

Corporate governance

Standard Bank Group views the implementation of corporate governance practices as integral to its operations. The group is committed to the principles of the Code of Corporate Practices and Conduct (King Code) and complied with the King Code during the period under review.

The board of directors is committed to the ongoing implementation of initiatives to improve corporate governance for the benefit of all stakeholders. All group operations are subject to an effective governance framework. This provides direction for subsidiary entities, which structure their respective governance frameworks according to group standards.

Furthermore, this framework enables our directors to balance their responsibility to provide oversight with their role as providers of strategic counsel, thereby achieving a proper balance between conformance and performance.

The Standard Bank of South Africa Limited is a major subsidiary of the group as defined in the JSE Limited Listings Requirements.

Liberty Group Limited (Liberty Life) is also a significant subsidiary of the group, which complies with its own set of regulatory and legislative requirements. Compliance is documented in its annual report, which can be found at www.liberty.co.za. Stanlib has its own governance framework coordinated by Liberty Life.

Codes and regulations

Compliance with applicable legislation, regulations, standards and codes is an essential part of the group's operations. The board monitors regulatory compliance through management reporting.

The group applies the code of banking practice (the code) and subscribes to the values underlying the code. There are systems in place to ensure compliance with the principles and recommendations set out in the code.

As part of educating and training staff on the code, material from Bankseta was used and customised to make it Standard Bank specific, and delivered using an e-learning channel.

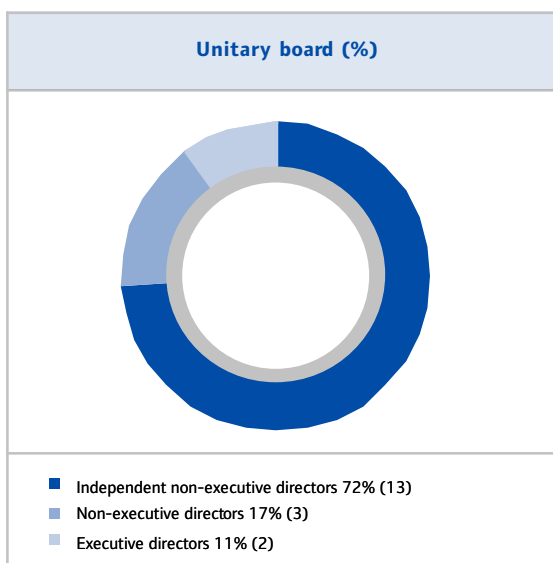
Compliance with the code is audited by the group internal audit function.

Board and directors

Board structure

The group is led by an effective board that is ultimately responsible for corporate governance within the group. The board consists of a strong contingent of independent non-executive directors, which includes the chairman. This ensures that independent thought is brought to bear on board decisions. There are no shadow directors on the board.

The board is also responsible for ensuring that the group has effective management and adequate succession plans are in



place. The chief executive presents his succession plans to the board annually. The executive committee is invited to attend all board meetings. The full board (including executive directors) meets without other management present during closed sessions.

Access to company information, resources required to carry out responsibilities or access to external legal advice are readily available at the group's expense. Board committees assist the board to fulfil the group's stated objectives. All committees operate according to agreed mandates that are reviewed annually to keep pace with material developments.

The key terms of reference in the board's mandate, which forms the basis for its responsibilities, are to:

- agree the group's objectives, strategies and plans for achieving those objectives;
- annually review the corporate governance process and assess achievement against objectives;
- review its mandate at least annually and approve recommended changes;
- delegate to the chief executive or any director holding any executive office or any senior executive any of the powers, authorities and discretions vested in the board's directors, including the power of sub-delegation. Delegate similarly such powers, authorities and discretions to any committee and subsidiary company boards as may exist or be created from time to time;
- determine the terms of reference and procedures of all board committees and subsidiary companies, and review their reports and minutes;
- consider and evaluate reports submitted by members of the executive management committee;

- ensure that an effective risk management process exists and is maintained throughout the group;
- review and monitor the performance of the chief executive and the executive team;
- ensure consideration is given to succession planning for the chief executive, and other executive directors and executive management;
- establish and review annually, and approve major changes to, relevant group policies;
- approve the remuneration of non-executive directors on the board and board committees, based on recommendations made by the group remuneration committee, and recommend to shareholders for approval;
- approve capital funding for the group, and the terms and conditions of rights or other issues and any prospectus in connection therewith;
- ensure an adequate budget and planning process exists, that performance is measured against budgets and plans, and approve annual budgets for the group;
- approve significant acquisitions, mergers, take-overs, divestments of operating companies, equity investments and new strategic alliances by the group;
- consider and approve capital expenditure recommended by the group executive committee;
- consider and approve any significant changes proposed in accounting policy or practice, and consider the recommendations of the group audit committee;
- consider and approve the annual financial statements, interim statements, dividend announcements and notices to shareholders, and consider and agree the basis for considering the group to be a going concern as per the recommendation of the group audit committee;
- assume ultimate responsibility for financial, operational and internal systems of control, and ensure adequate reporting on these by committees to which they are delegated;
- take ultimate responsibility for regulatory compliance and ensure that reporting to the board is comprehensive;
- ensure a balanced and understandable assessment of the group's position in reporting to stakeholders;
- review non-financial matters that have not been specifically delegated to a committee; and
- specifically agree from time to time matters that are reserved for its decision, retaining the right to delegate any of these matters to any committee from time to time in accordance with the articles of association.

Strategy

The board considers and approves the group's strategy at an annual meeting with executive management. On an annual basis, the board agrees financial objectives and corporate governance objectives for the year ahead. The board then monitors performance against financial objectives and detailed budgets through management's quarterly reporting. Corporate governance objectives are monitored by the directors' affairs committee and reviewed by the board annually.

Appointments

The board reviews the group's nominations and appointments policy annually.

All board appointments are made in line with the requirements of the Companies Act, Banks Act, JSE Limited Listings Requirements as well as the group's policy in this regard.

