plc, Investec Group Limited and Investec Bank (UK) Limited.

Peter Malungani, aged 44, Non-Executive Director, BCom, MAP, LDP. Peter is Executive Chairman and founder of Peu Investment Group and Chairman of Phumelela Gaming and Leisure Limited. His current directorships include SA Rail Commuter Corporation Limited, Super Group Limited and Investec Bank Limited.

Peter R S Thomas, aged 57, Non-Executive Director, CA (SA). Peter is a chartered accountant and former Managing Director of The Unisec Group Limited. His current directorships include Investec Group Limited and Investec Bank Limited.

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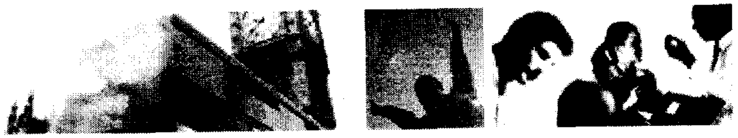
Corporate Governance Principles in the Banks Act and Regulations including proposed amendments and in King II

Index



Commentary	Applies Y/N/NA	NOTE
Some corporate governance principles **I The Board of directors** **The Banks Act** 1 In terms of s60 each director of a bank or controlling company shall: - stand in a fiduciary relationship to the bank or controlling company (ss(1)); - act honestly and in good faith, and, in particular, must exercise the powers he or she may have to manage or represent the bank exclusively in the best interests and for the benefit of the bank and its depositors or controlling company (ss2(a)); - in the performance of his or her functions as director of the bank or controlling company observe such guidelines and comply with such requirements as may be prescribed under s90(1)(b).	Yes Yes Yes	
2 Not more than 49% of the directors of a bank shall be employees of the bank, its subsidiaries or controlling company and the vote of the directors of a board who are employees shall together not exceed 49% of the total vote cast by the directors present and voting at the meeting (s60(3)). Every bank shall, at least 30 days prior to the appointment of a new director, in writing furnish the Registrar with	Yes* Yes	***Investec Bank Limited** **23 directors of which 13 are non-executive directors** ***Investec Group Limited** **13 directors of which 9 are non-executives**

	the prescribed information in respect of the proposed new director (s60(5)). The appointment of a director is not subject to the approval of the Registrar (s60(6)).		
3	The board of directors of a bank shall appoint at least three of its members to form an audit committee (s64(1)). All of the members of the audit committee may be, and the majority of such members, including the chairman of the audit committee, shall be, persons who are not employees of the bank nor any of its subsidiaries, its controlling company or any subsidiary of its controlling company (s64(3)).	Yes	**D Jowell, S Abrahams and P R Thomas (Non-Executive Directors)**
Regulations relating to banks			
Corporate Governance			
4	*The board of directors of a bank is ultimately responsible for ensuring that an adequate and effective process of corporate governance, which is consistent with the nature, complexity and risk inherent in the bank's on-balance-sheet and off-balance-sheet activities and which responds to changes in the bank's environment and conditions, is established and maintained. The board of directors may appoint supporting committees to assist it with its responsibilities (reg 38(1)). The process of corporate governance includes the maintenance of effective risk management by a bank (reg 38(2)). In terms of reg 38(3), the conduct of the business of a bank entails the management of risks, which may include the following types of risks:* (a) solvency risk; (b) liquidity risk; (c) credit risk; (d) currency risk;	Yes	**The board has appointed an Audit Committee, Board Risk Review Committee and a Nomination Committee to assist with its responsibilities.**

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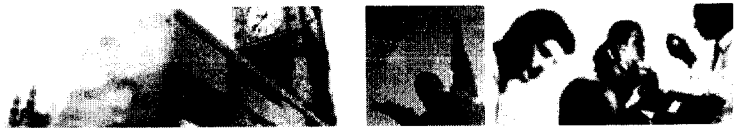
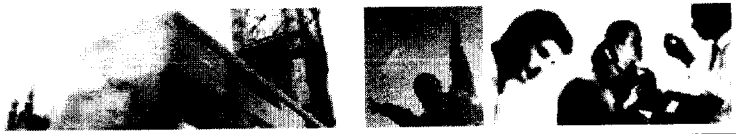
(e) market risk (position risk); (f) interest-rate risk; (g) counterparty risk; (h) technological risk; (i) operational risk; (j) compliance risk; (k) any other risk regarded as material by the bank. The overall effectiveness of the process of corporate governance shall be monitored, on an ongoing basis, by the board of directors or by a committee appointed by the board of directors (reg 38(4)). The board of directors of a bank shall at least once a year assess and document whether the process of corporate governance implemented by the bank successfully achieves the objectives determined by the board (reg 38(5)).	Yes Yes	
5 Every director of a bank shall acquire a basic knowledge and understanding of the conduct of the business of a bank and of the laws and customs that govern the activities of the bank. Although not every member of the board of directors of a bank is required to be fully conversant with all aspects of the conduct of the business of a bank, the competence of every director of a bank shall be commensurable with the nature and scale of the business conducted by that bank and, in the case of a director of a controlling company, shall be commensurable with the nature and scale of the business conducted by the banks in the group (reg 39(1)). All directors and executive officers of a bank shall perform	Yes	

their functions with diligence and care and with such a degree of competence as can reasonably be expected from persons with their knowledge and experience (reg 39(2)). It shall be the duty of every director and executive officer of a bank to ensure that risks that are of necessity taken by such a bank in the conduct of its business are managed in a prudent manner (reg 39(3)). The directors of a bank shall report to the Registrar on the issues set out in reg 39(4)(a) – (c).	Yes Yes Yes	
Proposed amendments to the Banks Act		
6 6.1 The following definition of "corporate governance" may be introduced into section 1: " 'corporate governance', in relation to the management of a bank or a controlling company, includes all structures, processes, policies, systems and procedures whereby a bank or controlling company is governed with the objective of achieving its strategic and business objectives efficiently, effectively, ethically and equitably (within acceptable risk parameters); and in particular, but not exclusively, to ensure- (a) compliance with the strategic framework and guidance of the bank or controlling company; (b) commitment by executive officers of a bank or a controlling company to adhere to corporate behaviour that is universally recognised and accepted as correct and proper; (c) a balance of interests of the shareholders and other interested persons who may be affected by the conduct of directors or executive officers of a bank or a controlling company within a framework of effective accountability;	Yes Yes Yes Yes	



(d) that mechanisms and procedures are established and maintained to minimise or avoid potential conflicts of interests between the business interests of the bank or controlling company and the personal interests of directors or executive officers of such a bank or controlling company; (e) responsible conduct by the directors and executive officers of a bank or controlling company; (f) the achievement of the maximum level of efficiency and profitability of the bank within an acceptable risk profile for the bank or controlling company; (g) the timely accurate and meaningful disclosure of matters that are material to the business of the bank or controlling company or the interests of the shareholders or other interested persons in the bank or controlling company; (h) that the board retains control over the strategic and business direction of the bank or controlling company, whilst enabling its executives to manage the bank's or controlling company's operations and the achievement of the agreed strategic and business objectives; and (i) compliance with all applicable laws and regulations."	Yes Yes Yes Yes Yes	
6.2 S60 may be amended as follows: (a) by the substitution for subsection (1) of the following subsection: "(1) Each director, chief executive officer and executive officer of a bank owes a fiduciary duty and a duty of care and skill to the bank, of which such a person is a director, chief executive officer or executive officer."	Yes	

