

GENERAL REPORT
Executive Summary

Absa Group Limited
Absa Bank Limited

FirstRand Bank Holdings Limited
FirstRand Bank Limited

Investec Limited
Investec Bank Limited

Nedcor Limited
Nedbank Limited

Standard Bank Group Limited
Standard Bank of South Africa Limited

The Executive Summary of the General Report by Adv J F Myburgh SC
in terms of the Banks Act, 94 of 1990.

Date: 30 April 2003

GENERAL REPORT

EXECUTIVE SUMMARY

1 After reviewing the corporate governance of the banks, the following findings are made in general terms:

- the banks are committed to the adherence to and application of high standards of corporate governance;
- acting on the advice of specialists in corporate governance, the banks on their own initiative from time to time review their corporate governance to ensure compliance with accepted corporate governance principles;
- no serious breaches of corporate governance were found to exist;
- the corporate governance of the banks is sound;
- vigilance is nevertheless required to ensure continued compliance with the standards governance which are constantly evolving in South Africa and internationally.

Substance over form

- 2 The banks are required to comply with the *form* and substance of corporate governance required by the Banks Act, the regulations and King II, insofar as is relevant.¹ The extent to which the banks comply with the form of corporate governance, according to the banks, is set out in the reports on corporate governance prepared by the banks.²

- 3 Any bank which does not comply with King II or this Report should disclose the non-compliance in its annual report and give an explanation for the non-compliance.

- 4 The *substance* of good corporate governance, however, is more important than its form. Policies and procedures are destined to fail if directors and management are not committed to enforcing them in practice. Boards, board committees and external auditors must be empowered so that they can ensure that substance trumps form.³

¹ General Report, §16.

² The reports are attached to the General Report as Annexures “F1 to “F5”.

³ General Report, §14 & 15.

Entrepreneurial spirit

5 An appropriate balance must be sought between enterprise (performance) and constraints (conformance). The board of directors of a bank should balance the need for corporate governance with performance for financial success. Good corporate governance must be an aid to productivity, not an impediment.⁴

6 The board of a bank has the power to ensure that compliance does not inhibit the board itself and management in being innovative and demonstrating entrepreneurial flair. The board should exercise that power and not hide behind the skirt tails of compliance for lack of innovation.⁵

Overregulation

7 There is a widespread concern that post-Enron regulators will overregulate to the detriment of enterprise, and as Derek Higgs said, the brittleness and rigidity of legislation cannot dictate the behaviour, or foster the trust that is fundamental to the effective board and to superior corporate governance.⁶

⁴ General Report, §17.

⁵ General Report, §18.

⁶ General Report, §19.

8 The regulation by the SARB of banks in terms of the Banks Act, the regulations and the proposed amendments goes far enough in my opinion. The SARB should guard against overregulation. It should not, for example, impose personal liability on the part of directors of banks. What is crucial is that competent, ethical persons should not be deterred from serving on the boards of banks because their responsibilities have become too onerous.⁷

The importance and value of corporate governance

9 Sound corporate governance is *important* for banks because:

- globalisation, technological advances and sophisticated financial instruments are increasing the risks of a bank;
- most of the funds used by banks belong to depositors;
- the failure of a bank may have a systemic impact on the banking industry and the financial system as a whole.⁸

10 The *value* of corporate governance is that:

- if a bank does not enjoy a reputation for sound governance, investors and depositors may take their money elsewhere;
- corporate governance failures may lead to the collapse of a bank;

⁷ General Report, §20.

⁸ General Report §25.

- an investor is likely to pay a premium for the shares of a well-governed bank or banking group over one considered to be poorly governed.⁹

The size and composition of a bank board

11 The board of a bank or its holding company should not be too large. Smaller boards are more cohesive and work more effectively than large boards. One survey showed that the average board size in South Africa is 12 members. The average board of a bank in the United States has 16 directors.¹⁰ The average size of a big five bank holding company board is 16. The average size of a bank board is 19. One bank board has 25 directors, 9 of which are executive directors. Another bank board has 24 directors, 11 of which are executive directors.¹¹

- 12 The recommendation is that the board of a bank should:
- consist of no more than about 16 members;
 - limit the number of executive directors to no more than about four.

⁹ General Report, §21-24.

¹⁰ General Report, §27-32.

¹¹ General Report, §31.

Executive and non-executive directors of a bank

13 The board of a bank and its holding company should be comprised of executive and non-executive directors, with the majority being non-executive directors.¹²

14 Post-Enron, the emphasis is on the need for *independent* non-executive directors. Independent non-executive directors help provide the necessary checks and balances to ensure that a bank operates in a safe and sound manner.¹³

15 Non-executive directors should be able:

- to think independently;
- to exercise independent judgment about management's actions and competence;
- to challenge management;
- to voice their opinions without fear;
- to bring a dispassionate objectivity that directors with a close relationship to the bank cannot provide.¹⁴

¹² General Report, §34.

¹³ General Report, §'s 35-39.

¹⁴ General Report, §'s 35-38.

16 King II recommended that a “sufficient” number of non-executive directors should be independent of management. Two studies commissioned after King II was released, went further. The Listing Standards Committee recommended to the New York Stock Exchange that listed companies should have a majority of independent directors. In the United Kingdom, Derek Higgs recommended that the Combined Code should provide that at least half of the members of the board, excluding the chairperson, should be independent non-executive directors.¹⁵

17 The only impediment to a recommendation fixing a minimum number of independent directors on a bank board is the possible shortage of suitably qualified independent directors in South Africa. An analysis of information provided by the five banks¹⁶ reveals that there does not appear to be a severe shortage of independent directors:-

- (1) in respect of the holding companies of banks:
 - more than half of the non-executive directors are described as independent;
 - the percentage of independent directors to total number of directors ranges from 36% to 71%;
- (2) in respect of the bank boards:

¹⁵ General Report, §'s 37 and 40.

¹⁶ General Report, §31.

- more than half of the non-executive directors are described as independent;
 - the percentage of independent directors to total number of directors ranges from 33% to 71%;
- (3) the larger the number of executive directors, the smaller the percentage of independent directors, i.e. the banks with a small number of executives have a higher proportion of independent directors. Merely by reducing the number of executive directors, say from 11 or 9 to 4, the proportionality between independent and non-independent directors would improve.

18 It is recommended that:

- a majority of the non-executive directors should be independent directors with immediate effect;
- the banks should aim to have a majority of its directors to be independent directors within the next five years.

Non-executive directors to meet without executive directors

19 Both the Listing Standards Committee and Derek Higgs recommended that non-executive directors should meet on their own to increase their effectiveness and to promote open discussions.¹⁷ One

¹⁷ General Report, §42.

of the proposed amendments to the Banks Act is to require a bank to establish a directors' affairs committee consisting of only the non-executive directors of the bank. That committee will be responsible for corporate governance and succession planning (in effect a combination of a corporate governance committee and a nominations committee).

- 20 Whether or not the proposed amendments to the Banks Act become law, it is recommended that the non-executive directors meet at least twice a year to discuss issues such as the performance of management, the strategic direction of the bank and any other issue which they are not willing to discuss in the presence of management.

Qualifications of the director of a bank

- 21 Every director of a bank, including every non-executive director, must have the following minimum qualifications:-
- The director must have a basic knowledge and understanding of the business of the bank and of the laws and customs that govern the activities of a bank.
 - The director's competence must be commensurable with the nature and scale of the business conducted by the bank.

- The director must have a basic knowledge and understanding of the risks to which the bank is exposed.
- The director must have absolute integrity.
- The director must be financially literate.
- The director must have the ability to provide wise, thoughtful counsel on a broad range of issues faced by the bank.
- The director must be able to exercise sound judgment.¹⁸

22 In addition to those attributes, the non-executive director of a bank must be a person who:

- is independent of management;
- has background, knowledge and experience in business or another discipline to oversee the bank;
- has the ability to challenge and probe.¹⁹

23 Every non-executive director should serve on at least one committee of the board.²⁰

¹⁸ General Report §'s 42-49.

¹⁹ General Report, §'s 45 and 48.

²⁰ General Report §'s 50-51.

Time

24 An essential qualification of a non-executive director of a bank is that the director must have the willingness and ability to commit the time necessary to prepare for and regularly attend board and committee meetings. All busy businessmen and businesswomen find it difficult to make the necessary time for their non-executive commitments. It is a particular problem, for example, for the CEO of a large public corporation who is a non-executive director of a bank. However, it must be emphasised that:

- a bank is not to be confused with the Rand Club;
- eminent directors on a bank board, who appear to add lustre to the board, must ensure that their experience and expertise are truly available to the board;
- if an individual, no matter how distinguished, does not make sufficient time available to discharge the responsibilities of being a non-executive director of a bank, the individual should be disqualified from being a director of a bank.²¹

²¹ General Report, §52-54.

Remuneration of non-executive directors

25 The following principles are appropriate when considering the remuneration of a non-executive director of a bank:

- the remuneration needs to be sufficient to attract and retain high calibre directors but no more than is necessary for this purpose;
- the level of remuneration should reflect the likely workload, the scale and complexity of the business and the responsibility involved;
- in assessing remuneration for non-executive directors it may be useful to use as a benchmark the daily remuneration of a senior representative of the bank's professional advisors;
- the risk of high levels of remuneration prejudicing independence is real and should be avoided;
- the form of remuneration should be fees (and not share options).²²

26 The dominant view of the non-executive directors was that the fees of non-executive directors had been low historically; that fees should be increased, particularly having regard to the increased responsibilities of a bank director; and that the remuneration should be in the form of fees, not share options.²³

²² General Report, §55.

²³ General Report, §56.

Board appointments

27 Non-executive directors should consider limiting the number of appointments they take in that capacity in order to ensure that the bank board on which they serve enjoys the full benefit of their expertise, experience and knowledge.²⁴

28 The chairperson of the board of a bank should ensure that the non-executive directors on the board do not serve on so many boards that they are unable to discharge their obligations to the bank in a meaningful and responsible way. Unlike in the United States and the United Kingdom where numerical limits are recommended, it is recommended that it should be left to the non-executive directors and the chairperson of the bank to agree on an ad hoc limit. A retired former executive is able to accommodate more non-executive directorships than a busy executive. It is a matter which requires consideration and monitoring by the chairperson of the bank.