The nominations and appointments policy defines the process to be followed for the nomination and appointment of directors, by setting out who makes recommendations and who authorises and approves appointments. The policy distinguishes between executive and non-executive appointments as well as internal and external entities. In terms of the policy, executive management require permission to be appointed to external boards to reduce the potential for conflicts of interest, and to ensure they can dedicate sufficient time and resources to group business.

Delegation of authority

The ultimate responsibility for the group's operations rests with the board. The board retains effective control through a well-developed governance structure of board committees. These committees provide in-depth focus on specific areas of board responsibility.

In addition, authority has been delegated to the chief executive to manage the business and affairs of the group. The group executive committee assists the chief executive to manage the business of the group when the board is not in session, subject to statutory limits and the board's limits on the delegation of authority to the chief executive.

Board-delegated authorities are regularly monitored by the group secretary's office.

Chairman and chief executive

The roles of chairman and chief executive are separate and distinct and the chairman is an independent non-executive director.

Board meetings

The board meets once every quarter with an additional meeting to discuss strategy. Ad hoc meetings are held when necessary.

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During 2005, five board meetings were held:

Board of directors	Mar	May	Aug	Oct	Dec
DE Cooper (chairman) ¹	✓	✓	✓	✓	✓
DDB Band ²	✓	✓	✓	✓	✓
E Bradley ¹	✓	✓	✓	✓	✓
T Evans ^{1,6}	✓	✓	✓	✓	✓
TS Gcabashe ¹	✓	✓	A	✓	✓
DA Hawton ¹	✓	✓	✓	✓	✓
Sir Paul Judge ¹	✓	✓	✓	✓	✓
SJ Macozoma ²	✓	✓	✓	✓	✓
JH Maree ³	✓	✓	✓	✓	✓
RP Menell ¹	✓	✓	✓	A	A
Adv KD Moroka ¹	✓	✓	A	✓	✓
AC Nissen ¹	✓	✓	✓	✓	✓
RA Plumbridge ^{1,5}	✓	✓	–	–	–
MC Ramaphosa ²	✓	✓	A	✓	✓
Dr MA Ramphele ^{1,4}	–	A	✓	✓	✓
MJD Ruck ³	✓	✓	✓	✓	✓
MJ Shaw ¹	✓	✓	✓	✓	✓
Sir Robert Smith ¹	✓	✓	✓	✓	✓
Dr CL Stals ^{1,5}	✓	✓	–	–	–
Dr CB Strauss ¹	✓	✓	✓	✓	✓

✓ = Attendance

A = Apology

¹Independent non-executive director.

²Non-executive director.

³Executive director.

⁴Appointed on 17 March 2005.

⁵Retired on 25 May 2005.

⁶Resigned on 8 March 2006.

Board effectiveness

The board, through the directors' affairs committee (DAC), annually considers the performance of the board and its committees against their respective mandates. External auditors review these findings and a report is submitted to the DAC.

The DAC also considers methodologies for conducting evaluations and makes recommendations to enable the board to determine the adequacy and efficacy of its own performance. The aim of these evaluations is to assist the board and committees to constantly improve their effectiveness.

The board performs an annual assessment of corporate governance performance against its objectives, in compliance with Regulation 38 of the Banks Act. In terms of the assessment for the period under review, the board materially achieved its corporate governance objectives.

Board evaluation

The board sets the criteria relating to its evaluation and performance and that of its committees. In 2005 the board agreed to focus on evaluating its committees, with a full board evaluation to be conducted every alternate year. A detailed questionnaire was

sent to each member of each committee. The consolidated feedback was provided to the board and it highlighted the need for development in certain areas which resulted in a training programme being agreed to address this.

Induction and training

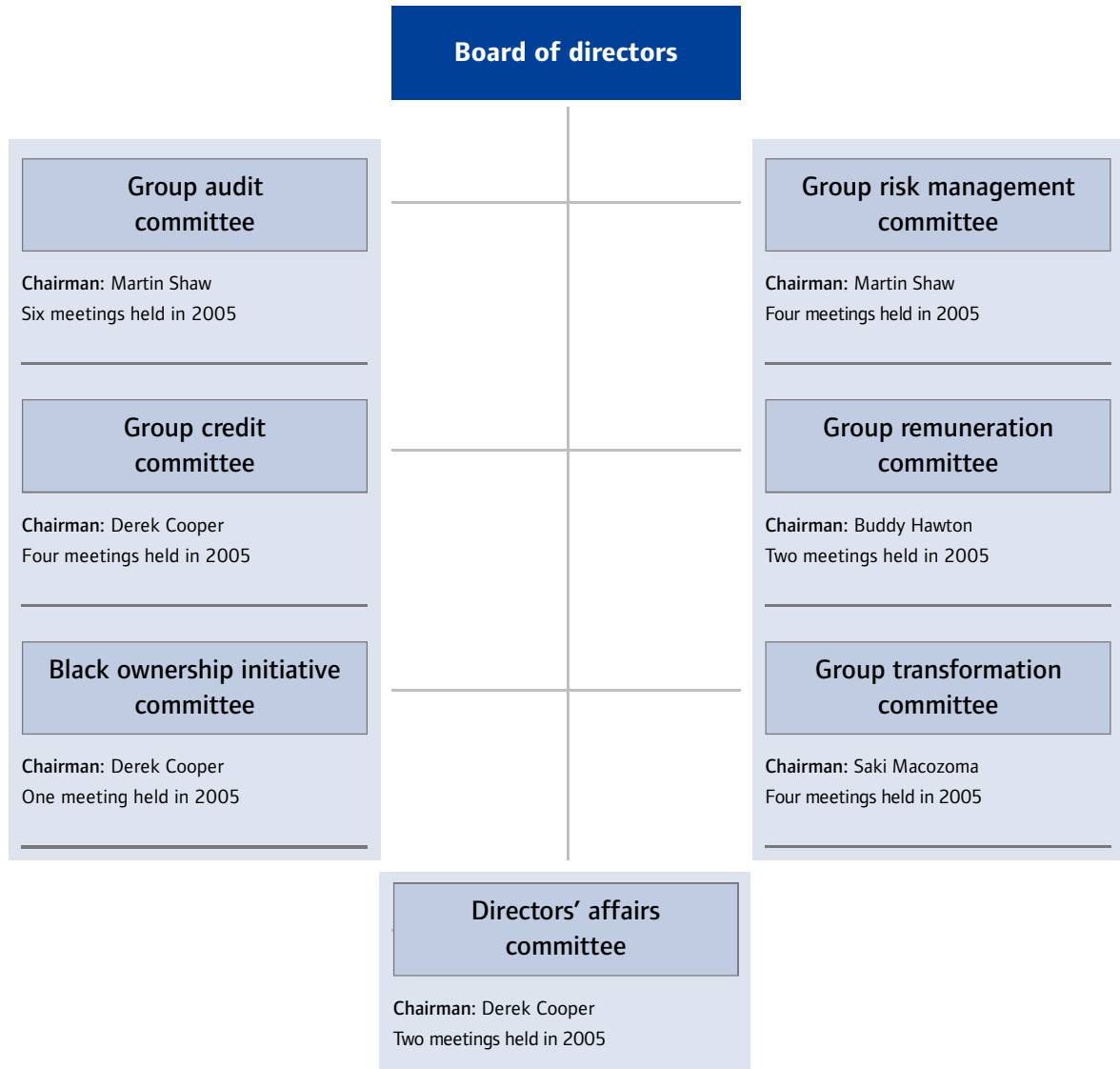
On appointment, each new director receives a governance manual that includes all relevant information such as mandates, minutes, management structures, significant reports and important legislation. In addition, one-on-one meetings are scheduled with management to properly introduce new directors to the group, its operations and key management.