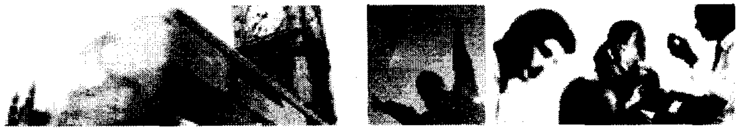


(b) By the insertion after subsection (1) of <u>s60(1A)</u>: "Each director, chief executive officer and executive officer of a bank owes a duty towards the bank to – (a) act bona fide for the benefit of the bank; (b) avoid any conflict between the bank's interests and the interests of such a director, chief executive officer or executive officer, as the case may be; (c) possess and maintain the knowledge and skill that may reasonably be expected of a person holding a similar appointment and carrying out similar functions as are carried out by the director, chief executive officer or executive officer of that bank; and (d) exercise such care in the carrying out of his or her functions in relation to that bank as may reasonably be expected of a diligent person holding the same appointment under similar circumstances, and who possesses both the knowledge and skill mentioned in paragraph (c) and any such additional knowledge and skill as the director, chief executive officer or executive officer in question may have."	Yes Yes Yes Yes	
6.3 In terms of a proposed new <u>s60(1B)</u> the Registrar may institute action in terms of <u>s424</u> of the Companies Act against any director, CEO or executive officer of a bank who was knowingly a party to the carrying on of business of bank in the	Noted	

manner envisaged in s424.		
6.4 The following definition of "director" may be introduced into section 1: "director" includes non-executive director and executive director unless expressly stated otherwise.	Noted	
6.5 The definition of "executive officer" may be amended to read: "executive officer", in relation to any institution: (a) that is not a bank includes any manager, a compliance officer, the secretary of the company and any director who is also an employee of such an institution; (b) that is a bank, includes any employee who is a director or who is in charge of a risk management function of the bank, the compliance officer, secretary of the company or any manager of the bank who is responsible, or reports, directly to the chief executive officer of the bank.	Noted Noted	
7 7.1 In terms of the proposed amendments: - a bank shall establish an independent compliance function as part of the risk management framework of the bank (s60A); - the board of directors and executive officers of a bank shall establish and maintain an adequate and effective process of corporate governance, which shall be consistent with the nature, complexity and risks inherent in the activities and the business of the bank concerned (s60B(1));	Yes Yes Yes	

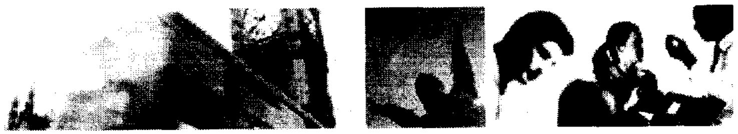
bank concerned (s60B(1)); - a bank shall establish and maintain a process of corporate governance subject to such requirements and conditions as the Registrar may from time to time determine in the regulations relating to banks (s60B(2)); - the board of directors of a bank shall appoint at least three of its members, of which at least two members shall be non-executive, to form a *risk committee* (s64A); - the board of directors of a bank shall establish a *director's affairs committee*, the membership of which will consist only of the non-executive directors of a bank (s64B).	Yes No	**S E Abrahams, D E Jowell and P R S Thomas** **We do not have a directors' affairs committee at present but the responsibility is shared amongst other committees i.e. Nomination Committee, Audit Committee. Board as a whole retains responsibility for key matters of governance. This matter will be considered in the future.**
7.2 It is proposed to amend reg 1 as follows: (a) by the substitution for subregulation (2) of the following subregulation: "(2) In order to achieve the objective relating to the maintenance of effective risk management by banks and controlling companies, every bank and every controlling company shall have in place comprehensive risk-management processes and board-approved policies, and procedures to- (a) identify; (b) measure; (c) monitor; (d) control; and (e) report,	Yes	

amongst others, the risks referred to in regulation 38(3)." (b) by the substitution for subregulation (3) of the following subregulation: "(3) As a minimum, the risk-management processes, policies and procedures referred to in subregulation (2) shall- (a) be adequate for the size and nature of the activities of the bank or controlling company and shall periodically be adjusted in the light of the changing risk profile of the bank or controlling company, and external market developments; (b) clearly specify the business strategy of the reporting bank or the controlling company; (c) clearly specify the limits and allocated capital relating to the various risks; (d) be subject to adequate internal controls and appropriate internal audit coverage; (e) include appropriate board and senior management oversight."	Yes Yes Yes Yes Yes	
<u>King II</u>		



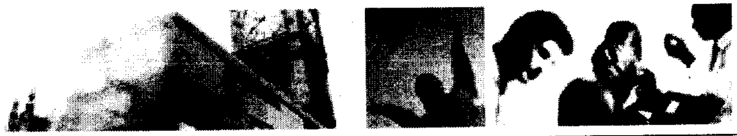
8 All companies should be headed by an effective board, which can both lead and control the company. It should have executive and non-executive directors (including independent directors) to the extent appropriate. The board has a collective responsibility to provide effective corporate governance that involves a set of relationships between the management of the company, its board, its shareowners and other relevant stakeholders (§1).[1] The board should be constituted in a manner that provides a balance between enterprise and control (§2). The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors of whom sufficient should be independent of management for minority interests to be protected (§3). The board should be composed of individuals of integrity, who can bring a blend of knowledge, skills, objectivity, experience and commitment to the board under the firm and objective leadership of a chairperson (preferably an independent non-executive director), and who accepts the responsibilities and duties that the post entails, to provide the direction necessary for an effective board (§4). The board should be able to exercise objective judgment on the corporate affairs of the business enterprise, independent from management but with sufficient management information to enable a proper and objective assessment to be made by the directors collectively (§5).	Yes to all	
9 King II makes the following recommendations: - Every board should have a charter setting out its responsibilities, which should be disclosed in its annual report. At a minimum, the charter should confirm the board's responsibility for the adoption of strategic plans, monitoring	Yes	**Refer to Annual Report**