Induction and continuing education

29 Knowledge is power. A non-executive director of a bank, who is not an ex-banker, and who has limited business experience, lacks an

²⁴ General Report, §'s 57-58.

essential tool to challenge management and to act in the best interests of the bank. One way of acquiring that knowledge is by orientation, induction and continuing education programmes.

30 It is recommended that the chairperson, assisted by the company secretary, should establish a formal orientation, induction and continuing education programme:

- to familiarise incoming directors with the bank's operations, senior management and its business environment;
- to induct them in their fiduciary duties and responsibilities;
- on an ongoing basis to describe industry developments, opportunities and risks;
- non-executive directors should regularly appraise their individual skills, knowledge and expertise and determine whether further professional development would help them develop their expertise and fulfil their obligations as members of the board.²⁵

31 All the banks have an induction or orientation programme, some more formal and well-established than others. However, having regard to the size and complexity of the operations of the banks, all the banks are advised to re-examine those programmes and to introduce continuing education programmes to ensure that the non-

²⁵ General Report, §'s 59-61.

executive directors are sufficiently knowledgeable to be worthwhile and effective members of the board.

The duties of the directors of the board of a bank

32 The duties imposed by law on the directors of a bank are:

- to stand in a fiduciary relationship to the bank;
- to act honestly and in good faith;
- to exercise their powers to manage or represent the bank exclusively in the interests and for the benefit of the bank and its depositors;
- to perform 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;
- to ensure that risks that are of necessity taken by the bank in the conduct of its business are managed in a prudent manner.²⁶

33 The legal duties of the board of a bank, in addition to the above duties, are:

- to ensure that an adequate and effective process of corporate governance is established and maintained;

²⁶ General Report, §'s 62-63.

- to monitor the overall effectiveness of the process of corporate governance on an ongoing basis.²⁷

34 The board of directors of a bank:

- is the focal point of the corporate governance system;
- is ultimately accountable and responsible for the performance and affairs of the bank;
- must give strategic direction to the bank, appoint the CEO and ensure that succession is planned;
- must retain full and effective control of the bank, and monitor management in implementing board plans and strategies;
- must 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.²⁸

35 Delicate and complex as the duties of the directors of a bank board might be, it is not their duty to run the bank and the board should not interfere with the management's duty and capacity to do so.²⁹

36 The role of the non-executive director is to support executives in their leadership of the business and to monitor and supervise their conduct.

²⁷ General Report, §64.

²⁸ General Report, §65.

²⁹ General Report, §66.

A board should strive to establish a spirit of partnership and mutual respect.

37 The board is part of the system of checks and balances that ensures that neither large shareholders nor management abuse their power. If the board does not play its full part, a vacuum in leadership will be created, a vacuum which may be filled by management acting more or less in isolation.³⁰

38 Perhaps the most important decision that a board takes is the selection and appointment of the CEO. If the board gets that right, and the CEO, supported by the board, puts the right management in place, the first round for good corporate governance has been won. As was said in the United States: “The board doesn’t run the company, but it has to make sure that the people who do are the best that are available.”³¹

39 It is all about people. Unless people at all levels have the experience, expertise and integrity to make the right and sometimes difficult decisions, the best intentions and the most carefully designed processes will come to naught.³²

³⁰ General Report, §’s 67-68.

³¹ General Report, §’s 70-71.

³² General Report, §71.

Reports from management to the board

40 The conventional way in which management reports to a bank board is either in writing in reports contained in the board pack or orally at a board meeting. On the whole, a bank board receives the board packs in good time and the non-executive directors are satisfied with the quality of the information. A fairly common comment made by non-executive directors is that the board packs are becoming increasing voluminous and detailed. But there will always be a tension between possibly giving too much information and giving too little, in which event the non-executive directors may feel that they are not been kept fully informed.

Conflicts of interest

41 Conflicts of interest are inevitable on a South African bank board. The most common conflict of interest arises where a non-executive director on a bank board serves in an executive or non-executive capacity on the board of a corporation which has close commercial links to the bank, usually as borrower. All the banks have well-established guidelines which require a bank director to disclose his or her interest and in appropriate cases to recuse himself or herself when a conflict of interest may arise. The decision whether or not to lend

money to a particular corporation is taken at a level below board level, a level at which a non-executive director has no power to influence the decision. A most likely conflict of interest for executive directors arises with the fixing of the form and quantum of remuneration of the executive director. The conflict is avoided today by the remuneration of an executive director being determined by the board remuneration committee which consists entirely or mainly of non-executive directors.

Separating the roles of chairperson and CEO

42 The function of CEO of a bank should be separate from that of the chairperson.³³

43 The banks under review have a chairperson and a CEO:

<u>Bank/Holding Co</u>	<u>Chairperson</u>	<u>CEO</u>
Absa	Dr Danie Cronjé	Mr Nallie Bosman
FirstRand	Mr G T Ferreira	Mr Paul Harris
Investec	Mr Hugh Herman	Mr Stephen Koseff
Nedcor	Mr Chris Liebenberg	Mr Richard Laubscher
Standard Bank	Mr Derek Cooper	Mr Jacko Maree

³³ General Report, §75.

The chairperson

44 The chairperson of a bank is prohibited by law from being an employee of the bank. Preferably, the chairperson of a bank should be an independent non-executive director.³⁴ If the chairperson is an independent non-executive director, the need for a senior non-executive director (SID) does not arise, thus avoiding the controversy which arose following on the release of the Higgs' report.³⁵

45 The chairperson is primarily 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.³⁶

46 The relationship between the chairperson and the CEO works best when there is a valuable mix of different skills and experiences which compliment each other. The chairperson should not seek executive responsibility. The chairperson should be an informed, experienced and trusted partner, the source of counsel and challenge designed to support the CEO's performance.³⁷

³⁴ General Report, §'s 76-77.

³⁵ General Report, §3.

³⁶ General Report, §81.

³⁷ General Report, §82.

- 47 It is vitally important that, throughout his tenure, the chairperson should retain his independence of mind, provide the necessary independent leadership of the non-executive directors, and ensure that the necessary checks and balances on the board are in place.³⁸
- 48 It is recommended that a three-year period should elapse between the CEO of a bank retiring and becoming chairperson of the bank.³⁹
- 49 It would be placing form above substance if one were to split the roles of chairperson and CEO and then have the two positions occupied by persons who are closely related or close friends or “blood brothers”, so to speak.⁴⁰
- 50 There is no mould from which the chairperson of a South African bank has been cast. One of the reasons is that there is a shortage of ex-bankers to serve on bank boards as non-executive directors. Three of the banks have former bankers as chairpersons (Absa, FirstRand and Nedcor) and two have former businessmen (Investec and Standard Bank):

³⁸ General Report, §'s 83-84.

³⁹ General Report, §'s 86-88.

⁴⁰ General Report, §89.

Absa

Dr Danie Cronjé is a career banker. He commenced his career in banking in 1969. He became CEO of Volkskas Bank in August 1988. He was involved with Absa 1 (the merger of Volkskas Bank, United Bank and Allied Bank) in 1991 and Absa 2 (the acquisition by Absa of Bankorp) in 1992. He became CEO of Absa in 1993, a position he occupied until 1997 when he became executive chairperson. On 1 January 2000 Dr Cronjé became non-executive chairperson.

FirstRand

Mr GT Ferreira was a co-founder of RCI. After RCI acquired RMB in 1985, he became managing director of RMB, a position he occupied until 1988, when he became chairperson. He remained chairperson of RMB until the merger between RMB and FNB. Since the merger he has been chairperson of FirstRand. Mr Ferreira is a significant shareholder of RMB Holdings, which owns 33% of FirstRand.

Investec

Mr Hugh Herman is an attorney who joined Pick & Pay in 1976 as an executive director. After 5 years he became managing director. He left Pick & Pay in May 1993. In 1994 he became deputy chairperson and chief executive of Investec. He became chairperson at the end of 1995.

Nedcor

Mr Chris Liebenberg joined Nedcor in 1952. He became managing director in 1988 and CEO in 1990, a position he occupied until his retirement in 1994. Mr Liebenberg was Minister of Finance for two years. In 1997 he became chairperson of Nedcor.

Standard Bank

Mr Derek Cooper is a qualified chartered accountant who joined Barlow Rand Ltd in 1964 and ended his career there in 1992 as vice-chairperson and managing director of Barlow Rand Limited. From 1993 until 2000 he was chairperson of CG Smith Ltd. He was

appointed chairperson of Standard Bank Group and Standard Bank with effect from 1 January 2001.

51 The former bankers, Dr Cronjé, Mr G T Ferreira and Mr Liebenberg, have an advantage over their non-banker colleagues in that they have extensive knowledge and experience of banking. Messrs Cooper and Herman spend most of the time since becoming chairmen at their respective banks and consequently have sufficient knowledge of the business and associated risks of their respective banks in order to provide effective leadership of the board.

52 In terms of the definition of non-executive director in King II, Dr Cronjé and Messrs Ferreira, Cooper and Liebenberg are non-executive directors. Mr Herman is not a non-executive director. In board committee minutes he is described as an executive and his remuneration is described as a salary. The form of his remuneration (salary, bonus, other benefits and share options) could be regarded as that of an executive. The quantum he is paid is that of an executive. Investec indicated that it is committed to reviewing the quantum and description of Mr Herman's remuneration and that Mr Herman has distanced himself from the executive and now spends a great deal of his time chairing board meetings, hosting functions and carrying out the traditional functions of a chairperson.

53 In terms of the definition of independent non-executive director in King II, Messrs Herman, GT Ferreira and Liebenberg are not independent directors. For the past three years Dr Cronjé was not an independent director in terms of King II in that he moved from an executive position to a non-executive position without a three-year cooling off period. Mr Cooper is an independent director, although he is in danger of being perceived as being so close to management that his capacity to act in an independent manner may be impaired or be seen to be impaired. Standard Bank has been advised that Mr Cooper should acquire a degree of detachment and create a distance between himself and management.