Directors are kept abreast of all relevant legislation and regulations as well as macro developments that could potentially impact the group and its operations.

As part of their ongoing training, presentations on risk-specific matters follow most of the board meetings. Topics covered included such matters as liquidity risk and retail credit risk. Where appropriate, external specialists are used to supply training.

Board committees

Board committees operate in terms of agreed mandates reviewed and approved by the board on an annual basis. The mandates set out their roles, responsibilities, scope of authority, composition, and procedures for reporting to the board.



Group audit committee

Member	Feb	Mar	May	Jun ¹	Aug	Nov
MJ Shaw (chairman) ²	✓	✓	✓	✓	✓	✓
RA Plumbridge ³	✓	✓	✓	-	-	-
DDB Band	A	✓	✓	✓	✓	✓
E Bradley	✓	✓	✓	✓	✓	A
SJ Macozoma	✓	✓	✓	✓	✓	✓

✓ = Attendance

A = Apology

¹Trilateral meeting held with SARB.

²Appointed as chairman on 25 May 2005.

³Retired as chairman and member on 25 May 2005.

The role of the group audit committee is to review the group's financial position and make recommendations to the board on all financial matters including assessing the integrity and effectiveness of accounting, financial, compliance and other control systems. The committee also ensures effective communication between the internal auditors, external auditors, the board, management and regulators. The committee's key terms of reference are divided into various categories and responsibilities, and include the following:

- review the group audit plan with the joint auditors, with specific reference to the proposed audit scope and approach to group risk activities, and the audit fee;

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- approve the guidelines for using the external auditors for non-audit work, annually assess the work done to ensure the independence of the external auditors is retained;
- meet with external auditors to discuss audit findings and consider detailed internal audit reports with the internal auditors;
- annually evaluate the role, independence and effectiveness of the internal audit function in the overall context of the group's risk management system;
- receive and review reports on the adequacy of capital, provisions for bad debts and diminution in the value of other assets;
- review the accounting policies adopted by the group and all proposed changes in accounting policies and practices;
- consider the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation;
- review the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management;
- review significant differences of opinion between management and the internal audit function;
- review the group compliance plan, with specific reference to the procedures for identifying regulatory risks and controlling their impact on the group, as well as ensuring that the group's policy complies with relevant regulatory and legal requirements;
- monitor ethical conduct of the group, executives and other senior officials; and
- review and make recommendations on any potential conflicts of interest relating to situations of a material nature.

Group risk management committee

Member	Feb	May	Aug	Nov
MJ Shaw (chairman) ¹	A	✓	✓	✓
RA Plumbridge ²	✓	✓	–	–
DE Cooper	✓	✓	✓	A
TS Gcabashe ⁴	–	–	–	✓
DA Hawton	✓	✓	✓	✓
SJ Macozoma	✓	✓	✓	✓
RP Menell	✓	✓	A	✓
CL Stals ³	✓	✓	–	–

✓ = Attendance

A = Apology

¹Appointed as chairman on 25 May 2005.

²Retired as chairman and member on 25 May 2005.

³Retired on 25 May 2005.

⁴Appointed on 23 November 2005.

The board has ultimate responsibility for risk management. The main purpose of this committee is to provide independent and

objective oversight of risk management within the group. It achieves this by reviewing and assessing the integrity of risk control systems and ensuring that risk policies and strategies are effectively managed and contribute to a climate of discipline and control that will reduce the opportunity for fraud. A detailed risk management section starts on page 45.

Group credit committee

Member	Feb	May	Aug	Nov
DE Cooper (chairman)	✓	✓	✓	✓
DDB Band	A	✓	✓	✓
AG Gain ¹	✓	✓	✓	✓
SJ Macozoma	✓	✓	✓	✓
JH Maree	✓	✓	✓	✓
T Moodley ¹	✓	✓	✓	✓
SP Ridley ¹	✓	✓	✓	A
MJD Ruck	✓	✓	✓	✓
PJ Smith ¹	✓	✓	✓	✓

✓ = Attendance

A = Apology

¹Co-opted executive members.