1 Section 1 Chapter 1 of King II.



of operational performance and management, determination of policy and processes to ensure the integrity of the company's risk management and internal controls, communications policy, and director selection, orientation and evaluation.	Yes	
- The board should determine the company's purpose, values and stakeholders relevant to the business of the company and develop strategies combining all three elements. The board should ensure that procedures are in place to monitor and evaluate the implementation of its strategies, policies, senior management performance criteria and business plans.		
- In directing the company the board should exercise leadership, enterprise, integrity and judgment based on fairness, accountability, responsibility and transparency.	Yes Yes	
- The board must give strategic direction to the company, appoint the CEO and ensure that succession is planned.	Yes	
- The board must retain full and effective control over the company, and monitor management in carrying out board plans and strategies.	Yes	**Comprising of 4 executive directors and 9 non-executive directors**
- Companies should be headed by an effective board that can both lead and control the company. The board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, of whom sufficient should be independent of management for shareowner interests (including minority interests) to be protected. An obvious consideration for South African companies would be to consider the demographics in relation to the composition of the board.	Yes	
- The board should ensure that the company complies with all relevant laws, regulations and codes of best business		

practice, and that it communicates with its shareowners and relevant stakeholders (internal and external) openly and promptly and with substance prevailing over form.	Yes	
- The board should regularly review processes and procedures to ensure the effectiveness of the company's internal systems of control, so that its decision-making capability and the accuracy of its reporting are maintained at a high level at all times.	Yes	
- The board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the annual report the number of board and committee meetings held in the year and the details of attendance of each director (as applicable).	Yes Yes	**This also includes non-executive directors**
- The board should define levels of materiality reserving specific powers to itself and delegating other matters with the necessary written authority to management. These matters should be monitored and evaluated on a regular basis.	Yes	**At this point in time the compliance manuals and staff manual address these issues.**
- The board should have unrestricted access to all company information, records, documents and property. The information needs of the board should be well-defined and regularly monitored.	Yes	
- The board should consider developing a corporate code of conduct that addresses conflicts of interest particularly relating to directors and management, which should be regularly reviewed and updated as necessary.	Yes	
- The board should have an agreed procedure whereby directors may, if necessary, take independent professional advice at the company's expense.	Yes	
- Efficient and timely methods should be determined for	Yes	



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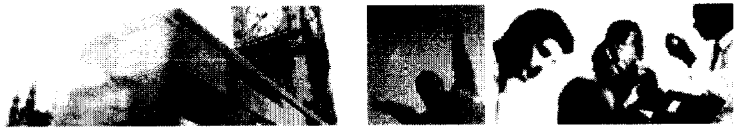
informing and briefing board members prior to meetings while each board member is responsible for being satisfied that, objectively, they have been furnished with all the relevant information and facts before making a decision.		
- Every board should consider whether or not its size, diversity and demographics make it effective.	Yes	
- Non-executive directors should have access to management and may even meet separately with management, without the attendance of executive directors. This should, however, be agreed collectively by the board usually facilitated by the non-executive chairperson or lead independent non-executive director.	Yes Yes	**Key performance indicators have been identified for most of the business units. These will be presented to the board for its annual review.** **Triple bottom line – full report published with annual report. The GRI guidelines are being reviewed.**
- The boards should ensure that each item of special business included in the notice of annual general meeting, or any other shareowners' meeting, is accompanied by a full explanation of the effects of any proposed resolutions.	Yes	
- The board must identify key risk areas and key performance indicators of the business enterprise. These should be regularly monitored, with particular attention given to technology and systems.	Yes	
- The board should identify and monitor the non-financial aspects relevant to the business of the company.		
- The board should record the facts and assumptions on which it relies to conclude that the business will continue as a going concern in the financial year ahead or why it will not, and in that case, the steps the board is taking.		
- The board must find the correct balance between conforming with governance constraints and performing an entrepreneurial way.		

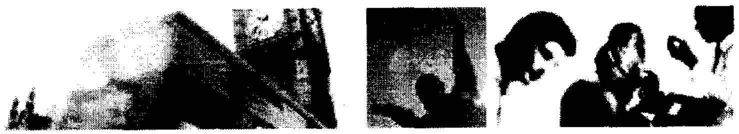


II The chairperson		
The Banks Act		
10 In terms of s64(3) the chairman of the board of directors shall not be appointed as a member of the audit committee.	Yes	
Regulations relating to banks		
11 The chairperson of the board of directors of a bank shall not be: - an employee of the bank, any of the subsidiaries of the bank, the controlling company of the bank or any subsidiary of the controlling company (reg 40(1)); - a member of the audit committee of the bank or the controlling company of the bank (reg 40(2)).	* Yes	***This issue is being discussed with Adv. Myburgh currently. We contend that H. Herman is non-executive but his full time employment, incentive bonus and investment in the group have been raised.**
12 The chairperson of the board of directors of a controlling company shall not be: - an employee of the controlling company or any bank in respect of which that company is registered as a controlling company (reg 40(3)); - a member of the audit committee of the controlling company or any bank in respect of which that company is registered as a controlling company (reg 40(4)).	* Yes	***This issue is being discussed with Adv. Myburgh currently. We contend that H. Herman is non-executive but his full time employment, incentive bonus and investment in the group have been raised.**
King II		
13 All boards should be subject to the firm and objective leadership of a chairperson who brings out the best in each director (§1).[2] The chairperson's primary function is to preside over the meetings of directors and to ensure the smooth functioning of the board in the interest of good governance. The chairperson will usually also		

[2] All references are to s1 Chapter 2 of King II.

interest of good governance. The chairperson will usually also preside over the company's shareowner meetings (§2). The role and function of the chairperson will be influenced by such matters as the size of particular circumstances of a company, the complexity of its operations, the qualities of the CEO, the management team, and the skills and experience of each board member. There are a number of common, core functions performed by the chairperson, which usually include:	Yes	
- providing overall leadership to the board without limiting the principle of collective responsibility for board decisions;	Yes	
- actively participating in the selection of board members, as well as overseeing a formal succession plan for the board, CEO and senior management;	Yes	
- arranging for new directors appointed to the board to be properly inducted and oriented, and monitoring and evaluating board and director appraisals;	Yes	
- determining, normally in conjunction with the CEO and the company secretary, the formulation of an annual work plan for the board against agreed objectives and goals, as well as playing an active part in setting the agenda for board meetings;	Yes	
- acting as the main informal link between the board and management, and particularly between the board and the CEO;	Yes	
- maintaining relations with the company's shareowners and perhaps, some of its important stakeholders, although the latter may be more in the nature of an operational issue to be conducted by the CEO and the senior management team;	Yes	
- ensuring that all directors play a full and constructive role in	Yes	

the affairs of the company and taking a lead role in removing non-performing or unsuitable directors from the board; and - ensuring that all the relevant information and facts, objectively speaking, are placed before the board to enable the directors to reach an informed decision.(§3)		
14 In principle it is better that the distinctive functions of chairperson and CEO are kept separate. The chairperson is primary responsible for the working of the board. The CEO's task is to run the business and to implement the policies and strategies adopted by the board (§4).	Yes	
15 King II contains the following *recommendations*: - there should be a clearly accepted division of responsibilities at the head of the company to ensure a balance of power and authority, so that no one individual has unfettered powers of decision-making; - the chairperson should preferably be an independent non-executive director; - the boards should appraise the performance of the chairperson on an annual or such other basis as the board may determine.	Yes No No	 **H. Herman is not independent** **Not formally done or disclosed**
III <u>Chief Executive Officer ("CEO")</u> **<u>King II</u>**		