54 Investec has been advised that:

- Mr Herman is precluded by law from being chairperson of a bank as an executive;
- should Mr Herman become a non-executive director, but remain a non-independent director, Investec's non-compliance with King II and this Report should be disclosed in Investec's annual report.

55 FirstRand has been advised that should Mr GT Ferreira remain chairperson as a non-independent director, FirstRand's non-compliance with King II and this Report should be disclosed in FirstRand's annual report.

56 If Mr Liebenberg should resign from the board of Old Mutual plc, the holding company of Nedcor (the directorship which renders him non-independent) he would be regarded an independent non-executive director. If he does not resign, and the Nedcor board requires him to remain as chairperson, the non-compliance with King II and this Report should be disclosed in the annual report and an explanation given for the non-compliance.

The modern banker

57 What is a banker in the modern world? Is it possible for any one person to know all the business of a large, diverse banking group, which includes in its embrace retail banking, corporate banking, merchant banking, treasury, and so on? After eliciting the views of various experienced bankers, the conclusion one comes to is that the complete banker in the modern world is a mystical being. Rather than focussing on whether a particular individual is a banker, one should look at the make up of a management team and consider whether the

team contains an appropriate collection of skills and experience to manage the bank or division or cluster.⁴¹

The CEO

58 The CEO of a bank:

- has a critical and strategic role to play in the operational success of a bank's business;
- should maintain a positive and ethical work climate that is conducive to attracting, retaining and motivating a diverse group of top-quality employees at all levels of the bank;
- is expected to foster a corporate culture that promotes ethical practices, encourages individual integrity, and fulfil social responsibility objectives and imperatives.⁴²

59 The CEO's of the five banks are highly skilled, experienced bankers:-

Absa

Mr Nallie Bosman has been in banking for 40 years, having commenced his career with Volkskas Bank in 1963. He was managing director of United Bank from 1987 until 1992.

⁴¹ General Report, §'s 72-74.

⁴² General Report, §'s 91-93.

Subsequently Allied Bank, Volkskas Bank and Trust Bank were added to his portfolio. After being managing director of Absa, he became CEO in 2000. Mr Bosman intends to retire in 2004.

In future, a major area of focus for Mr Bosman must be managing his succession plan.

FirstRand

Mr Paul Harris joined RCI shortly after it had been established. After RCI acquired RMB, Mr Harris built up the capital markets division. He spent 4 years (1987 – 1991) running the RMB business in Australia. On his return to South Africa in 1991, he was appointed deputy managing director of RMB. In 1992 he became CEO. He has been CEO of FirstRand Bank since July 1995. He is a significant shareholder in RMB Holdings, which owns 33% of FirstRand.

Investec

Mr Stephen Koseff joined Investec in 1980 at about the time it was registered as a bank. Having worked in most divisions of Investec, he became managing director in 1988 and CEO in 1996. He is a substantial shareholder.

Nedcor

Mr Richard Laubscher has worked for Nedcor his whole working life - over 30 years. He was appointed managing director of Nedbank in 1990, CEO of Nedcor Bank Ltd in 1991 and CEO of Nedcor Ltd in 1994.

One of the primary focus areas of Mr Laubscher is to oversee the effective integration of Nedcor, NIB, BoE and the Cape of Good Hope Bank.

An area of concern which needs to be addressed by the Nedcor board is succession: in the event of Mr Laubscher departing the integration must not be affected by his departure and his departure must not coincide with Mr Liebenberg's retirement (October 2004), for obvious reasons.

Standard Bank

Mr Jacko Maree joined the corporate finance division of Standard Merchant Bank Limited in 1980. He was appointed managing director in 1991, and after its creation, he became CEO of Standard

Corporate and Merchant Bank (SCMB). In 1997 he was appointed deputy CEO of the Standard Bank Group, becoming CEO in 1999.

Mr Ruck was appointed as deputy CEO to share some of his responsibilities. Now that Mr Ruck has moved to Liberty, the board needs to identify another individual to assume Mr Ruck's responsibilities.

Executive directors

60 Speaking generally, the executive directors of the 5 banks are competent, experienced, well-educated, and well-regarded by the boards on which they serve, albeit that not all of them are traditional bankers:-

Absa

61 Dr Steve Booysen (40) DCom, CA, after completing his articles with Ernst & Young (1980-1983), was a senior lecturer in accounting at the University of South Africa (1983-1989) before joining Trust Bank as senior manager and assistant general manager (1989-1992). He was an assistant general manager at group finance at Absa (1992-1994). He joined Absa Corporate Bank (later Absa Corporate and Merchant Bank ("ACMB")) in 1994. During the next 7 years, from time to time, he was head of structured finance; responsible for

international banking, group treasury, offshore banking operations, corporate finance and investment banking. Dr Booysen is a member of the Absa executive committee (“exco”), in which he has three portfolios: Bankfin, the asset based finance division of Absa; Business Bank, and CRMO, a credit responsibility of retail and commercial banking.

62 Ms Santie Botha (38) BEcon (Hons) degree at Stellenbosch University. She joined Unilever as a management trainee in 1987, was seconded to the United Kingdom in 1991, and served as group product manager, business unit manager and commercial sales director of various Unilever subsidiaries before joining Absa in 1996. She was initially appointed as group general manager: marketing. She is presently the group executive director responsible for e-business and information management, Absa Card, group payment services, group strategy development, group marketing and group corporate and public affairs.

One of Ms Botha’s achievements at Absa has been the implementation of the one brand strategy, replacing the brands of four banks, with one Absa brand.

63 Mr Frans du Toit (56) BCom (Hons) CA spent 5 years at the Land and Agricultural Bank before completing his articles. He was an audit

partner for 16 years before joining Volkskas Bank as general manager in 1987. He was later promoted to executive director. He became the group general manager: finance with Absa 1. He is currently a member of exco and in charge of group finance and secretariat, group people management, group legal services, group economic research and group investor relations.

64 Mr Charles Erasmus (52) BSc, FIA, ASA, before joining Absa, worked for Sanlam, Rondalia Life and Volkskas Insurance Brokers. In 1992 he was appointed group actuary, Absa Group. In 1995 he was appointed managing director of Absa Insurance Company, Absa Life, Absa Consultants and Actuaries as well as Absa Healthcare Consultants. Since 1997 he has been a member of exco and the bank board. He is currently responsible for Absa Financial Services, MLS Bank and Absa Private Bank.

65 Mr Rupert Pardoe (46) BA (Hons) joined Anglo American Corporation of South Africa Limited (“Anglo American”) as a management trainee in 1981. While an employee of Anglo American, Mr Pardoe worked on secondment as an investment analyst in a firm of stockbrokers; he was a special projects officer at the Anglo American and De Beers Chairman’s Fund; personal assistant to the chairman; seconded to merchant bankers S G Warburg in London;

and worked as finance manager in the chairman's office at Anglo American. In 1995, he became financial director of Anglo American Industrial Corporation. He was appointed as an executive director and finance director of Anglo American in 1997.

He was involved with the merger between First National Bank, Rand Merchant Bank, Southern Life and Momentum. He was appointed a non-executive director of the new entity, FirstRand Group. Within the group he was a director of FNB and RMB; a member of the credit committee; and the chairperson of the audit committees of FNB and RMB. His involvement at FirstRand lasted four years.

Mr Pardoe joined Absa in September 2001 with a brief to head up the corporate and merchant bank as well as international operations. Presently he is responsible for ACMB, International Banking, the Africa desk, Abvest and Black Economic Empowerment. Mr Pardoe has recently been appointed as deputy CEO.

66 Mr Israel Skosana (49) BCom, CA was a financial accountant with IBM, a senior accountant with Deloitte & Touche, a divisional auditor at Anglo American, a director and deputy managing director at the Get Ahead Foundation, an executive director of National Sorghum Breweries, and from 1996 to 1999 was first deputy managing director and then managing director of South African Express Airways. He became group managing director of SARHWU

Investment Holdings Ltd (1999-2002), a private equity fund holding strategic investments that leverage on trade union membership. Mr Skosana commenced employment at Absa in February 2002. He is responsible for personal financial services, Absa Real Estate Asset Management, Allpay and Group Procurement and Logistics.

67 Mr Pieter van der Merwe (54) BA (ECon) CA, after qualifying as a chartered accountant, worked for Boland Bank (1974-1983), Volkskas Merchant Bank (1983-1989) where he rose to general manager; Trust Bank (1999-1991) where he was general manager: finance and later general manager of the Johannesburg region; Bankorp, where he was general manager of Bankorp's group finance division. After Absa 2 in 1992, Mr van der Merwe was appointed as general manager: finance. Between 1993 and 1995, Mr van der Merwe worked on Project Dynamo which focussed on profit improvement, restructuring and so on. In 1995 he became general manager of the Western Cape Region. Mr van der Merwe was appointed as group executive director in 2001 and is responsible for Absa home loans, retail banking services and Flexi services.

68 Mr Louis von Zeuner (41) BEcon started as a clerk in the Goodwood branch of Volkskas in 1981. He was the branch manager of four branches, Wynberg, Cape Town, Old Paarl Road and Stellenbosch

between 1989 and 1995. Between 1995 and 1999 he was regional manager for the Northern Cape, provincial general manager of the Northern Province and provincial general manager for the Free State. In 1999 Mr Von Zeuner moved to Absa Head Office where he joined Mr Pieter van der Merwe on a project on how Absa should go forward in a segmented approach. In 2000 he was promoted to operating executive of Absa Commercial Bank. In April 2001 he was made a member of exco and a director of the bank with responsibilities for Delivery Channel Services, the traditional branches of the bank; Electronic Channels, the ATM networks, the Internet, telephone banking; group administration and operations: the central back office of the Absa Group; group management services; customer service and service quality; and retail bank IT. In July 2002 Mr Von Zeuner also took on responsibility for group IT.

FirstRand

69 Mr Viv Bartlett (60) has been in the banking industry for 42 years. He started working for Barclays Bank after matriculating. He worked himself up through the ranks, becoming general manager for the Transvaal Region, chief financial officer of FNB, as Barclays Bank had then become, managing director of FNB prior to its merger with RMB, and is now deputy CEO of FirstRand Bank.