The role of this committee is to ensure that effective credit governance is in place across the group. This involves ensuring that the credit committees across the group operate within clearly defined mandates and delegated authority as well as to provide for the adequate management, measurement, monitoring and control of credit risk, including country risk. In addition, the committee sets the group's credit policy, strategy and philosophy, and ensures compliance therewith. The committee reports quarterly to the group risk management committee and group audit committee on the group credit portfolios, the adequacy of provisions and status of non-performing loans.

In line with other changes being considered to align governance frameworks with Basel II requirements, the credit risk governance structure is in the process of being reviewed.

Directors' affairs committee

Member	May	Nov
DE Cooper (chairman)	✓	✓
DDB Band	✓	✓
E Bradley	✓	A
SJ Macozoma	✓	✓

✓ = Attendance

A = Apology

The committee assists the board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structures and practices in the group. The role of the committee is also to identify, evaluate and recommend nominees to the board and board committees to ensure that the board is able to fulfil its mandated obligations.

The committee also ensures that an appropriate induction course is in place for all new directors and that there is a plan in place to provide ongoing development and training for directors, to enable them to remain up to date on relevant business and statutory developments.

Group transformation committee

Member	Feb	Jun	Sep	Nov
SJ Macozoma (chairman)	✓	✓	✓	✓
DE Cooper	✓	✓	✓	✓
JH Maree	✓	✓	✓	✓
AC Nissen	✓	✓	✓	✓

✓ = Attendance

This committee is responsible for guiding transformation initiatives within the group by considering appropriate policies and approaches. In addition, the committee monitors the implementation of transformation policies, practices and procedures to ensure compliance with current and evolving legislation and related regulations.

Black ownership initiative committee

Member	Dec
DE Cooper (chairman)	✓
DDB Band	✓
E Bradley	✓
JH Maree	✓

✓ = Attendance

This committee is responsible for considering and approving share awards to black managers and qualifying black non-executive directors. A management committee, the allocation committee, which is chaired by a non-executive director (Saki Macozoma), recommends allocations for approval by the black ownership initiative committee.

In 2005, shareholders approved the allocation of 125 000 shares to Mamphela Ramphele in terms of the group's Tutuwa initiative. Previous recipients of the same allocation were Thulani Gcabashe, Kgomoiso Moroka and Chris Nissen in 2004.

Group remuneration committee

The group remuneration committee (remco) determines and reviews the remuneration policy and strategy for the group. Further detail on this committee's role and responsibilities, and attendance at meetings is set out in the remuneration review starting on page 37.

Group secretary

The group secretary provides members of the board with guidance on their responsibilities and keeps them up to date with changes to relevant legislation as well as governance best

practices. The group secretary oversees the induction of new directors, including directors of significant subsidiaries.

All directors have access to the services of the group secretary. The group secretary is also responsible to the board for ensuring that board procedures are followed and that compliance with applicable legislation or regulation is maintained.

Going concern

The directors review the basis of going concern for the preparation of financial statements at the year end and renew this conclusion at the interim reporting period. The directors have sufficient reason to believe that the group has adequate resources to continue operating as a going concern.

Financial Sector Charter

The Financial Sector Charter (charter) is a groundbreaking document that sets out the commitment of banks and other players in the financial services sector to achieving the ideals of transformation and empowerment in our society. As a signatory to the charter, the group has made considerable progress in meeting the objectives of the charter.

The charter provides the framework for promoting black economic empowerment in the financial services sector. In addition to skills development and increased participation of black people in the leadership of the group, the commitment to promote empowerment through procurement, enterprise development, access to financial services, empowerment financing, ownership and control is fundamental in the operations of the group. A detailed analysis of group performance against charter requirements is set out in the charter section in the Sustainability Report.

Dealing in securities

The group has policies in place to restrict the dealing in securities by directors and employees in the group. A personal account trading policy and directors dealing policy are in place to prohibit embargoed employees and directors from trading in securities during closed periods, which are from 1 June to the publication of the interim results, and from 1 December to publication of final results. Compliance with the policies is monitored on an ongoing basis. This is in line with the group's commitment to conducting business professionally and ethically.

Certain nominated staff are also prohibited from trading in designated securities as a result of price sensitive information they may from time to time obtain by virtue of their positions. All dealing in Standard Bank securities by these staff members must take place through the group share incentive scheme administration division.

Sustainability

Social and environmental responsibility remains an important part of the group's culture. The monitoring and reporting of sustainability

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issues is still an evolving discipline within our organisation. The Sustainability Report aims to provide comprehensive commentary and a technical overview of the group's progress in its sustainability and transformation efforts, and includes key non-financial performance indicators. The report presents a balanced view, with relevant and material information disclosed.

As part of the group's operational commitment to sustainability, it participated and was included in two key sustainability indices, namely, the Dow Jones Sustainability Index and the JSE Socially Responsible Investment Index.

A brief summary of the report can be found on page 16 and it has been included in electronic format with this report. It can also be accessed on the website: www.standardbank.co.za. Printed copies of the report can be obtained from the group secretary.

Ethics and organisational integrity

The group is in the process of revising its code of ethics to bring it into line with the group's redefined vision and values. Revising the vision and values involved a wide-ranging consultative process. This included broad employee feedback, dedicated one-on-one and group discussions, as well as board and group exco deliberations. The process culminated in a facilitated debate held at group exco level to finalise and adopt the vision and values. These were then launched to the group through a series of road shows attended by the chief executive, who discussed the implications of the vision and values with employees at all levels.

The group's code of ethics, and vision and values are readily available to all staff through the intranet. The board, through the group audit committee, assesses the ethical climate of the group through work conducted by the forensic audit team. To ensure that ethical conduct remains integral to the culture of the group, there are guidelines, performance measurements and leadership development initiatives in place.

Political contributions

In 2004, the group announced a departure from its policy of not making political donations. In recognition of South Africa's tenth anniversary of democracy, R5 million was donated towards

funding the national election. Fifty percent was distributed to political parties according to representation in Parliament prior to South Africa's 2004 general election. The remaining 50% was distributed according to the same formula based on representation post the election.