16	The CEO has a critical and strategic role to play in the operational success of a company's business (§1)[3]. Some of the important functions that a CEO fulfils are usually to: - develop and recommend to the board a long-term strategy and vision for the company that will generate satisfactory levels of shareowner value and positive, reciprocal relations with relevant stakeholders; - develop and recommend the board annual business plans and budgets that support the company's long-term strategy; - strive consistently to achieve the company's financial and operating goals and objectives, and ensure that the day-to-day business affairs of the company are appropriately monitored and managed; - ensure continuous improvement in the quality and value of the products and services provided by the company, and that the company achieves and maintains a satisfactory competitive position with its industry(ies); - ensure that the company has an effective management team and to actively participate in the development of management and succession planning (including the chief executive officer's own position); - formulate and oversee the implementation of major corporate policies; and - serve as the chief spokesperson for the company. (§2)	Yes Yes Yes Yes Yes Yes Yes	
17	The CEO should also maintain a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse	Yes	

3 S1 Chapter 3 of King II.

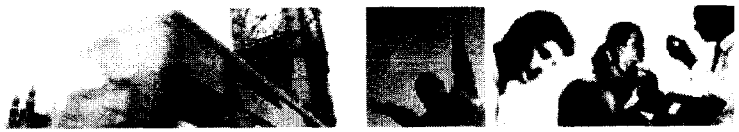
	group of top quality employees at all levels of the company. In addition, the CEO is expect to foster a corporate culture that promotes ethical practices, encourages individual integrity, and fulfil social responsibility objectives and imperatives (§3).	Yes	
18	One of the recommendations is that the chairperson, or a subcommittee appointed by the board, should appraise the performance of the CEO. The board should satisfy itself that an appraisal of the CEO is performed at least annually. The results of such appraisal should also be considered by the Remuneration Committee to guide it in its evaluation of the performance and remuneration of the CEO.	No	**The chairperson will consider this going forward.**
IV	**Executive and non-executive directors**		
The Banks Act, the regulations relating to banks and the proposed amendments			
19	The Banks Act does not draw a distinction between executive and non-executive directors. The only distinction which is drawn is that between directors who are employees of the bank in s60(3) and s64(3) and, by implication, directors who are not employees.	Yes	
20	Similarly, no distinction is drawn between executive and non-executive directors in regulations 38 and 39.	Yes	
21	A similar situation will prevail if the proposed amendments are made to the Banks Act. The additional duties and obligations imposed, for example, in s60(1A), to establish an independent compliance function (s60A), to establish and maintain an adequate and effective process of corporate governance (s60B) and to establish	Yes No	**We do not have a directors' affairs committee at present but the responsibility is shared amongst**

the various new committees of a board, such as the risk committee and the directors' affairs committee, are shared equally between executive and non-executive directors.		**other committees i.e. Nomination Committee, Audit Committee. Board as a whole retains responsibility for key matters of governance. This matter will be considered in the future.**
22 It follows that the duties and obligations of directors in terms of the Banks Act, the regulations relating to banks and the proposed amendments are those of all directors, irrespective of whether they are executive or non-executive directors.	Yes	
<u>King II</u>		

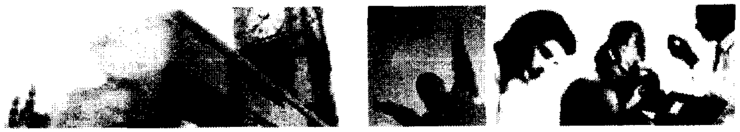
23 Some of the recommendations of King II are the following:-
- The board should ensure that there is an appropriate balance of power and authority on the board, such that no one individual or block of individuals can dominate the board's decision taking.
- Non-executive directors should be individuals of calibre and credibility, and have the necessary skill and experience to bring judgment to bear independent of management, on issues of strategy, performance, resources, transformation, diversity and employment equity, standards of conduct, and evaluation of performance.
- In the annual report, the capacity of the director should be categorised as follows:
  - *Executive director* – an individual that is involved in the day-to-day management and/or is in full time salaried employment of the company and/or any of its subsidiaries.
  - *Non-executive director* – an individual not involved in the day-to-day management and not a full-time salaried employee of the company or its subsidiaries. An individual in
	Yes
	
	Yes
	
	Yes
	
	Yes	

the full-time employment of the holding company or of its subsidiaries, other than the company concerned, would also be considered to be a non-executive director unless such individual by his/her conduct or executive authority could be construed to be directing the day-to-day management of the company and its subsidiaries.	Yes	
- *Independent director* – is a non-executive director who:		
(i) is not a representative of a shareowner who has the ability to control or significantly influence management;	Yes	
(ii) has not been employed by the company or the group of which it currently forms part, in an executive capacity for the preceding three financial years;	Yes	**Ian Kantor is Bernard Kantor's brother**
(iii) is not a member of the immediate family of an individual who is, or has been, in any of the past three financial years, employed by the company or the group in an executive capacity;	Yes Yes	**D Jowell is a professional advisor**
(iv) is not a professional advisor to the company or the group, other than in a director capacity;	Yes	**Our position re S Abrahams and P Thomas is that they are independent**
(v) is not a significant supplier to or customer of the company or group;	Yes	
(vi) has no significant contractual relationship with the company or group; and		
(vii) 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.	Yes	
- Executive directors should be encouraged to hold other non-executive directorships only to the extent that these do not interfere with their immediate management responsibilities. Non-	Yes	

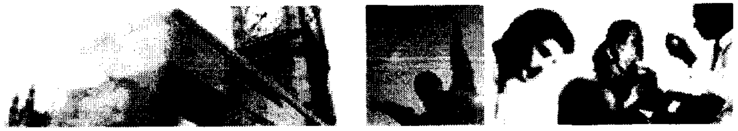
executive directors should carefully consider limiting the number of appointments they take in that capacity in order to ensure that the companies on which they serve enjoy the full benefit of their expertise, experience and knowledge.	Yes	
- Levels of remuneration should be sufficient to attract, retain and motivate executives of the quality required by the board.		
- Companies should appoint a remuneration committee or such other appropriate board committee, consisting entirely or mainly of independent non-executive directors, to make recommendations to the board within agreed terms of reference on the company's framework of executive remuneration and to determine specific remuneration packages for each of the executive directors. This is ultimately, the responsibility of the board. This committee must be chaired by an independent non-executive director. In order to obtain input on the remuneration of the other executives the committee should consult the CEO who may attend meetings by invitation. However, a CEO should play no part in decisions regarding his/her own remuneration.	Yes Yes Yes No	**Detail provided will need enhancement** **Not done historically**
- Companies should provide full disclosure of director remuneration on an individual basis, giving details of earnings, share options, restraint payments and all other benefits.	Yes	
- Performance-related elements of remuneration should constitute a substantial portion of the total remuneration package of executives in order to align their interests with the shareowners, and should be designed to provide incentives to perform at the highest operational standards.	No	**Will need to enhance extent of disclosure**
- Share options may be granted to non-executive directors but must be the subject of prior approval of shareowners (usually at the annual general meeting) having regard also to the specific	Yes	