70 Mr Michael Brogan (54) CA (Australia), after practising as a chartered accountant in Sydney, joined Standard Charter in 1986. Having worked for Standard Charter as managing director of various of its operations in Hong Kong, he returned to Australia in 1993/1994 and began his association with RMB. Presently he is the chairperson of RMB Australia Holdings and the chairperson of Ansbacher Holdings (UK) and a member of the audit committee and competition committee of that bank.

71 Mr Johan Burger (44) BCom Hons CA, while practising as a chartered accountant, was the audit manager for the RMB account. He joined RMB's treasury division in 1985/1986. He became head of finance of RMB in the late 1980's/early 1990's. He was appointed to the board of RMB in 1995. He is presently the chief financial officer of FirstRand Limited and a director of the bank.

72 Mr Laurie Dippenaar (54) MCom CA was a founding member with Mr GT Ferreira and Mr Pat Goss of Rand Consolidated Investments ("RCI"). RCI acquired RMB through a reverse take-over. In 1988 Mr Dippenaar became CEO of RMB. After the reverse take-over of Momentum Life Assurance in 1992, he became an (active) non-executive chairperson. In 1998, after the merger of RMB,

Momentum, Southern Life and FNB, Mr Dippenaar became CEO of the merged entity, FirstRand Ltd.

Investec

73 Mr Glynn Burger (45) BAcc CA H Dip BDP MBL is a chartered accountant. Save for the period he spent qualifying, Mr Burger has spent his whole career at Investec. From beginning life at Investec as the group accountant, he became the financial director of Investec Merchant Bank, worked in the information services department when the merchant bank merged with Metboard, became group risk manager for the whole group in 1993, and was appointed joint managing director with Mr Andy Leith of the bank in 2002. He remains the group risk manager. He represents the risk and group finance division on the boards of both holding companies. He focuses on the non-operating divisions, such as accounting, human resources, and risk. He chairs the various risk forums for price risk, market risk, credit risk, and interest rate risk. Mr Burger is ultimately the person responsible for risk in the South African operations.

74 Mr Richard Forlee (41) BCom CA MBA joined Investec in February 1988. At various times he was financial controller, head of group marketing, consultant in project finance and then in charge of

structured finance. He was given responsibility for the treasury operations in 1998. For the years 2000 – 2002 he was responsible for the treasury and specialised finance worldwide. His title is head of treasury and specialised finance worldwide. He moved to London in about August 2002.

75 Mr Sam Hackner (46) BCom (Hons) CA is a chartered accountant who joined Investec in 1989 via I Kuper & Company. Before Mr Bradley Tapnack took over his role as financial director, he was financial director of property administration and property development. When I Kuper sold the development side of the business to Investec, he and Mr Tapnack joined Investec. In due course Mr Hackner and Mr Bradley Tapnack became joint managing directors of the property group. Mr Hackner then joined the private bank of Investec. After Mr Steve Heilbron became managing director of the private bank in South Africa, Mr Hackner was appointed CEO of the private bank globally. Mr Hackner is involved on various committees of the Group, such as the global ops forum, the global strategy forum and he is chairperson of the staff share incentive scheme for the DLC. The private bank is his primary responsibility.

76 Mr David Lawrence (51) BA (Econ)(Hons) M Com is the Deputy Chairman of Investec Bank. Mr Lawrence's background is that of an

economist and part-time soldier who spent his initial life as a banker at Citibank. He became CEO shortly before Citibank decided to sell their South African operations. After First National Bank took over Citibank, Mr Lawrence became the managing director of FirstCorp, First National Bank Group's corporate and investment bank. Mr Lawrence ran FirstCorp for more than 8 years and was a member of the management committee of the First National Group. He joined Investec at the beginning of 1996 as a member of the executive team and a director of the holding company and the bank. He is on many of the committees of the bank, including the global management forum and holds group executive responsibility for the Mauritius operations. He holds global responsibility for Investec's major corporate relationships. He is also responsible for interacting with foreign banks, the Banking Council and the SARB. Mr Lawrence chairs a number of the committees within the group.

77 Mr Bernard Kantor (52) is the managing director of the bank and holding companies, who has been based in London for the past 5½ years. Mr Kantor's career at Investec began in 1980. Over the years he was involved with lending, the trading division, Kruger Rands, and marketing. At the time when Mr Bas Kardol became chairperson and Mr Koseff managing director, Mr Bernard Kantor became chief

operating officer. In 1995 he became group managing director and Mr Koseff CEO.

78 Mr Andy Leith (42) BCom CA, on completing his articles as a chartered accountant, joined Standard Merchant Bank in corporate finance in 1987. By the time he left to join the corporate finance division of Investec in 1994 he was a general manager at Standard Merchant Bank (“SMB”). He and Mr Bradley Freid are joint heads of investment banking, Mr Freid in London, and Mr Leith in South Africa. He is joint managing director of the bank with Mr Burger. He is a member of the various forums, such as the global management forum and he serves on various operational boards such as the Investec Securities board and the Investec Australia Board.

79 Ms Carole Mason (41) BA (Econ) (Hons) MSc (Econ) has a master’s degree in economics from Trinity College, Dublin. After becoming an investment economist for the Investment Bank of Ireland, she came to South Africa in 1989. She worked for Standard Bank as an international economist and subsequently as their deputy group economist. She joined Investec in late 1994. She practised as the Investec group economist until about 1999, at which time she was appointed to the management team within Investec Securities. Subsequently she took over responsibility for the institutional side of

the stockbroking business. She is the joint managing director of Investec Securities with specific responsibility for the institutional side of the stockbroking business. She is a member of the general management forum. She sits on various other committees.

80 Mr David Nurek (52) Dip Law Dip Company Law practised as an attorney at Sonnenberg, Hoffmann & Galombik from 1968 until 2000. He was the senior partner or chairperson of that Cape Town firm for 9 years until he joined Investec on 1 July 2000. Mr Nurek started out with the title of chairperson of the Western Cape region of the bank. He is a member of the group credit committee and the deal forum. During the two years he has been at Investec he has been involved, for example, with the London listing and with Fedsure.

81 Mr Bradley Tapnack (55) BCom CA is a chartered accountant who spent his initial years as an accountant at PwC, whereafter he joined Grey Holdings, an advertising and marketing group. In 1986 he joined I Kuper & Company. When Investec bought the business in 1989, he and Mr Hackner joined Investec. As indicated earlier, he and Mr Hackner were appointed joint managing directors of the property division. Later he became chief financial officer, a position he held until October 2001. He joined the board of the bank in

February 1994. Since October 2001 his official title is global head of corporate governance and compliance.

Nedcor

- 82 Mr Tom Boardman (53) BCom CA, having spent some time at Anglo American, started a chain of stores called Boardmans in 1981. After Pick & Pay acquired the business, Mr Boardman joined the Board of Executors in 1986. He became the chief executive of BoE, by that time the sixth largest bank in South Africa, in April 2000.
- 83 Dr Izak Botha (53) DCom is an economist who was senior general manager responsible for international banking at Volkskas Merchant Bank; managing director of Finansbank; one of three managing directors of NIB after the merger of NIB, UAL and Syfrets, and most recently CEO of NIB.
- 84 Mr Barry Hore (42) BCom AMP (Harvard) joined Nedbank in January 1983. He started electronic banking at Nedbank. Since 1990 he has been involved in technology, now technology and operations (“T & O”) at Nedcor. Prior to the Nedcor/BoE merger his title was managing director, technology and operations.

- 85 Prof Michael Katz (58) BCom LLB LLM LLD (hc) is vice-chairperson of Nedbank Limited and chairperson of Edward Nathan and Friedland (Pty) Ltd (“ENF”). He became a non-executive director of Nedcor Bank Ltd in 1984 and a director of Nedcor Ltd in about 1997 or 1999. Prof Katz was the chairperson of NIB prior to its integration with Nedcor. He is an executive in that he is in the full-time employment of a wholly owned subsidiary, ENF, but he is not involved in the management of the bank. He is chairperson of the Tax Advisory Committee.
- 86 Mr Stuart Morris (57) BCom CA was the lead partner at KPMG on the Nedbank audit before becoming senior partner of KPMG. He joined Nedcor as financial director in July 1999.
- 87 Mr Derek Muller (50) BCom CA AMP (Harvard) spent 10 years at Citibank in corporate banking. After 2½ years at Nedfin, Mr Muller joined Nedbank in 1989. Prior to the merger of BoE he was responsible for five line divisions: corporate banking, commercial banking, retail banking, the treasury and international operations.
- 88 Mr Lot Ndlovu (51) Dip IR MAP EDP AMP (Harvard) was trained in human resources. He joined Nedcor on 1 November 1994 in corporate affairs. In mid-1996 he assumed responsibility for human

resources at group level. In November 2000 he joined People's Bank, of which he is the chief executive.

89 Mr Tony Routledge (55) BCom CA was the managing director of the consulting practice of Ernst & Winny when he joined Mercedes Information Technology (MIT) as chief financial officer. He moved from MIT/Datacor to Sancorp where he was involved in the unbundling of Sancorp. Mr Routledge joined Nedcor in January 1998 with responsibility for finance and strategy. Since the appointment of Mr Morris as financial director, Mr Routledge has concentrated on strategy and investor relations.

Standard Bank

90 In addition to Mr Maree, at the time of the interviews the executive directors were Messrs Ruck, Prinsloo and Andersen. Subsequent to the interviews, Messrs Prinsloo and Andersen resigned with effect from 31 December 2002 and 31 May 2003 respectively, and Mr Ruck was appointed CEO of Liberty, while remaining an executive director of Standard Bank. Mr Ruck has a Bachelor of Business Science degree (actuarial) from the University of Cape Town. After working for Old Mutual, Ned Equity, Edgars Limited and Truworths Limited, Mr Ruck joined Standard Merchant Bank ("SMB") in June 1985. He

was the managing director of Standard Corporate and Merchant Bank (“SCMB”) before being appointed deputy CEO in 2002.