The group believes that active and strong civil society formations are critical in strengthening a multi-party democracy system. In light of this, the group has again reviewed its political party funding policy. An amount of R10 million has been approved to provide funding to political parties over the next five years according to representation in Parliament.

Relationship with shareholders

The group views communication with shareholders as an important part of its operations. Shareholders are invited by the chairman to attend the annual general meeting (AGM). The chairmen of the group's audit committee and remuneration committee are available at the meeting to respond to questions from shareholders.

Through our investor relations team we interact with our shareholders in various ways including meetings and presentations. During the year the group ran a programme to assist shareholders holding less than one hundred shares to dispose of their holdings in a convenient manner. For more information on our relationship with shareholders, please refer to our Sustainability Report.

Relationship with external auditors

The group has a formal policy on fees for non-audit services. The purpose of this policy is to ensure that the independence of auditors is not impaired.

In terms of the policy, all non-audit services assigned to the group auditors that are individually greater than 20% of the audit fee of the previous year of that business unit or subsidiary must be pre-approved by the respective board audit committees of the subsidiary entities on a project-by-project basis. Sensitive non-audit assignments, even if below the threshold of 20% of audit fees, must be pre-approved by the respective board audit committees' chairmen.

Remuneration

Introduction

The purpose of this section is to provide stakeholders with an understanding of the remuneration philosophy and policy applied across the group for board members (executive and non-executive directors) and employees.

Highlights in 2005

Key developments during the year included:

- remco conducting a self-assessment of its activities; and
- the group adopting a new long-term incentive scheme to align with recent developments including tax and accounting changes.

Remuneration philosophy

The group is committed to a remuneration philosophy that emphasises the value of its people and their fundamental role in ensuring sustainable growth. This approach is imperative in an environment where skills remain scarce.

The board sets the principles for the group's remuneration philosophy in line with approved business strategy and objectives. This philosophy, which is informed by remco's deliberations, aims to maintain an appropriate balance between employee and shareholder interests.

Key success factors for the group are its ability to attract, retain and motivate the talent it requires to achieve its strategic and operational objectives. The group's remuneration philosophy includes short-term and long-term incentives to support this ability.

Short-term incentives, which are delivery specific, are viewed as strong drivers of competitiveness and performance. A significant portion of top management's reward is therefore variable, being determined by profits achieved and personal contribution, to ensure the commitment and focus required to achieve targets.

Long-term incentives are used to ensure that the objectives of management and shareholders are closely aligned over longer time periods.

Remuneration policy

Remco assists the board in monitoring the implementation of the group remuneration policy by ensuring:

- reward strategies and remuneration are competitive, and facilitate the recruitment, motivation and retention of high calibre staff at all levels;
- salary structures and policies, as well as cash and equity compensation plans motivate sustained high performance and are linked to corporate performance;
- stakeholders are able to make a reasonable assessment of reward practices and the governance process; and
- all applicable laws and codes are complied with.

Remuneration governance

Board responsibility

The board remains ultimately responsible for the remuneration policy. Remco operates in terms of an agreed mandate approved annually by the board. On remco's recommendation, the board will in some instances refer matters to shareholders for approval, for example, new share incentive schemes and board and committee fees.

Subsidiaries and group operations

Corporate & Investment Banking International

Standard Bank Plc operates in a regulatory environment that requires it to have its own remuneration committee. The board of Standard Bank Plc approves this committee's mandate, which accords with the group remuneration philosophy. The committee is chaired by an independent non-executive director of Standard Bank Plc, and reviews remuneration practices in the group's international operations based on best practice within specific jurisdictions. Certain matters considered by the committee are subject to final approval by remco.

Rest of Africa

The remuneration of board members in African countries outside of South Africa is assessed in each country and noted at remco. The remuneration of executive management in these countries is reviewed and approved by remco.

A project has been initiated to integrate and align reward policies and procedures in the African operations with those of the group.

The specific guidelines in this regard, which will underpin an integrated approach to the rest of Africa reward strategy, are to:

- develop reward policies and procedures that support the achievement of business goals;
- provide rewards that attract, retain and motivate staff and develop a high performance culture;
- maintain competitive remuneration in line with the country specific markets and trends;
- reward people according to their contribution;
- allow a reasonable degree of flexibility in remuneration processes and the choice of benefits by employees; and
- move to a cost to company (CTC) remuneration philosophy.

Liberty Life

The Liberty Life board determines the remuneration philosophy and policy for Liberty Life. It has an established remuneration committee that monitors the implementation of practices within that group.

Remco operation

Buddy Hawton, an independent non-executive director, chairs remco. He also chairs the Liberty Life and Stanlib remuneration committees to ensure consistency across group operations. Remco

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comprises a majority of independent non-executive directors. All its members have the relevant skills and experience to perform their duties.

The key terms of reference set out in remco's mandate include:

- reviewing group remuneration philosophy and policy;
- determining the remuneration of executive directors, as well as the chairman and non-executive directors, which are subject to shareholder approval;
- considering the guaranteed remuneration, annual performance bonuses and pension incentives of the group's highest-paid executive managers, excluding Liberty Life and Stanlib executives and directors;
- considering the average percentage increases of the guaranteed remuneration of executive management across the group, as well as long-term and short-term incentives;
- agreeing incentive schemes and awards across the group;
- ensuring adequate retirement funding and healthcare benefits;
- agreeing the compulsory employee benefits applicable to all levels and categories of employees in the group, notably retirement funding and healthcare benefits; and
- reviewing the performance measures and criteria to be used for annual incentive payments for all employees.

Remco held two meetings during the year, with attendance recorded below:

Member	Mar	Aug
DA Hawton (chairman) ¹	✓	✓
DDB Band ²	✓	✓
DE Cooper ¹	✓	✓
T Evans ^{1,3}	✓	✓
SJ Macozoma ²	✓	✓
RP Menell ¹	✓	✓

✓ = Attendance

¹Independent non-executive director.

²Non-executive director.

³Resigned on 8 March 2006.