	requirements of the Companies Act. Because of the apparent dilution of "independence", in some international markets the view is that non-executive directors should preferably receive shares rather than share options. - The overriding principle of full disclosure by directors, on an individual basis, should apply to all share schemes and any other incentive schemes proposed by management. - It is not considered appropriate that an executive director's fixed-term service contract, if any, should exceed three years. If so, full disclosure of this fact with reasons should be given, and the consent of shareowners should be sought. - Companies should establish a formal and transparent procedure for developing a policy on executive remuneration, which should be supported by a Statement of Remuneration Philosophy in the annual report.	Yes	
V	**<u>Committees of the board of a bank</u>**		
A	**<u>Introductory</u>**		
24	King II makes the following recommendations in regard to board committees (<u>at p69</u>): - There should be a formal procedure for certain functions of the board to be delegated, describing the extent of such delegation, to enable the board to properly discharge its duties and responsibilities and to effectively fulfil its decision taking process. - Board committees with formally determined terms of reference, life span, role and function constitute an important element of this process, and should be established with clearly agreed upon reporting procedures and scope of authority	Yes Yes Yes	



authority.		
- As a general principle, there should be transparency and full disclosure from the board committee to the board, except where the committee has been mandated otherwise by the board.	Yes	
- At a minimum, each board should have an audit and a remuneration committee. Industry and company specific issues will dictate the requirements for other committees.	Yes	
- Non-executive directors must play an important role in board committees.	Yes	
- All board committees should preferably be chaired by an independent non-executive director, whether this is the board chairperson or some other appropriate individual. The exception should be a board committee fulfilling an executive function.	Yes	
- Board committees should be free to take independent outside professional advice as and when necessary.	Yes	
- Committee composition, a brief description of its remit, the number of meetings held and other relevant information should be disclosed in the annual report. The chairpersons of the board committees, particularly those in respect of audit, remuneration and nomination, should attend the company's annual general meeting.	Yes	
- Board committees should be subject to regular evaluation by the board to ascertain their performance and effectiveness.		
B **<u>Audit Committee</u>**		
<u>Banks Act</u>		
25 The board of directors of a bank shall appoint at least three of its	Yes	



	member to form an audit committee (s64(1)). The functions of the audit committee shall be to: - assist the board of directors in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the bank in the day-to-day management of its business; - facilitate and promote communication, regarding the matters referred to above or any other matter, between the board of directors and the executive officers of, the external auditor and the employee charged with the internal auditing of the transactions of, the bank; and - introduce such measures as in the committee's opinion may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the bank (s64(2)); - all the members of the audit committee may be, and the majority of such members, including the chairman of the audit committee shall be, persons who are not employees of the bank nor any of its subsidiaries, its controlling company or any subsidiary of its controlling company: provided that the chairman of the board of directors of a bank shall not be appointment as the chairman of the audit committee (s64(3)).	Yes Yes Yes Yes Yes	
Regulations relating to banks		
26 The chairperson of the board of directors of a bank shall not be a member of the audit committee of the bank or the controlling company of the bank nor shall the chairperson of the board of directors of a controlling company be a member of the audit	Yes	

committee of the controlling company or any bank in respect of which that company is registered as a controlling company (reg 40(2) and (4)).		
Proposed amendments to the Banks Act		
27 The only material amendment is to s64(2) by the addition of the following function of the audit committee, namely: "Perform such further functions as may be prescribed".	Noted	
King II		
28 King II contains the following *recommendations*: - The board should appoint an audit committee that has a majority of independent non-executive directors. The majority of the members of the audit committee should be financially literate. - The audit committee should select a chairperson that is an independent non-executive director. The chairperson of the audit committee should be selected without cronyism or tokenism, be acknowledgeable of the status of the position, have the requisite business, financial and leadership skills, and be a good communicator. - The board chairperson should not chair the audit committee. In addiction, the better view is that the board chairperson should not be a member of the audit committee at all but could be invited to attend meetings as necessary by the chairperson of that committee. The board should consider whether or not it is desirable for the CEO to a member of the audit committee, or to attend only by invitation.	Yes Yes Yes Yes Yes Yes	**Stephen Koseff attends only by invitation**

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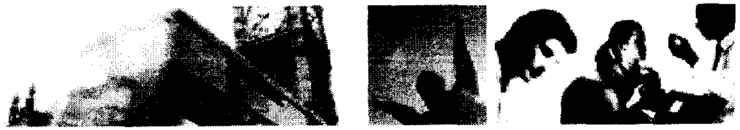
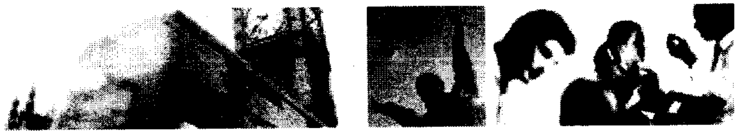
- The audit committee should have written terms of reference, dealing adequately with its membership, authority and duties. The terms should be confirmed by the board and shareowners should, on request, be able to obtain a copy of the current terms of reference of the audit committee at the company's registered office. - The audit committee should review: - the functioning of the internal control system; - the functioning of the internal audit department; - the risk areas of the company's operations to be covered in the scope of the internal and external audits; - the reliability and accuracy of the financial information provided to management and other users of financial information; - any accounting or auditing concerns identified as a result of the internal or external audits; and - the company's compliance with legal and regulatory provisions, its articles of association, code of conduct, by-laws and the rules established by the board.	Yes Yes Yes Yes Yes Yes Yes	
- The duties of the audit committee include reviewing the scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors. Where the auditors supply non-audit services to the company, the audit committee should review the nature and extent of such services, seeking to balance the maintenance of objectivity and value for money.	Yes	
- Companies should avoid opinion shopping in regard to audit opinions. The audit committee can prevent opinion shopping by acting as arbiter between management and the external	Yes	



auditors when there is a disagreement over accounting policies or disclosure in the financial statements. The audit committee should enquire whether or not opinion shopping has occurred on issues within the scope of its activities. Where opinion shopping has occurred, the reasoning for the opinion adopted should be obtained. - The audit committee should draw up a recommendation to the board for consideration and acceptance by the shareowners for the appointment of the external auditors. - Companies should, in their annual report, disclose whether or not the audit committee has adopted formal terms of reference and, if so, whether or not the committee satisfied its responsibilities for the year in compliance with those terms. - Membership of the audit committee should be disclosed in the annual report. The chairperson of the committee should be available at the annual general meeting to answer questions about its work. - The audit committee's activities and effectiveness should be assessed periodically and reviewed with the board.	Yes Yes Yes	
C **<u>Nomination Committee / Directors' Affairs Committee</u>**		
29 Neither the Banks Act, nor the regulations relating to banks provide for the establishment of a nomination committee or directors' affairs committee.	Noted	
<u>King II</u>		