Non-executive directors

- 91 Taking a broad view, the non-executive directors of the five banks:
- are more often than not, non-bankers;
 - are persons of integrity;
 - usually independent of management;
 - count amongst their number active executives in other corporations;
 - include former CEO’s and senior executives of large corporations who have the time and wide business experience to add great value to a bank board and to board committees;
 - include some relatively inexperienced directors; and
 - are capable of performing their functions as a group, combining diverse skills, perspectives and experiences:-

Absa

- 92 Ms Brigalia Bam (69) MA trained as a teacher and social worker. Her experience is in the NGO community, mainly religious institutions. Ms Bam was employed by the World Council of Churches from 1967

until 1980, becoming deputy secretary-general. She was the general secretary of the South African Council of Churches from 1993 until 1998. In 1993 she founded a women's NGO called Women's Development Foundation, which aims at training women for leadership. Since 1997 Ms Bam has been a member of the Independent Electoral Commission and is at present chairperson of that commission. She is a non-executive director of Murray & Roberts Holdings Ltd.

93 Mr Leslie Boyd (66) started life as a trainee metallurgist in Scotland and by the time he retired in 2001 he had been chairperson of Highveld Steel and Vanadium Corporation Limited, executive director of Anglo American, deputy chairperson of Anglo American, chairperson of Anglo American Industrial Corporation Limited, chairperson of Allied Technologies Limited, chairperson of Angloplat; chairperson of AECI Limited and executive vice-chairperson, Anglo American plc. He is the longest serving member of the Absa board if one takes into account that he was a member of the United Bank board. He is a member of the Group Remuneration and Nomination Committee and the Board Lending Committee.

94 Mr Dave Brink (62) MSc (Eng)(Mining) is the deputy chairperson. After working for eight years in the gold mining industry with Anglo

American, he was appointed managing director of the shaft sinking business of Murray & Roberts at the age of 30. He held numerous senior positions with the Murray & Roberts Group becoming CEO in 1986. He remained in that position until 1993. From 1994 until 1997 he was CEO of Sankorp, which managed Sanlam's strategic investments. During this period he was on the boards of a number of companies including Absa of which he was a non-executive director. Mr Brink joined the board of Hill Samuel in 1985. He was on the Trust Bank Board in 1987 and 1988. In 1992 he joined the board of ACMB and soon thereafter the main Absa 2 board. He was the chairperson of Absa from 1993 to 1997. Included in the other boards on which Mr Brink serves are Sappi, BHP Billiton and Unitrans Ltd. Besides being deputy chairperson, Mr Brink is the chairperson of the Group Remuneration Committee and a member of the Board Lending Committee.

95 Mr Brian Connellan (62) CA joined the Barlows Group shortly after he qualified in 1963. He spent his entire working life with Barlows, working himself up through the ranks. In 1985 he was appointed to the Barlows board of directors; shortly thereafter he was made chairperson of the material, steel and paint division, which made him chairperson of some listed companies, such as Plascon Evans, Federated Blakie and Robor Industrial Holdings; in 1986 he became a

member of the Barlows executive committee; in 1990 he became executive chairperson of Nampak Ltd, a position he held until his retirement in 2001. He is non-executive director of a number of public listed companies, such as Nampak Ltd, Illovo Sugar Ltd, Tiger Brands Ltd, Sasol Ltd. Mr Connellan's involvement with the banking industry began in 1985 when he became a non-executive director of Trust Bank, later becoming a member of the board of Bankorp; and after Absa 2, he joined the Absa bank board, and later the Absa Group board. He is a member of the Group Remuneration and Nomination Committee and the Board Lending Committee.

96 Mr Attie du Plessis (59) BCom, CA, H dip Tax has been a director of companies for 25 years. He began at Federale Volksbeleggings as an accountant, later becoming executive director; he was financial manager of Wesco for 7 years; from 1986 until 1997 he was executive director of Sankorp; from 1998 to 28 February 2002 he was an executive director of Sanlam. Mr du Plessis is presently chairperson of Business South Africa, a past president of the Afrikaanse Handelsinstituut and is chairperson of the RAU Council. He was appointed a director of Absa in 1992. He is chairperson of the Group Audit and Compliance Committee ("GACC") and is a member of the Board Lending Committee.

- 97 Mr Garth Griffin (53) BSc FIA is a qualified actuary. He spent his working life at Old Mutual from the time he left university until the time he left in 1998, at which time he was joint managing director of the Old Mutual Group. His background is essentially one of asset management, life insurance, and collective investment scheme type operations – a wide spectrum of financial services, but not banking. He is a member of the Group Risk Committee and is a director of Absa Financial Services Ltd.
- 98 Mr Lourens Jonker (63) BSc (Agric) is a wine farmer who inherited Weltevrede Wine Estate in 1969. He became the chairperson of KWV in 1994 and to date serves as the chairperson of KWV Group Ltd, KWV Co-operative and KWV Investment Limited. He is a non-executive director of Naspers and Distell Group Ltd. He has served on the Absa Group board and Absa Bank board since 1996. He is also a member of the ACMB board. He is not a member of any committees.
- 99 Mr Paul Kruger (65) BSc Eng (Mining) MBL joined Sasol in 1964. He rose through the ranks until he became managing director and CEO of Sasol Limited. He was CEO from 1987 until 1997, and he is presently the non-executive chairperson. He joined the Absa Group

board in 1996. He is a member of the GACC and is chairperson of the Group Risk Committee.

100 Mr Tokyo Sexwale (50) was Premier of Gauteng Province from 1994 until 1997. He is executive chairperson of Mvelapanda Holdings (Pty) Ltd, which is engaged in diamond mining, platinum, oil and gas. He is the non-executive chairperson of Northam Platinum, Transhex, Nevela Resources and Rand Mutual Assurance. He is a non-executive director of Goldfields. He is a director of several other companies. He became a non-executive director of Absa in 2001. He does not want to serve on any of the board committees because he does not think he will have the time to do so.

101 Mr Franklin Sonn (63) BA (Hons) is a teacher by training. He was rector of the Peninsula Technikon from 1978 until 1994. He served as South African ambassador to the United States of America from 1995 to 1998. He is a member of the Afrikaanse Handelsinstituut, is the CEO of numerous community organisations and is a director of a number of companies. He is a member of the Absa retail bank board.

102 Mr Peter Swartz (61), after starting life as a teacher, went into business on his own account, providing entertainment services and facilities in the Western Cape; was the owner of three cinemas at one

time; developed a retail liquor business, bought a chain of supermarkets; and developed a chain of Kentucky Fried Chicken outlets. He is a non-executive director of Distillers, New Clicks Holdings Ltd, Sanlam Ltd and Ellerine Holdings Ltd. He joined Absa in 1991. He is a member of the Group Risk Committee. He was appointed as a member of the Absa Commercial Bank Divisional Board with effect from 1 April 2003.

103 Mr Theo van Wyk (55) BCom LLB LLM H Dip Tax is a former professor of Mercantile Law at Unisa and the University of Stellenbosch. He was Registrar of Financial Institutions from 1987 to 1990. He was executive director of Rembrandt Group Limited from 1990 to 2000 and executive director of Remgro Ltd until date. He is a non-executive director of a number of companies such as Dorbyl, Wispeco, Sage Group, Business Partners, and Absa. He became involved with Absa in 1991. He is a member of the Group Remuneration and Nomination Committee, the GACC, and the board of Absa Financial Services Limited.

104 There is a lack of ex-bankers amongst the non-executive directors of Absa. Dr Cronjé is the only ex-banker. Dr Cronjé said that the reason there are no bankers at the non-executive director level is that there are none available. Bankers are only found from within the group of

people who have come through the ranks of Absa. He does not regard it as possible to draw someone from a competitor.

FirstRand

105 Mr John Gafney (69), after spending the early part of his career with Hulett's and CG Smith, joined the Natal Building Society ("NBS") in August 1971. He was associated with the NBS, in its various forms, until he retired in 1995. At that stage he was managing director. He first became a director of RMB when the NBS and RMB formed an alliance. After the RMB/FNB merger, Mr Gafney became a director of the bank.

106 Mr Pat Goss (55) BEcon (Hons), BAccSc (Hons) CA started RCI with Messrs Ferreira and Dippenaar. Within a short time he was obliged to leave RCI, in order to take over the family business in the Transkei. That business, known initially as Goss & Company and later Boxer Holdings, was recently sold to Pick & Pay. Mr Goss is the chairperson of the company that owns the hotel, Umgazi River Bungalows. Mr Goss has been a director of RMB since 1977 and became a member of the banking group boards after the merger. Mr Goss is a shareholder of RMB Holdings, and holds a nominal investment in FirstRand.

107 Mr Mike King (66) CA, after spending about 13 years with Union Acceptances Limited in various capacities, including deputy managing director, joined Anglo American in 1974. He was finance director for about 18 years. In 1997 he became the deputy chairperson of Anglo American. When Anglo American moved its domicile to London, he became the vice-chairperson of Anglo American plc. He was involved with most aspects of the business, including Anglo American's interests in banking, the largest being Barclays Bank, as it was then known. He was a non-executive director of First National Bank, the successor to Barclays Bank, and became vice-chairperson of the bank.

108 Mr Sadek Vahed (69) is the chairperson of Kingsgate Clothing Group. For many years Mr Vahed was the CEO and executive chairperson. His son is now the CEO. The Kingsgate Clothing Group is possibly the largest privately owned clothing manufacturer in Southern Africa, with a turnover of ±R400 million per annum. Mr Vahed first became associated with FNB when he joined the board in 1987.

109 Mr Robbie Williams (62) BA LLB joined Barlows Manufacturing Company in 1967. At one stage he was the managing director of the

appliance and television company within the Barlows Group. After Barlows acquired Tiger Oats, he became the CEO, and has been associated with that company ever since. When Barlows unbundled, Mr Williams became vice-chairperson of CG Smith Limited. After CG Smith was unbundled, Mr Williams became non-executive chairperson of Tiger Brands and Illovo Sugar. Mr Williams became a director of FNB in 1998. After the merger he was appointed to the FirstRand Limited board and the banking group boards.

- 110 There is a shortage of ex-bankers on the FirstRand bank board. However, one must recognise that there is a shortage of ex-bankers in South Africa who are available to serve on a bank board. There are no women on the board. FirstRand indicated that a process is underway to recruit additional non-executive directors to increase the size of the board to ensure that the board and its committees are constituted with appropriate skills and as far as possible in the short term, to address the gender and race shortcomings.