The chief executive attends meetings by invitation. Other members of executive management are invited to attend when appropriate.

No individual, irrespective of position, is present when his or her remuneration is discussed.

To determine the remuneration of executive and non-executive directors as well as senior executives, remco reviews market and competitive data, and takes into account group performance using indicators such as headline earnings.

Remco utilises the services of a number of suppliers and advisors to assist it in tracking market trends relating to all levels of staff. In 2005 the following suppliers were used:

- Deloitte & Touche;
- Ernst & Young;
- Global Remuneration Solutions (GRS);
- Hay Renwick;
- Mclagans; and
- Monks Partnership.

Based on the input of these suppliers, remco makes its decisions on market-related guaranteed remuneration and total remuneration. It also assesses market practice in relation to equity compensation plans and considers market-related information in its review of board and committee fees. The board then reviews these proposals and, where required, makes recommendations to shareholders for approval at the AGM.

A self-assessment of remco was conducted during the year. The objectives of the review were to assess the committee's performance on three levels:

- structure;
- process; and
- effectiveness.

The findings were reviewed by the committee and reported to the board

Remuneration structure

Non-executive directors

Terms of service

All non-executive directors are provided with a letter of appointment setting out the terms of their engagement.

In terms of the articles of association, non-executive directors are required to retire at 70. Directors are appointed by the shareholders at the AGM and interim board appointments are allowed between AGMs. The interim appointees are required to retire at the next AGM where they make themselves available for election by shareholders. In addition, one-third of the non-executive directors are required to retire at each AGM and may offer themselves for re-election. If recommended by the directors' affairs committee and supported by the board, the board then proposes their re-election to the shareholders. There is no limitation to the number of times a non-executive director may stand for re-election.

Fees

Non-executive directors receive fixed fees for service on boards and board committees. The group does not make provision for compensation for loss of office. Non-executive directors do not receive short-term incentives, nor do they participate in any long-term incentive schemes.

Fees payable for the period 1 March to 28 February to non-executive directors were as follows:

Category	2005	2004
Chairman ¹	R2 464 105	R2 044 900
Director	R100 000	R83 000
International director	£24 000	£20 000
Group risk management committee:		
– chairman	R114 000	R94 500
– member	R57 000	R47 250
Group audit committee:		
– chairman	R171 000	R142 000
– member	R85 500	R71 000
Group credit committee:		
– member per meeting	R10 000	R9 000
Directors' affairs committee:		
– member	R22 000	R18 000
Transformation committee:		
– chairman	R86 000	R71 000
– member	R43 000	R35 500
Remco:		
– chairman	R100 000	R83 000
– member	R50 000	R41 500
Ad hoc meeting attendance ²	R10 000	R9 000

¹Standard Bank group chairman's fees include the board, subsidiary board and all committee memberships but do not include fees for Liberty Holdings Limited, Liberty Group Limited or Standard Bank Plc. The chairman is currently the chairman of the black ownership initiative, directors' affairs and group credit committees and is a member of the Africa credit, group remuneration, group risk management and group transformation committees.

²Fee per meeting for attendance by non-executive directors or persons acting in an alternate capacity (not a member of the committee). The same fee is applicable to all committees where attendance is on an ad hoc or alternate capacity, including the black ownership initiative committee.

Retirement benefits

Previously, non-executive directors were provided with the opportunity to participate in a pension scheme. Only two directors still participate in this pension scheme, Elisabeth Bradley and Buddy Hawton.

Executive directors

Both executive directors, unless specifically stated, receive remuneration packages and qualify for long-term incentives on the same basis as other employees. For further information, refer to the discussion below on long-term incentives for executive and managers.

In terms of the articles of association, executive directors are not subject to rotational requirements.

Chief executive

Jacko Maree does not have an employment contract that contains any termination provisions. Consistent with other internationally mobile executives of the group, he is paid a portion of his

remuneration internationally and is required to give six month's notice of resignation.

His bonus is subject to an assessment by Remco of performance against various criteria. The agreed criteria are weighted such that approximately 70% applies to the financial performance of the group and 30% applies to qualitative aspects of performance. He is not subject to a retention agreement.

Post-retirement benefits operate in the same manner as managers and general staff. Refer to these sections below for more information.

Executive director

Myles Ruck is subject to a three-month notice period in terms of his agreement with Liberty Life. His remuneration, including post-retirement benefits, is agreed according to Liberty Life's governance structure. He has a retention agreement with Liberty Life, which terminates in May 2006. He retires with effect from 31 May 2006 as chief executive of Liberty Life but will remain on the Standard Bank Group board.

Executive and managers

Terms of service

The minimum terms and conditions for South African managers are governed by relevant legislation. The notice period for these managers is one month, unless otherwise stated in their contract of employment. International assignees have notice periods of three months.

The terms and conditions of employment of all managers within the rest of Africa are guided by the legislation of specific countries and are aligned to group practice. Notice periods vary from one month (particularly where stipulated by legislation) to three months. In some countries notice periods also depend on the level of responsibility of a particular manager and whether or not they are leaving to join a competitor.

For Standard Bank Plc employees, depending on the number of years of completed service, notice periods vary from one month to three months. Notice periods in excess of three months are discouraged unless explicitly agreed with the chief executive of Standard Bank Plc.

Fixed remuneration

In South Africa and other African countries, the managerial remuneration approach is either based on, or moving towards, a total CTC philosophy. CTC comprises a fixed cash portion, compulsory benefits (medical aid and retirement fund membership) and optional benefits. Market data is used to benchmark salary levels and benefits. Salaries are normally reviewed annually in March.

It should be noted that operations in most of the African countries outside of South Africa offer country-specific benefits.

Standard Bank Plc salaries and benefits are arrived at after consideration of independent salary and benefit surveys. Peer group comparisons are regularly done. Salaries are normally reviewed annually.

Corporate governance continued

For all staff, performance related payments have formed an increasing proportion of total remuneration over time. This is premised on the need to sustain performance to achieve objectives, and to reward individual contribution.