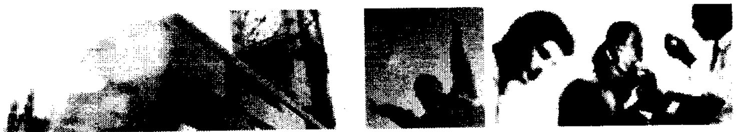
30	According to King II, a board should plan for its own continuity and succession (§1).[4] All boards should adopt a process of staggered continuity and re-election of their boards to ensure continuity of experience and knowledge (§2). The board should select, appoint, induct, develop and remove board members as and when necessary. Incompetent or unsuitable directors (including those who fail to attend meetings without proper explanation), should be removed (§3).	Yes	
31	In appropriate circumstances, a *nomination committee* can provide a useful forum in which to assist the board to identify suitable candidates for consideration. In looking at the skills mix for a board, there are three dimensions of board effectiveness requiring consideration: - the knowledge or information required to fill a significant gap on the board; - the capacity of an individual to influence preferred outcomes (internally and externally) through their involvement on the board; - the extent to which an individual has the opportunity or availability to meaningfully contribute their time and abilities to the affairs of the board (§4).	Yes	
32	The nomination committee could fill broader functions by maximising the collective wisdom of the non-executive directors serving on the committee (which should comprise a majority of independent non-executive directors). Increasingly, the nominating process for new directors has been incorporated into a board		

4 Section 1 Chapter 5 of King II



	committee dealing with a range of corporate governance issues referred to it by the board. The name of the committee could be the Corporate Governance Committee (§5).		
33	King II contains these recommendations: - Procedures for appointments to the board should be formal and transparent, and a matter for the board as a whole, assisted where appropriate by a nomination committee. This committee should constitute only non-executive directors, of whom the majority should be independent, and be chaired by the board chairperson. - Board continuity, subject to performance and eligibility for re-election, is imperative, and a programme ensuring a staggered rotation of directors should be put in place by the board to the extent that this is not already regulated. - The board should establish a formal orientation programme to familiarise incoming directors with the company's operations, senior management and its business environment, and to induct them in their fiduciary duties and responsibilities. Directors should receive further briefings from time to time on relevant new laws and regulations as well as on changing commercial risks. - New directors with no or limited board experience should receive development and education to inform them of their duties, responsibilities, powers and potential liabilities. - The company secretary, in consultation with the chairperson, should play a substantial role in the orientation process for directors, and in attending to any educational or development requirements. - The board, through the nomination committee or similar	Yes Yes Yes Yes Yes Yes	

board committee, should regularly review its required mix of skills and experience and other qualities such as its demographics and diversity in order to assess the effectiveness of the board. This should be by means of a self evaluation of the board as a whole, its committees and the contribution of each individual director. - The evaluations should be conducted at least annually.	No	The chairman will address this issue
The proposed amendments to the Banks Act		
34 The amendments propose the establishment of a directors' affairs committee which seems to embrace the King II recommendation of a nomination or Corporate Governance Committee: "Director's Affairs Committee s64B (1) Subject to the provisions of subsection (3), the board of directors of a bank shall establish a director's affairs committee, of which the composition shall consist of all the non-executive directors of the bank. (2) The functions of the director's affairs committee shall be to- (a) assist the board of directors in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance of the bank; (b) establish and maintain a board directorship continuity programme to include the following: (i) the review of performance and succession planning of executive directors; (ii) the continuity of non-executive directors	No	**We do not have a directors' affairs committee at present but the responsibility is shared amongst other committees i.e. Nomination Committee, Audit Committee. Board as a whole retains responsibility for key matters of governance. This matter will be considered in the future.**



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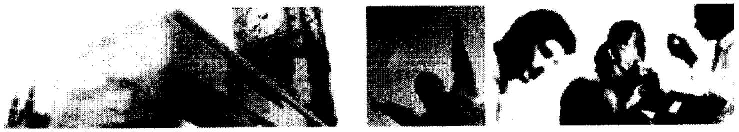
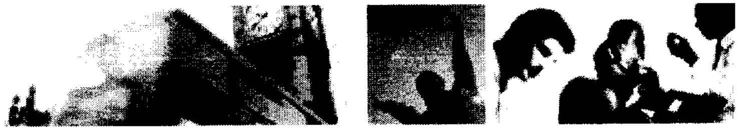
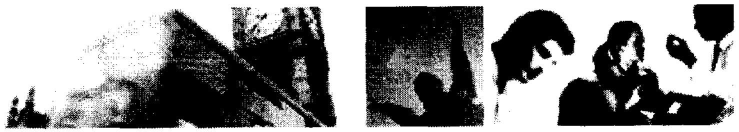
	(iii) a regular review of the composition of the board of directors, including the skills, experience and other qualities required to enhance the effectiveness of the board of directors; and (iv) an annual self-assessment of the board of directors as a whole and of the contribution of each individual director, which self-assessment shall be co-ordinated by the chairperson of the board. (c) assist the board of directors in the nomination of successors to the key positions in the bank and ensuring that a management succession plan is in place and; (d) perform such further functions as may be prescribed by the Registrar from time to time in the Regulations relating to banks."		
D	**<u>Risk Committee</u>**		
35	The Banks Act and the regulations relating to banks do not require the establishment of a risk committee.	Noted	
36	The amendments propose the insertion after <u>s64</u> of the following: "<u>Risk Committee</u> 64A (1) Subject to the provisions of subsection (3), the board of directors of a bank shall appoint at least three of its members to form a risk committee. (2) The functions of the risk committee shall be to- (a) assist the board of directors in its	Yes Yes	



evaluation of the adequacy and efficiency of the risk policies, procedures, practices and controls applied within that bank in the day-to-day management of its business;	Yes	
(b) assist the board in the identification of the build up and concentration of risk, including reputational, technological, legal and product risk, to which the bank is exposed;	Yes	
(c) assist the board of directors in developing risk mitigation strategy to ensure that the bank manages the risks in an optimum manner;	Yes	
(d) assist the board of directors in ensuring that a formal risk assessment is undertaken at least annually;	Yes	
(e) assist the board in identifying and regularly monitoring all key risks and key performance indicators to ensure that its decision-making capability and accuracy of its reporting and financial results are maintained at high levels at all times;	Yes	
(f) facilitate and promote communication, through reporting structures regarding the matters referred to in paragraph (a) or any other related matter, between	Yes	**Group Risk Management Function**



the board of directors and the executive officers of the bank; (g) ensure the establishment of an independent risk management function, and in the case where the bank forms part of a group, a group risk management function, including the international activities of that group, the head of which will act as the reference point pertaining	Yes	
all aspects relating to risk management within the bank, including the responsibility to arrange training to members of the board of directors in the different risk areas that the bank is exposed to;	Yes	
(h) introduce such measures as in the committee's opinion may serve to enhance the adequacy and efficiency of the risk management policies, procedures, practices and controls applied within that bank;	Yes	
(i) co-ordinate the monitoring of the efficiency and effectiveness of the risk management policies, procedures, practices and controls applied within the bank or banking group on a globalised basis; and (j) perform such further functions as may be prescribed by the Registrar from time to time in the Regulations relating to		



Banks."		
<u>King II</u>		

37 King II contains the following recommendations in section 2 on risk management:
 	
<u>Chapter 1: Introduction and Definition</u>:
- The board must decide the company's appetite or tolerance for risk – those risks it will take and those it will not take in the pursuit of its goals and objectives. The board has the responsibility to ensure that the company has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions, and then to activate what is necessary to proactively manage these risks.
- Risk management and internal control should be practised throughout the company by all staff, and should be embedded in day-to-day activities.
- The board should make use of generally recognised risk management and internal control models and frameworks in order to maintain a sound system of risk management and internal control to provide reasonable assurance regarding the achievement of organisational objectives with respect to:
  - the effectiveness and efficiency of operations;
  - the safeguarding of the company's assets (including information);
  - compliance with applicable laws, regulations and supervisory requirements;
  - supporting business sustainability under normal as well as adverse operating conditions;
	Yes
	