Investec

DLC

- 111 The DLC board consists of Messrs Herman (chairperson) Abell, Alford, Keswick, Abrahams, Jowell, Thomas and Malungani.

112 Mr John Abell (70) commenced his career in banking in 1954. His career was spent with Wood Gundy, now CIBC Wood Gundy, in Canada, New York and London. In 1982 he became chairperson and later CEO of Orion Royal Bank. He returned to Wood Gundy until his retirement in 1991 as chairperson of CIBC Europe. Mr Abell first became associated with Investec in 1991/1992 at the request of the Bank of England when he became a director of Allied Trust Bank, which Investec had acquired. Mr Abell is chairperson of the plc audit committee and he is on the plc remuneration committee. He is a member of the audit committee of Investec Ltd.

113 Mr George Alford (54) spent his career with Kleinwort Benson, initially in the Far East, and then in London, specialising in the Middle East. For a period of 5 years he was head of human resources of Kleinwort Benson. Mr Alford was involved with what he described as “technical jobs”, such as private banking and Islamic banking, but the bulk of his career was spent in and around central management of key business units. When Mr Alford left Kleinwort Benson in about 1996/1997 he joined the Bank of England as a senior banking advisor. When the FSA split away from the Bank of England he moved to the FSA as a grey panther. Mr Alford is a member of the

remuneration committee of Investec plc and is on the audit committee of Investec Ltd.

114 Sir Chips Keswick (62) joined Hambros Bank in 1965. Over the years he worked in London and New York, becoming a director of Hambros Bank in 1970. He became CEO and chairperson of Hambros Bank in 1985. In 1993 he became a non-executive director of the Bank of England. Sir Chips described himself as an old-fashioned merchant banker, a balance sheet lender. When Hambros broke up in 1997, Investec bought about half, Société Générale buying the banking business and Investec the rest, being a combination of investment management, private equity, and property. Sir Chips joined Investec UK in about 1999/2000.

115 The DLC board has a shortage of independent directors: only three of the nine non-executive directors are independent. Additional independent directors should be appointed to the DLC board.

Investec Bank

116 Mr Reg Berkowitz (65), Natal Law Certificate, was an attorney in Durban from 1959 until 1992. He joined Investec in August 1992. In 1996 he became Group Legal Advisor. He joined the board of

Investec Bank Ltd in 1997. Upon becoming 65 on 31 March 2002 he retired and became a consultant. On the following day, 1 April 2002, he became a non-executive director of the bank.

117 Mr David Kuper (67) moved to Investec when his business, I Kuper & Company, was sold to Investec about 14 years ago. Three years ago he retired as an executive director when he turned 65. He stayed on as a consultant. He is still involved, particularly on the property side. Investec consult him all the time on acquisitions and deals that they are doing.

118 Mr Peter Malungani (44) BCom MAP LDP is a non-executive director of both holding companies and the bank. He does not serve on any of the board committees. In 1984 he started his own business called Malungani & Associates. It is mainly a consulting business. The business acquired interests in the construction industry and the retail industry related to the construction industry. That was from about 1984 to the early 1990's. Mr Malungani consolidated all his activities into a single entity called Peu Investment Group ("Peu"). It was formally incorporated as an investment holding company at the beginning of 1996. Mr Malungani is non-executive chairperson of Phumulela Gaming and Leisure Ltd, the main business of which is horserace betting. Mr Malungani's business association with Investec

is that Investec and Peu together bought a 28.8% stake in Capital Alliance as equal partners.

119 Ms Daphne Motsepe BCompt MBA worked, inter alia, for the Get Ahead Foundation, National Sorghum Breweries, Engen, Women's Development Bank and is presently the head of strategy at the Post Office. Ms Motsepe is also the acting managing director of Post Bank. She serves only on the bank board.

120 Dr Morley Nkosi (67) BSc MBA PhD left South Africa in 1960, to return to Africa in 1988. During the 28 years he spent in New York, Dr Nkosi was a student, lecturer and consultant. In 1988 he located to Lusaka. He travelled extensively in Africa until he moved to Zimbabwe where he was asked to set up the Indigenous Business Development Council. He returned to South Africa to lead the Management Leadership Development Centre, which was part of NAFCOG. After a stint at NAFCOG, Dr Nkosi started Morley Nkosi & Associates, a management consulting firm. He joined Investec Group Limited in September 1994 and in July 1997 became a director of Investec Bank Limited.

121 Mr Fani Titi BSc Hons MA MBA is a mathematician. After lecturing at the University of the North for five years, he joined Rand Merchant

Bank in 1992. After 9 months he moved to the Development Bank of Southern Africa. In 1994 he began an association with Kagiso Trust Investment (“Kagiso”). He was a director of Kagiso for about 4½ years. He was the first CEO of Kagiso Media Limited. From Kagiso Media Limited Mr Titi moved to Corpcapital and from there to African Bank. Since the end of 2000 he has been running his own business called Tiso Capital (“Tiso”).

122 Mr Russel Upton (67) CA is a non-executive director of the bank; he is not on the DLC boards. He is based in Cape Town. He is a chartered accountant who spent the first 20 years of his working life with Metal Closures, a private packaging company. He joined Metal Box, which was taken over by the Nampak Group. He retired from Nampak as group marketing director. He was invited to join the regional board in Cape Town of Investec Bank in 1995. He serves on the Cape credit committee of the private bank of Investec.

123 Messrs Abrahams, Jowell and Thomas are non-executive directors of the DLC boards and Investec Bank.

124 Mr Sam Abrahams (63) FCA CA retired as the senior partner of Arthur Andersen in August 1996, having been chartered accountant

for 41 years. He joined Investec in about October 1996 as a non-executive director.

125 Mr Donn Jowell (60) BCom LLB has been an attorney since 1960. His present firm, Jowell, Glyn & Marais (“JGM”) was started in 1990. The last year or two he has been a consultant rather than a partner in the firm. Mr Jowell became a non-executive director in 1989. Over the years he has served on various committees such as the credit committee, the chairmen’s committee, the remuneration committee and for the past five or so years he has been the chairperson of the audit committee.

126 Mr Peter Thomas (57) CA is a chartered accountant who became the managing director of the Unisec Group in 1983. After Standard Bank bought Unisec in 1986, Mr Thomas continued to have a business relationship with Standard Bank for about 5 years, while the last industrial operations of Unisec were sold off. Mr Thomas’ relationship with Investec started in 1981, almost since the beginning of Investec Bank. He has been a non-executive director ever since. One of the Unisec companies was called Metboard. Metboard and Investec enjoyed a cross-shareholding for a while until the two companies were put together in 1987 and became known as Investec Bank Metboard Limited.

127 The Investec Bank board should be strengthened by reducing its size and the number of executive directors. There are no bankers or ex-bankers among its non-executive directors. Messrs Berkowitz and Kuper are employees or regarded as employees. Only five out of thirteen non-executive directors are independent.

Nedcor

128 Mr Chris Ball (63) Dip Iuris MA is an attorney whose initial working life was spent with Behrings Brothers. He joined the fledgling merchant bank division of Barclays National Bank Limited (“Barclays Bank”) in 1972. Mr Ball was variously general manager of the merchant bank, managing director of Wesbank, general manager of the London branch of the Barclays Group, and became CEO of the Barclays Bank Group in South Africa in 1982. He remained in that position until 1989 when he moved to London to become involved in private banking in Europe. Between 1994 and 1997 Mr Ball, on his return to South Africa, was head of the South African Housing Trust and later chairperson of the South African Olympic Bid Committee. In 1996 Mr Ball joined the board of BoE. He is a director of a number of companies.

- 129 Mr Warren Clewlow (66) OMSG, CA, D Econ (hc) spent his whole career within the Barlow Group, becoming chief executive and chairperson in 1991. In about 1998, Mr Clewlow was appointed non-executive chairperson of Barlow World Ltd, giving up his executive responsibilities. Mr Clewlow's previous experience as a non-executive director of a bank was with Standard Bank, where he was deputy chairperson for a while. Mr Clewlow is a non-executive director of various companies, including Sasol, Old Mutual Life Assurance Company (SA) Ltd, Old Mutual plc and Iscor, of which he is chairperson.
- 130 Mr Rick Cottrell (67) CA FCA SEP (Stanford) was previously deputy chairperson and managing partner of Coopers & Lybrand and Executive Officer of the Financial Services Board ("FSB"). His directorships include African Oxygen Ltd, Afrox Healthcare Ltd, Glenrand MIB Ltd, Imperial Bank Ltd and Iscor Ltd.
- 131 Mr Barry Davison (57) BA is the executive chairperson of Anglo American Platinum Corporation Ltd ("Amplats"). He is the non-executive chairperson of the ferrous metals division of Anglo American, a director of Anglo American plc ("AA plc") and a member of the executive committee of AA plc.

- 132 Mr Nicholas Dennis (56) BCom (Hons), having worked for Colgate-Palmolive, joined Barlow Rand in 1982. Within the Barlow group of companies, Mr Dennis worked for Tiger Oats (1983-1990), was chief executive of Imperial Cold Storage (1990-1994), becoming chief executive of Tiger Oats in 1994. He remains the CEO of Tiger Brands, as Tiger Oats is now known.
- 133 Prof B de L Figaji BSc (Eng) Dip Tertiary Education, M Ed is the principal and vice chancellor of the Peninsula Technikon and member of the Council on High Education.
- 134 Mr Peter Joubert (69) BA DPWM AMP (Harvard) spent 30 years of his working life at Afrox, slightly over half of which he was the chief executive. He retired from Afrox in 1993 at the age of 60 as the executive chairperson. He spent a year as the non-executive chairperson of Afrox. He is the chairperson of a number of major South African companies, including BDFM Publishers (Pty) Ltd, Delta Motor Corporation (Pty) Ltd, Impala Platinum Holdings Ltd and Munich Re-insurance Company of Africa Ltd. His other directorships include Old Mutual plc and South African Mutual Life Assurance Company (SA) Ltd. He is the deputy-chairperson of Nedcor.