All employees (executives, managers and general staff) are ranked.

During the first stage the employees are ranked by their line managers based on their performance (following the outcome of their appraisal discussion) and the consistent demonstration of agreed behaviours. The individual is ranked in one of three groups, the top 20%, next 70% and bottom 10%.

The second stage is a moderation stage. The combined ranking of the division is then submitted to the divisional exco for final moderation. Ranking and the consequent pay decision is driven at an individual basis. There is therefore a direct link between their ranking and the reward process. It is in this manner that a link is established between the employees' performance and their reward.

Short-term incentives

Executives and managers in South Africa and other African countries participate in a bonus scheme. Individual awards are based on a combination of business unit performance, job level and individual performance. In keeping with the remuneration philosophy, the bonus scheme gives high-performing managers the opportunity to earn in line with the philosophy to attract and retain talent.

All staff internationally may participate in the Standard Bank Plc incentive plan. There are no grade or level restrictions. The level of award received by each employee will be related to the following factors:

- profit performance;
- divisional performance; and
- individual performance and contribution to the team and/or group.

As well as taking performance factors into account, the size of award is assessed in terms of market related issues for each skill set (e.g. scarcity of skills).

Long-term incentives

It is essential for the group to retain key individuals over the longer term. This is done particularly through equity compensation plans. The purpose of these is to align the interests of the group, its subsidiaries and their respective employees, as well as to attract and retain skilled and competent people.

Group share incentive scheme (GSIS)

Share options are granted to qualifying employees (including executive directors) in terms of the following:

- the specific grant is not subject to prior shareholder approval as approval for the scheme has already been obtained;

- no options are issued at a pricing discount nor can they be repriced; and
- the directors have the discretion to vary the vesting period.

Equity growth scheme (EGS)

In line with recent developments, including changes in South African tax legislation and international accounting practice, the board reconsidered the structure of the GSIS and proposed a revised scheme to shareholders. The basis for participation, award and vesting remains the same. The EGS was approved by shareholders at the 2005 AGM.

The maximum award to an employee, in terms of the GSIS and EGS, is not more than 2,5% of the total number of shares reserved for both schemes.

The table below sets out the general conditions of the various options, or participation rights issued:

Vesting category	Year	%	Expiry
A	3, 4, 5	50, 75, 100	10 years
B	5, 6, 7	50, 75, 100	10 years
C	2, 3, 4	50, 75, 100	10 years

Shadow share schemes

In addition to the GSIS and EGS, there are other schemes that provide longer-term benefits targeted at a small number of specialist investment banking staff in South Africa, and internationally. They provide cash incentives to select managers based on the relevant business unit's performance and valuation.

Liberty Life has its own incentive schemes. For further information, please refer to Liberty Life's annual report.

Retention agreements

As part of the group's strategy to retain highly mobile and talented employees, the group will selectively enter into agreements in terms of which retention payments are made. This payment would have to be repaid should the individual concerned leave within a stipulated period.

Post-retirement benefits

Pension

Retirement benefits are typically provided on the same basis for all levels of employee. Traditionally the group adopted retirement funding on a defined benefit basis but in line with market and legal changes across the group's operations, almost all defined benefit funds have been converted to a defined contribution basis for new members. New funds will be defined contribution funds. Death benefit cover is provided in almost all countries, in most cases from self-insurance within the pension fund, in other cases through external underwriting.

Membership of the principal fund, the Standard Bank Group Retirement Fund (SBGRF) exceeds 95% of Standard Bank operations' permanent staff in South Africa. Membership and benefit criteria are as follows:

- employees who were members of the fund on 31 December 1994 have guaranteed benefits available under the rules of the defined section of the fund; and
- new members from 1 January 1995 participate only in the benefits of the defined contribution section of the fund.

In addition, a defined contribution supplementary plan, the Flexible Executive Option (FEO) is available as an option for senior managers and executives whose remuneration passes a threshold as defined by remco. Under this arrangement, participation in the SBGRF continues up to the defined threshold, and above it contributions are placed in the FEO. The threshold is reviewed on an annual basis by remco.

Employees in territories beyond South African jurisdiction are members of either defined contribution or defined benefit plans governed by legislation in their respective countries.

Healthcare

In South Africa, post-retirement healthcare funding is made available through a fund (the Provider Fund) which was set up on 1 March 2000. Membership and benefit criteria are as follows:

- staff in service on 29 February 2000, who received a medical aid subsidy from the bank, became Provider Fund members on 1 March 2000, effective from the date of joining the bank. Staff in service on 29 February 2000, who join the bank's medical aid at a later date, become members from the date of joining the medical aid;
- members receive a benefit to assist them in meeting their post-retirement medical aid costs. This benefit is a lump sum, based on a defined rand target benefit adjusted annually in line with CPIX plus 2%. The lump sum must be used to buy an annuity which is expected to be applied towards post-retirement healthcare costs. The lump sum takes into account normal retirement age (NRA) and years of service. Any shortfall in the medical aid contribution is the responsibility of the employee; and
- employees recruited from 1 March 2000 do not receive this post-retirement healthcare benefit.

In other African countries, a pension payout is the most common post-retirement benefit. In a limited number of countries, post-retirement medical aid subsidies may continue from the employer, usually for a limited period.

In addition to pension payouts in terms of a defined contribution scheme, retired Standard Bank Plc employees are eligible to apply for healthcare cover with the current provider at the employees' expense.

Liberty Life has its own post-retirement benefits schemes. For further details please refer to Liberty Life's annual report.

Please refer to note 33 of the annual financial statements on page 173 for further detail on post-retirement benefits.

General staff

Terms of service

The notice period for general staff in Africa is one month. Most of the general staff in Africa are unionised. Their terms and conditions of employment are therefore guided by the respective collective agreement(s) in particular countries.

Fixed remuneration

Remuneration of all general staff, both local and international, is based on a basic salary plus benefits, which generally includes medical aid, retirement fund membership, housing benefit and a travel allowance for select levels.