	Yes
	
	Yes
	
	Yes
	
	Yes to all
	
	Yes	

- the reliability of reporting; and - behaving responsibly towards all stakeholders. - Risk should not only be viewed from a negative perspective. The review process may identify areas of opportunity, such as where effective risk management can be turned to competitive advantage.		
<u>Chapter 2: Responsibility for Risk Management</u> - The board is responsible for the total process of risk management, as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management, and integrating it into the day-to-day activities of the company. - The board should set the risk strategy policies in liaison with the executive directors and senior management. These policies should be clearly communicated to all employees to ensure that the risk strategy is incorporated into the language and culture of the company. - The board is responsible for ensuring that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purposes of making its public statement on risk management. It should, at appropriately considered intervals, receive and review reports on the risk management process in the company. This risk assessment should address the company's exposure to at least the following: - physical and operational risks; - human resource risks; - technology risks;	Yes Yes Yes Yes to all	

- business continuity and disaster recovery; - credit and market risks; and - compliance risks. - A board committee, either a dedicated committee or one with other responsibilities should be appointed to assist the board in reviewing the risk management process and the significant risks facing the company. - The board is responsible for disclosures in relation to risk management in the annual report and should acknowledge that it is accountable for the risk management procedures. - The internal audit function should not assume the functions, systems and processes of risk management, but should be used to provide independent assurance in relation to management's assertions surrounding the effectiveness of risk management and internal control. If a compliance function exists it will provide assurance in relation to compliance with applicable laws, regulations and supervisory requirements.	Yes Yes Yes Yes	**Board Risk Review Committee**
<u>Chapter 3: Assimilating risk to the control environment</u> - A comprehensive system of control should be established by the board to ensure that risks are mitigated and that the company's objectives are attained. The control environment should also set the tone of the company and cover ethical values, management's philosophy and the competence of employees. - Risks should be assessed on an on-going basis, and control activities should be designed to respond to risks throughout the company. Pertinent information arising from the risk assessment, and relating to control activities, should be identified, captured and communicated in a form and	Yes Yes Yes	**The board is responsible for the total process of risk management and the systems of internal control and has implemented a number of committees to assist in this regard.** **Corporate culture of risk awareness and control is embedded in day to day activities.** **There are sufficient ongoing processes, which have steadily improved over the years, for identifying, assessing, controlling and monitoring the significant risks faced by the group.**

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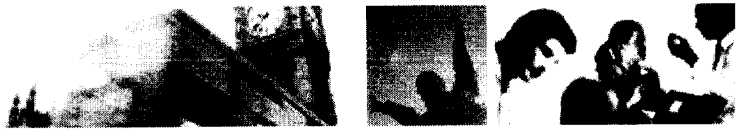
timeframe that enables employees to carry out their responsibilities properly. These controls should be monitored by both line management and assurance providers.	Yes	*Line management and assurance providers such* **as Internal Audit and operational Risk monitors controls on an ongoing basis.**
- Companies should develop a system of risk management and internal control that builds more robust business operations. The systems should demonstrate that the company's key risks are being managed in a way that enhances shareowners' and relevant stakeholders' interests. The system should incorporate mechanisms to deliver: - a demonstrable system of dynamic risk identification; - a commitment by management to the process; - a demonstrable system of risk mitigation activities; - a system of documented risk communications; - a system of documenting the costs of non-compliance and losses;	Yes Yes to all	
- a documented system of internal control and risk management; - an alignment of assurance efforts to the risk profile; and - a register of key risks that could affect shareowner and relevant stakeholder interests.	Yes	**As per Investec's Risk Management's process. Key Risk areas focused on is: Credit, Market, Operational, Reputational , Liquidity, Interest Rate, Country risk, etc.**
- The board must identify key risk areas and key performance indicators of the company, and monitor these factors as part of a regular review of processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making and the accuracy of its reporting are maintained at a high level at all times.	Yes/No	**In the process of being formalised in SA. In place in the UK.**
- In addition to the company's other compliance and enforcement activities, the board should consider the need for a confidential reporting process ("whistleblowing")		

covering fraud and other risk areas.		
<u>Chapter 4: Application of Risk Management</u> - Reports from management to the board should provide a balanced assessment of the significant risks and the effectiveness of the system of internal control in managing those risks. Any significant control failings or weaknesses identified should be covered in the reports, including the impact that they have had, or may have had on the company, and the actions being taken to rectify them. - The board is responsible for disclosures in relation to risk management and should, at a minimum, disclose: - that it is accountable for the process of risk management and the system of internal control, which is regularly reviewed for effectiveness, and for establishing appropriate risk and control policies and communicating these throughout the company; - that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company, which has been in place for the year under review and up to the date of approval of the annual report and accounts; - that there is an adequate and effective system of internal control in place to mitigate the significant risks faced by the company to an acceptable level. Such a system is designed to manage, rather than eliminate, the risk of failure, or to maximise the opportunity to achieve business objectives. This can only provide reasonable, but not absolute, assurance; - that there is a documented and tested process in	Yes Yes Yes Yes Yes N/A	**Reporting is done through the various Board Sub committees.**



place that will allow the company to continue its critical business processes in the event of a disastrous incident impacting on its activities; - where material joint ventures and associates have not been dealt with as a part of the group for the purposes of applying these recommendations. Alternative sources of risk management and internal control assurance applied to these activities should be disclosed, where these exist; - any additional information in the annual report to assist understanding of the company's risk management processes and system of internal control, as appropriate; and - where the board cannot make any of the disclosures set out above, it should state this fact and provide a suitable explanation.	Yes Yes	**Under the Risk Management section** **Full disclosure**
VI **<u>Internal audit</u>**		
38 The Banks Act, the regulations relating to banks and the proposed amendments do not deal expressly with internal audit.	Noted	
<u>King II</u>		
39 Section 3 of King II contains the following recommendations: - Internal audit is an independent, objective assurance and consulting activity designed to add value and improve a company's operations. It helps a company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.	Yes	

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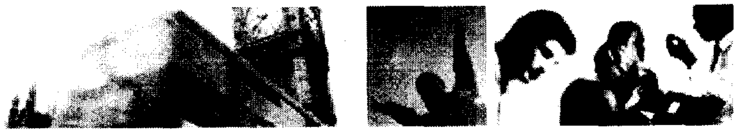
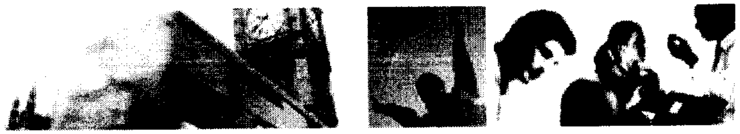
- An effective internal audit function should provide: - assurance that the management processes are adequate to identify and monitor significant risks; - confirmation of the effective operation of the established internal control systems; - credible processes for feedback on risk management and assurance; and - objective confirmation that the board receives the right quality of assurance and information from management and this information is reliable. - Companies should have an effective internal audit function that has the respect and co-operation of both the board and management. - Consistent with the Institute of Internal Auditors' ("IIA") definition of internal auditing, in an internal audit charter approved by the board, the purpose, authority and responsibility of the internal audit activity should be formally defined. - Internal audit should report at a level within the company that allows it fully to accomplish its responsibilities. The head of internal audit should report administratively to the CEO, and should have ready and regular access to the chairperson of the company and the chairperson of the audit committee. - Internal audit should report at all audit committee meetings. - The appointment or dismissal of the head of internal audit should be with the concurrence of the audit committee.	Yes Yes Yes Yes Yes Yes Yes Yes Yes	