135 Mr Mike Levett (63) D Econ (hc) BCom FFA FIA was the chief executive of Old Mutual from 1985 until 2001. In 1990 he became chairperson as well as chief executive of Old Mutual. In October 2001, Mr Levett stepped down as chief executive of Old Mutual and is presently non-executive chairperson of Old Mutual plc. He is based and lives in London. He is a non-executive director of other companies including Mutual & Federal Insurance Company Ltd, Barlow World Ltd and SAB Miller plc.

136 Mr JB Magwaza (60) BA MA has a background in industrial relations and human resources. He is an executive director of Tongaat-Hulett Group Ltd. His portfolio includes being the group executive director responsible for business development and black economic empowerment. He is a non-executive director of Dorbyl Ltd and is on the boards of the Development Bank of Southern Africa (“DBSA”) and Ithala Development Finance Corporation Ltd. One of Mr Magwaza’s responsibilities within the Nedcor Group is being non-executive chairperson of People’s Bank Ltd.

137 Mr Mafika Mkhwanazi (49) BSc (Maths) BSc (Elec Eng) is the Group Executive Officer of Transnet Ltd. His career was spent in mining, in South African Breweries, Bristol-Myers Squibb and

BMW, before being appointed CEO of Metrorail. In February 2001 he was appointed to his present position.

138 Mr Phuthuma Nhleko (42) BSc MBA is the chief executive of MTN Group and former executive chairperson and founding member of Worldwide African Investment Holdings Ltd (“Worldwide”). At one time in his career, Mr Nhleko worked in the corporate finance division of Standard Merchant Bank for about 3 to 3½ years. He continues to be a director of Worldwide and is on the boards of Old Mutual plc and Johnnic Holdings Ltd.

139 Ms Hixonia Nyasulu (48) BA (Hons) is the sole proprietor of TH Nyasulu and Associates, a marketing and research consultancy, which she has been running since 1984. At one time in her career, Ms Nyasulu was exposed to merchant banking as the founding member of Marriot Merchant Bank. Ms Nyasulu’s home and consultancy are based in Durban. She is a director of various companies including AECI Ltd, Anglo Vaal Industries Ltd, DBSA, Tongaat-Hulett Group Ltd, and Tongaat-Hulett Sugar Ltd.

140 Mr Julian Roberts (45) BA (Hons) (Sterling) FCA is the Group Financial Director of Old Mutual plc. He was previously the group finance director of Sun Life and Provincial Holdings plc. His

directorships include Mutual & Federal Insurance Company Ltd, Old Mutual (US) Holdings and King & Shaxton.

141 Mr Cedric Savage (64) BSc (Eng) MBA ISMP (Harvard) joined Tongaat-Hulett in 1977. Within the Tongaat-Hulett Group, he was at one time or another managing director of the food division, managing director of Corobrik and became group managing director in 1991. Mr Savage recently retired as chief executive, remaining on the board of Tongaat-Hulett as non-executive chairperson. He was previously a director of BoE. He is on the board of various companies, including AECI Ltd, Delta Motor Corporation (Pty) Ltd, Datatec Ltd and Kumba Resources Ltd.

142 Mr Jim Sutcliffe (46) BSc FIA is the chief executive of Old Mutual plc. He was previously chief executive and chairperson of Prudential UK and deputy chairperson of Liberty International Property and Financial Services.

143 While recognising that the Nedcor board was expanded during the integration process, it nevertheless is too large with 25 directors. In addition, it has too many executive directors (9), with 7 of the non-executive directors being on the Old Mutual boards, rendering them non-independent.

In the interests of Nedcor, Messrs Liebenberg, Joubert, Clewlow and Nhleko should reconsider remaining on the Old Mutual boards.

Standard Bank

144 Mr Doug Band is a chartered accountant. From 1983 until 1999 he was the managing director or CEO of Gallo (Africa) Ltd (1983-1987); CNA (Gallo) Ltd (1987-1990), Argus Holdings Ltd (1990-1994), chairperson and CEO of the Premier Group Ltd (1995-1999).

145 Mr Band was appointed a director of Standard Bank in June 1995, and became a director of Standard Bank Group in May 1997.

Mr Band is presently chairperson of Gymnogene Investments (Pty) Ltd (“Gymnogene”). Gymnogene runs the capital investments division of SCMB which focuses on leverage and management buy-outs and private equity investments.

Mr Band is closely involved with the affairs of Standard Bank in that he serves on five committees: Audit, Governance and Nominations, Group Credit, Remuneration and Africa Credit.

146 Mrs Elisabeth Bradley, who has an MSc degree from the University of London, is the executive chairman of WESCO Investments Ltd

and chairperson of Toyota SA. Her other non-executive directorships include AngloGold, Sasol and Tongaat-Hulett.

Mrs Bradley has had a longstanding relationship with Standard Bank. She served on the board of Stanbond (which no longer exists) for four years about 20 years ago. She was appointed a director of Standard Bank Group in 1986 and in 1997 was appointed a director of Standard Bank. She serves on the audit committee.

- 147 Mr Buddy Hawton spent his early working life at Rennies, where he became managing director of the shipping operations in 1973. He was subsequently appointed a director of Safren Ltd, in charge of freight. He became chairperson and CEO of Safren Ltd in October 1993. He became executive chairperson of Kersaf and deputy chairperson of Sun International in 1989. He serves on the boards and board committees of various listed companies as a non-executive director.
- Mr Hawton is a member of the risk committee and chairperson of the remuneration committee of Standard Bank.

- 148 Mr Rick Menell has degrees from Trinity College Cambridge and Stanford University, California. From 1982 until 1987 he was employed by JP Morgan & Company in New York and Melbourne. He worked extensively with derivatives, project financing and corporate credit. Amongst his responsibilities were treasury, liquidity,

credit and project manager. Since returning to South Africa in 1991, he has been at Anglovaal Mining Ltd. In 1996 he was appointed CEO of Anglovaal and chairperson of Avgold Ltd. He was president of the Chamber of Mines from 1999 until 2001.

Mr Menell was appointed a director of Standard Bank in 1995. Mr Menell is a member of the remuneration and risk committees.

149 Mr Robin Plumbridge is a Rhodes Scholar. His working life was spent at Goldfields. In 1980, Mr Plumbridge became executive chairperson of Goldfields. He retired in 1995.

Mr Plumbridge was appointed a director of Standard Bank Group in 1980 and SBSA in 1997. He has been a member of the Standard Bank audit committee since 1984 and has been chairperson since 1991. Mr Plumbridge is chairperson of the group risk committee.

150 Dr Chris Stals D Com joined the SARB in 1955, becoming Deputy Governor in 1976 and Governor in 1989. He was Governor for ten years. Dr Stals is an independent non-executive director of Standard Bank. His responsibilities at Standard Bank include attending the assets and liabilities committee (“ALCO”) once a month. ALCO is a management committee. Dr Stals is also a member of the risk committee.

151 Dr Conrad Strauss has a doctorate in economics. His career at Standard Bank commenced on 1 September 1963. In 1978 he was appointed managing director of the commercial bank, a position he occupied until 1984 when he became CEO of the Standard Bank Group. In 1992 he became non-executive chairperson, a position he held until 2000. Dr Strauss does not serve on any board committees.

152 Mr Eddie Theron has B Com LLB degrees from the University of Cape Town. He joined SMB in 1971. From 1985 until 1987 he was deputy group managing director of Standard Bank Group. He became chief executive of the Standard Bank operations in London in 1987, a position he occupied until 1991. From 1991 until 1995 he was group managing director of Stanbic. He retired in 1995. He has been on the Standard Bank board uninterruptedly since 1985. Mr Theron is a member of the risk committee.

153 Standard Bank has two deputy chairpersons, Mr Graham Mackay and Mr Saki Macozoma, both non-executive directors. Mr Mackay is chief executive of SAB Miller plc, having worked his way through the ranks at South African Breweries, becoming chief operating officer and then managing director of that group in 1994. When SAB listed on the London Stock Exchange in early 1990, Mr Mackay became chief executive of the London listed Group. Mr Macozoma is

the CEO of New Africa Investments Ltd (NAIL), having previously been managing director of Transnet Ltd.

154 There are two areas of concern regarding the Standard Bank board: the availability of Mr Mackay to continue to serve on the board, and representivity: there is only one woman (Mrs Bradley) and one black person (Mr Macozoma) represented on the board.

Committees of the board of a bank

155 Committees of a board can help to efficiently advance the business of a board. However, the board is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of the bank. Non-executive directors must play an important role in board committees. All board committees should preferably be chaired by an independent non-executive director, the exception being a board committee fulfilling an executive function. A bank board must have as a minimum:

- an audit committee;
- a remuneration committee;
- and if the proposed amendments of the Banks Act are passed by Parliament, a directors' affairs committee and a risk committee.⁴³

⁴³ General Report §'s 94-96.

156 All five banks have an audit committee and a remuneration committee. Save for FirstRand Bank, the other banks have a board risk committee. FirstRand Bank has a Group Risk Committee, which reports to the Group Audit Committee. The board will consider the establishment of a board risk committee at its meeting in March 2003. The five banks do not have a directors' affairs committee as envisaged by the proposed amendments to the Banks Act.

Audit Committee

157 A bank board is obliged by law to appoint at least three of its members to form an audit committee, the majority of whom cannot be employees of the bank. The chairperson of the bank is prohibited from being a member.

158 It is recommended that:

- the majority of the members of the audit committee should be *independent* non-executive directors;
- the majority of the members of the committee should be financially literate;
- the chairperson should be an *independent* non-executive director and not the chairperson of the board;

- the audit committee should meet independently (without management present) with both internal and external auditors either before or after each audit committee meeting.⁴⁴

159 The audit committees of the 5 banks consist of directors who are financially literate. The committees have proved to be effective in discharging their duties under the Banks Act and King II.

Absa

160 At the time of the review, the GACC consisted of Messrs du Plessis (chairperson), Kruger and Van Wyk, all non-executive directors. The chairperson was not regarded as an independent director. The only independent non-executive director was Mr Kruger.

Subsequent to the conclusion of the corporate governance review:

- with effect from 1 March 2003, Mr Du Plessis no longer represents Sanlam on the Absa board;
- with effect from 11 April 2003, Mr DC Arnold was appointed as a member of the GACC;
- save for Mr Van Wyk, all the members of the GACC are independent non-executive directors.