Generally, salary increases are negotiated on an annual basis, usually in March. Salary increases are based on similar factors as those considered when reviewing managerial staff increases.

Incentives

All general staff in South Africa participate in the general staff bonus scheme. The bonus is contingent on the group reaching its annual financial and yearly specific targets (set in terms of goals based on group strategy). For the past four years, these have included customer service objectives. Similar remuneration philosophies are applied in other African operations.

Standard Bank Plc general staff participate in the company's incentive plan, outlined in the section on managers' short-term incentives above.

Post-retirement benefits

Post-retirement benefits for general staff are principally the same as for the executive and managers. Refer to this section under executive and managers for an outline of these benefits.

Remuneration for 2006

Details on the proposed 2006 remuneration packages for non-executive directors can be found in the notice to members on page 211. These are subject to shareholder approval at the AGM on 24 May 2006.

Challenges for 2006

The group will continue to ensure its remuneration policies and practices remain competitive, incentivise performance and are aligned across the group. Individual reviews of remuneration packages will continue for all levels of staff in 2006.

Corporate governance continued

Directors' emoluments 2005

	Services as director of Standard Bank Group	Services as director of group subsidiaries	Services as directors of group subsidiaries	Bonus and pension incentives/ Cash performance portion of package	Bonus and pension incentives/ related payments ⁵	Other benefits	Otherwise in connection with the Pension contributions	Otherwise in connection with the affairs of SBG and its subsidiaries	Total annual remuneration	Fair value of options granted ⁶	Value of total package
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors											
JH Maree				3 743	10 326	175	588		14 832		14 832
MJD Ruck			341	3 041	6 000	304	303		9 989	2 108	12 097
	-	-	341	6 784	16 326	479	891	-	24 821	2 108	26 929
Non-executive directors											
DE Cooper (chairman)	2 394		1 526					28	3 948		3 948
DDB Band	97	193	281					7 286 ¹	7 857		7 857
E Bradley	68	114	97						279		279
T Evans ²	97	49	97						243		243
TS Gcabashe	97	6	97						200		200
DA Hawton	68	153	462						683		683
Sir Paul Judge	275		275						550		550
SJ Macozoma	97	331	942						1 370		1 370
RP Menell	97	104	97						298		298
Adv KD Moroka	97		97						194		194
AC Nissen	97	42	97						236		236
MC Ramaphosa	97		97						194		194
Dr MA Ramphele ³	83		83						166		166
MJ Shaw	97	225	387						709		709
Sir Robert Smith	275		275						550		550
Dr CB Strauss	97		97						194		194
	4 133	1 217	5 007	-	-	-	-	7 314	17 671	-	17 671
Former non-executive directors											
RA Plumbridge ⁴	37	107	59					66	269		269
Dr CL Stals ⁴	37	21	37						95		95
	74	128	96	-	-	-	-	66	364	-	364
Total	4 207	1 345	5 444	6 784	16 326	479	891	7 380	42 856	2 108	44 964

¹This amount was payable to Doug Band by Gymnogene Investments, a company in which he is a 33% shareholder and which had a contractual relationship with the bank. The payment arises from a share of the profit on disposal of private equity investments in a portfolio sourced and arranged by Gymnogene Investments on behalf of the bank. Although the contract expired on 31 December 2004, payments of this nature are likely to recur if and when the three remaining investments in this portfolio are realised on a profitable basis to the bank.

²Resigned on 8 March 2006.

³Appointed on 17 March 2005.

⁴Retired on 25 May 2005.

⁵In order to align incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not the amount paid.

⁶Calculated in terms of International Financial Reporting Standards (IFRS) on share-based payments (IFRS 2). This is considered to be the most appropriate quantification of the benefit awarded in the year under review.

Directors' emoluments 2004

	Services as director of Standard Bank Group R'000	Services as directors of group subsidiaries fees R'000	Services as directors of group subsidiaries R'000	Bonus and pension incentives/ Cash performance portion of package R'000	Bonus and pension incentives/ related payments ⁴ R'000	Other benefits R'000	Otherwise in connection with the Pension contri- SGB and its subsidiaries R'000	Otherwise in connection with the Pension contri- SGB and its subsidiaries R'000	Total annual remune- ration R'000	Fair value of options granted ⁵ R'000	Value of total package R'000
Executive directors											
JH Maree				3 540	9 065	168	566		13 339	3 700	17 039
MJD Ruck			348	3 047	5 040	306	303		9 044	3 690	12 734
	-	-	348	6 587	14 105	474	869	-	22 383	7 390	29 773
Non-executive directors											
DE Cooper (chairman)	2 014		1 364					32	3 410		3 410
DDB Band	81	145	141					2 549	2 916		2 916
E Bradley ¹	56	105	81						242		242
T Evans	81	40	81						202		202
T S Gcabashe	81		81						162		162
DA Hawton	56	127	346						529		529
Sir Paul Judge	241		241						482		482
SJ Macozoma	81	86	1 401						1 568		1 568
RP Menell	81	86	81						248		248
Adv KD Moroka	81		81						162		162
AC Nissen	81	34	81						196		196
RA Plumbridge	81	230	127					84	522		522
MC Ramaphosa ²	14		14						28		28
MJ Shaw ³	37	53	267						357		357
Sir Robert Smith	241		241						482		482
Dr CL Stals	81	46	81						208		208
Dr CB Strauss	81		81						162		162
	3 469	952	4 790	-	-	-	-	2 665	11 876	-	11 876
Total	3 469	952	5 138	6 587	14 105	474	869	2 665	34 259	7 390	41 649

¹Individual not recipient of fees paid for January and February 2004 – fees paid to company. From March 2004 fees paid directly to individual.

²Appointed on 1 November 2004.

³Appointed on 22 July 2004.

⁴In order to align incentive awards with the performance to which they relate, bonuses above reflect the amounts accrued in respect of each year and not the amount paid.

⁵Calculated in terms of IFRS 2. This is considered to be the most appropriate quantification of the benefit awarded in the year under review.