VII <u>Compliance function</u>		
<u>Banks Act</u>		
40 The Banks Act does not contain any provisions relating to the compliance function.	Noted	
<u>Regulations relating to compliance function</u>		
41 In terms of <u>reg 47(1)</u>, a bank shall establish an independent compliance function as part of its risk-management framework, in order to ensure that the bank continuously manages its regulatory risk, that is, the risk that the bank does not comply with applicable laws and regulations or supervisory requirements. The compliance function must be headed by a compliance officer (<u>sub reg (2)</u>), who must have senior executive status in the bank, have direct access to and demonstrable support from the CEO of the bank, and function independently from functions such as internal audit and should be demonstrably independent (<u>sub reg (4)</u>). The primary responsibility for compliance with the provisions of the Banks Act and the regulations nevertheless remains with the directors and executive officers (<u>sub reg (5)</u>).	Yes Yes Yes Yes	
<u>Proposed amendments</u>		
42 The proposal is to insert <u>s60A</u> after <u>s60</u>. In terms of <u>s60A</u>, a bank shall establish an independent compliance function as part of the risk management framework of the bank. The compliance function shall be headed by a compliance officer (<u>ss(2)</u>). The compliance officer must perform the duties of a compliance officer subject to such requirements and conditions as the Registrar may from time to time determine in the regulations relating to banks (<u>ss(3)</u>).	Yes Yes Yes	

VIII External Auditors		
The Banks Act		
43 The appointment of the auditor of a bank must be approved by the Registrar (s61(1)(a)). If the assets of a bank exceed R10 billion at the close of its last preceding financial year, a bank must appoint two auditors who are independent of each other (s61(1)(b)).	Yes	
44 The auditor of a bank is obliged to inform the Registrar: - of an irregularity or suspected irregularity in the conduct of the affairs of the bank for which he has been appointed as auditor; - of any matter relating to the affairs of a bank which, in the opinion of the auditor, may endanger the bank's ability to continue as a going concern or may impair the protection of the funds of the bank's depositors or may be contrary to the principles of sound management (including risk management) or amounts to inadequate maintenance of internal controls (s63(1)(a) and (b)).	**Yes**	
Regulations relating to banks		
45 The external auditors of a bank shall annually review the process followed by the board of directors in assessing the corporate governance arrangements, including the management of risk, and report to the Registrar whether any matters have come to their attention to suggest that they do not concur with the findings reported by the board of directors. If the auditors do not concur with the findings of the board of directors, they shall provide reasons therefore (reg 38(6)).	Yes	



46 In terms of <u>reg 39(4)(d)</u>, the external auditors of a bank shall annually report to the Registrar whether or not they concur with the reports submitted by the directors of a bank to the Registrar in <u>reg 39(4)(a) and (b)</u>, namely: (a) whether or not: - the bank's internal controls provide reasonable assurance as to the integrity and reliability of the financial statements and safeguard, verify and maintain accountability of the bank's assets; - the internal controls are based on established policies and procedures and are implemented by trained, skilled personnel, whose duties have been segregated appropriately; - adherence to the implemented internal controls as continuously monitored by the bank; - all bank employees are required to maintain high ethical standards, thereby ensuring that the bank's business practices are conducted in a manner that is above reproach; - anything has come to the directors' attention to indicate that any material malfunction, as defined and documented by the board of directors, which definition has to be submitted to the Registrar, in the functioning of controls, procedures and systems has occurred during the period under review; (b) whether there is no reason to believe that the bank will not be a going concern in the year ahead and should there be reason to believe so, such reason shall be disclosed and explained.	Yes	

Investec

47 In terms of reg 45, the auditor of a bank shall furnish various reports to the Registrar: - on the bank's financial position and the results of its operations (sub reg (1)); - whether, in the auditor's opinion, the information contained in the returns at year-end in all material respects were complete or accurate or in accordance with the directives and instructions of the Banks Act and the regulations (sub reg (2)); - on any significant weaknesses in the system of internal controls relating to financial regulatory reporting and compliance with the Banks Act and the regulations (sub reg (3)); - on any significant weaknesses in the system of internal controls that came to the auditor's attention while performing the necessary auditing procedures as regards the policies, practices and procedures of a bank relating to the granting of loans, making of investments, ongoing management of the loan and investment portfolios, and loan provisions and reserves (sub reg (4)).	Yes	
Proposed amendments		
48 The proposed amendments do not appear to impact on the role of the external auditors, save that, in terms of the proposed amendment to s61: - it is proposed that s61(1)(b) be amended to delete the amount of R10 billion as the trigger for the appointment of two auditors to a bank and to provide that the amount be		

prescribed by regulation; - it is proposed that the following subsection be inserted after s61(5): "(6) A person appointed under subsection (4) as auditor of a bank shall be appointed for such a period and on such conditions as may be prescribed."		
King II		
49 The external audit provides an independent and objective check on the way in which the financial statements have been prepared and presented by the directors when exercising their stewardship to the stakeholders. An annual audit is an essential part of the checks and balances required, and is one of the cornerstones of corporate governance. (§1.1)[5] While external auditors have to work with management, they must be objective and consciously aware of their accountability to the shareowners. An audit committee, comprising a majority of non-executive directors with an independent non-executive director chairperson, can maintain the objectivity between the auditors and management. Differences of opinion between the two can be aired, discussed and overcome in that committee. The auditors should also be able to turn to the non-executive directors in regard to any concerns they may have about the company or its business (§1.2). Auditors, through their audit activities, have an important impact on the quality of the internal control system and may recommend improving internal controls (§1.3). Auditors should observe the highest standards of business and professional ethics (§1.5).	Yes Yes Yes	

[5] Section 5 Chapter 1 of King II.

50	One of the *recommendations* is that the audit committee should consider whether or not an interim report should be subject to an independent review by the external auditor.	Yes	
51	The roles and responsibilities of external and internal auditors are different. External auditors have a statutory duty to report their independent opinion to the shareowners, on the company's financial statements, and to consider statutory requirements and standards for financial reporting, as well as auditing. This contrasts with the internal audit, which is a service to the company focussing on the system of internal control and which reports to the executive management and the audit committee (§4.1). The degree of reliance that the external auditors may wish to place upon an internal audit function should be maximised by dialogue and co-ordination. *These matters could be formalised by an audit* "partnership" (§4.3).	Yes Yes	