The committee meets independently without management present.

⁴⁴ General Report, §'s 97-100.

FirstRand

161 The audit committee consists of 3 non-executive directors, Messrs King (chairperson), Falck and Williams and 2 executive directors, Messrs Harris and Bartlett. The chairperson, Mr King, and Mr Williams are independent directors. The recommendation that Messrs Harris and Bartlett should not be members of the audit committee has been accepted by FirstRand Bank. The committee meets regularly and it meets with the external auditors without management present.

Investec

162 The audit committee of Investec Bank consists of Messrs Jowell, Abrahams and Thomas, all non-executive directors. Mr Jowell is not an independent director. The finding is that Messrs Abrahams and Thomas are not independent directors as defined in King II. The audit committee meets regularly and it meets once a year with the external auditors without management present. The independence of the audit committee members requires attention.

Nedcor

163 The audit committee consists of Messrs Joubert (chairperson), Ball, Clewlow, Cottrell, Davison and Roberts, all non-executive directors. The chairperson is not regarded as an independent non-executive director. Messrs Ball and Cottrell are independent non-executive directors. The committee meets regularly and it meets with the external auditors without management present.

Standard Bank

164 The audit committee consists of Messrs Plumbridge (chairperson), Band, Romanis and Mrs Bradley. Mr Romanis is a director of Liberty. Messrs Plumbridge and Band and Mrs Bradley are non-executive directors of Standard Bank. Mr Plumbridge and Mrs Bradley are independent non-executive directors. The committee meets regularly and it meets with the external auditors without management present.

Remuneration committee

165 It is recommended that:

- a bank should appoint a remuneration committee;

- the remuneration committee should consist entirely or mainly of independent non-executive directors;
- the committee should be chaired by an independent non-executive director.⁴⁵

Absa

166 The members of the Group Remuneration and Nomination Committee are Messrs Brink (chairperson), Boyd, Connellan, Cronjé and van Wyk, all non-executive directors. A majority of the members of the committee are independent non-executive directors. The chairperson is an independent non-executive director.

FirstRand

167 There is a board remuneration committee, the FirstRand Bank remuneration committee, and two sub-committees, the RMB remuneration sub-committee and the FNB remuneration sub-committee. The members of the board remuneration committee are Messrs Ferreira (chairperson), Goss, King and Williams, all non-executive directors, the majority of whom are independent non-executive directors. The chairperson is not regarded as an

⁴⁵ General Report, §101.

independent non-executive director. His lack of independence should be addressed or justified in the annual report.

Investec

168 There is one remuneration committee for the DLC structure and Investec Bank. The committee consists of 3 independent non-executive directors: Sir Chips Keswick and Messrs Abell and Alford, the chairperson of which is Mr Abell.

Nedcor

169 The remuneration committee consists of Messrs Dennis (chairperson), Ball, Joubert, Magwaza, Sutcliffe and Liebenberg, all non-executive directors. Three of the members of the committee are independent non-executive directors. The chairperson is an independent non-executive director.

Standard Bank

170 The members of the remuneration committee are Messrs Hawton (chairperson), Band, Menell, Cooper and Mackay, all non-executive

directors, the majority of whom are independent non-executive directors. The chairperson is an independent non-executive director.

Nomination/corporate governance/directors' affairs committee

171 In view of the recommendations of King II and the proposed amendments to the Banks Act:

- a bank should appoint a committee called the directors' affairs committee;
- the committee should combine the functions of a nomination committee and a corporate governance committee;
- the committee should consist exclusively of non-executive directors of the board.⁴⁶

172 The proposal contained in s64B of the Banks Act that the directors' affairs committee must consist of *all* the non-executive directors could make it unworkable. A committee of between 11 and 16 members is too large to be effective. It is recommended that s64B should rather refer to a defined number of non-executive directors, for example 3 or 5.⁴⁷ However, it is invaluable for non-executive directors to meet regularly and to assess the functioning of the bank and its executives. Consideration should be given to establishing sub-

⁴⁶ General Report §'s 102-105.

⁴⁷ General Report, §104.

committees to deal with ongoing issues, and reporting to a full meeting of the committee at least twice a year.

Absa

173 The Group Remuneration and Nomination Committee referred to earlier, as its title implies, serves as a nomination committee. Absa has decided not to proactively introduce a directors' affairs committee on the basis that the board itself deals with corporate governance matters. This will need to be reconsidered when the proposed legislation is enacted.

FirstRand

174 FirstRand Bank does not have a nomination committee. An ad hoc committee is established to oversee the process. A directors' affairs and governance committee will be introduced at the board meeting in March 2003.

Investec

175 The members of the nomination committee of the DLC and Investec Bank are Messrs Herman (chairperson), Abrahams and Sir Chips Keswick, all non-executive directors.

Nedcor

176 Since 1 November 2002, Nedcor has two board committees:

- a nomination committee, consisting of Messrs Liebenberg (chairperson), Clewlow, Cottrell, Joubert, Mkwanazi, Sutcliffe and Levett, all non-executive directors; and
- a corporate governance committee which has the same members as the nomination committee, and an executive director, Prof Katz, attends by invitation.

Standard Bank

177 Standard Bank has a governance and nomination committee, consisting of non-executive directors: Messrs Cooper (chairperson), Mackay, Macozoma and Band.

Managing Risk

178 In view of the recommendations of King II and the proposed amendments to the Banks Act:

- a bank should appoint a risk committee;
- the committee should consist of at least three directors, of which at least two shall be non-executive.⁴⁸

179 The banks are acutely aware of the necessity to manage risk well. Each bank has appointed a senior member of management as the head of risk management (the titles vary). The risk management divisions of the banks are well-resourced and adequately financed. Enterprise-wide risk management is in place.

Absa

180 The Group Risk Committee consists of Messrs Kruger (chairperson), Bosman, Cronjé, Griffin and Swartz, all non-executive directors with the exception of Mr Bosman.

⁴⁸ General Report, §'s 106-108.

FirstRand

181 FirstRand Bank does not have a board risk committee. It has a Group Risk Committee, which reports to the Group Audit Committee. The board will consider the establishment of a board risk committee at its meeting in March 2003.

Investec

182 The Board Risk Review Committee is chaired by Mr Koseff (CEO) and includes 3 non-executive directors, Messrs Abrahams, Jowell and Thomas, and 6 executive directors, Messrs Burger, Forlee, Bernard Kantor, Lawrence, Alan Tapnack and Bradley Tapnack.

Nedcor

183 Nedcor has combined its audit committee and risk committee into one committee known as the Group Audit, Risk and Compliance Committee. That committee is supported by other board and audit committees such as the Group Market Risk Committee, Group Credit Risk Monitoring Committee and separate Audit, risk and Compliance Committees for the corporate cluster and retail and wealth management cluster.

Standard Bank

184 The Group Risk Management Committee consists of Messrs Plumbridge (chairperson), Cooper, Hawton, Menell, Stals and Theron, all non-executive directors.

Company secretary

- 185 The company secretary of a bank should:
- provide the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the bank;
 - play a role in the induction of new or inexperienced directors and in assisting the chairperson and CEO in determining the annual board plan and the administration of other issues of a strategic nature at board level;
 - provide a central source of guidance and advice to the board, and within the company, on matters of ethics and good governance.⁴⁹

186 Each bank has a company secretary who has the resources, authority and competence to discharge his or her responsibilities. Nedcor, in

⁴⁹ General Report, §109.

addition, has appointed Mr Selby Baqwa with specific corporate governance responsibilities. At Investec, Mr Bradley Tapnack, the global head of corporate governance and compliance, is responsible for corporate governance rather than the company secretary.

Internal Audit

187 A bank should have an effective internal audit function. Internal audit has an independent, objective assurance and consulting activity to add value and improve a bank's operations. Internal audit should report at all audit committee meetings and have ready and regular access to the chairperson of the bank and the chairperson of the audit committee.⁵⁰

188 King II recommends that the head of internal audit should report administratively to the CEO.⁵¹

189 Each bank has an internal audit division led by a head of internal audit. The head of internal audit reports to the audit committee. The extent of the internal audit function varies according to the size and complexity of the bank in question. All heads of internal audit are assertive of their independence, albeit that they are employees of the

⁵⁰ General Report, § 111.

⁵¹ General Report, § 111.

bank. The internal audit functions are properly financed. In general, there appears to be a shortage of skills in some of the specialised areas. The shortage is addressed in different ways, such as using external auditors from a different firm from the usual two firms appointed under the Banks Act.

190 The King II recommendation that the head of internal audit should report administratively to the CEO has proved to be impractical. The usual practice is for the head of internal audit to report to the head of risk management, who reports to the CEO. In each case the particular reporting function works well as the head of internal audit has access to the CEO, the chairperson of the bank and the chairperson of the audit committee. In all cases the head of internal audit meets regularly with the chairperson of the audit committee, who in all cases is a non-executive director.

Compliance function

191 A bank is obliged by law to establish an independent compliance function as part of its risk management framework. The compliance function must be headed by a compliance officer of the bank. The compliance function should have adequate resources and stature in

order to ensure that non-compliance with laws and regulations or supervisory requirements by the bank can be addressed adequately.⁵²

192 Each bank has a compliance function headed by a compliance officer. The compliance function has adequate resources and stature in order to ensure that non-compliance can be addressed adequately. The compliance function at each bank is relatively new and is a work-in-progress. When issues of non-compliance are raised by SARB, the issues are addressed by the bank concerned.

External Auditors

193 The external auditors of a bank have a statutory duty to provide certain information, and to submit certain reports, to the Registrar of Banks. In terms of King II, an annual audit is an essential part of the checks and balances required and is one of the cornerstones of corporate governance. While external auditors have to work with management, they must be objective and consciously aware of their accountability to the share owners.⁵³

194 The advisor, lead and engagement partners at the four firms of auditors were interviewed. The four firms are experienced auditors of

⁵² General Report, §'s 112-113.

⁵³ General Report, §'s 114-116.

banks. They know the business of their clients well. They have a good working relationship with their clients. They are aware of the need to act independently and objectively. Neither the SARB nor the banks expressed any concerns about the external auditors. I have no reason to believe that they are not acting with the necessary competence, independence and objectivity.