



STANDARD BANK GROUP LIMITED

<http://www.>

Annual General Meeting

26th June 2020

Financial Year End: 31 December 2019

Proxies voted
Labour Research Trust
The Ditikeni Trust

We are told that the company *strategy is unchanged* but what that strategy is, is not clear, otherwise a clear report that is fairly easy to read but wordy.

The total number of employees is reported and this has declined 4.7%, whilst there is no explanation attached to this figure, the employee report notes that employee turnover increased due to retrenchments as a result of the closure of branches and changes in IT. Employee satisfaction remains good but was down as a result of retrenchments. A detailed employee report for which we commend the company.

Subsequent to the 2019 AGM the company has published guidelines on coal mining and coal fired power, this is to be commended but we would prefer to see a more assertive policy and a policy around funding green energy solutions.

Active Shareholder has been communicating with the company for over a year regarding the appointment of the audit committee (see 1.2 and 2 below) and has not yet received a clear answer to our question. The first paragraph of the Audit Committee Report now answers us *Section 94(2) of the Companies Act determines that, at each annual general meeting, a public company must elect an audit committee comprising at least three members. In view of the exemption granted in section 94(1), this section does not apply to the group audit committee and, accordingly, the appointment of its members is approved annually by the board.* This is not in line with the actions of various other banks nor is it in line with the statement in last year's Report *Our approach to governance extends beyond compliance.* The company no longer asserts that their approach to governance extends beyond compliance and it demonstrably does not.

We are concerned about the independence of the chairman and the deputy chairman (see 1 below).

The report is well cross-referenced but there are no hyperlinks to pages or other reports as one would expect, there are some links to the website which worked when used. Contact details are provided; names and telephone numbers as well as various email addresses for queries, unfortunately we received a reply *This mailbox is no longer monitored or in use.* Layout is in Portrait format which does not suit the Landscape format of a laptop screen (which most readers will use) further, double page spreads cannot be read on a laptop screen. The Report states *We urge our stakeholders to make use of our reporting site at ... to assist in the reduction of our carbon footprint.* Despite this statement, the report is still designed to be used as a printed report.

	Resolution	Rationale	Vote	Outcome of AGM
	Submission of the Annual Financial Statements (AFSs) for the year ended 31 December 2019, including the reports of the directors and the audit committee.	<p>It is pleasing that the shareholders are presented with the opportunity to ask questions on the AFSs and the reports but we would prefer a vote of acceptance thereof.</p> <p>The auditors have expressed the view that the AFSs fairly present the results of and financial position of the company.</p>		
	Submission of the report of the group social and ethics committee	<p>The company produces a ESG (Environmental, Social & Governance) report which is extensive and informative.</p> <p>In his introduction to this report the CEO states that the company is committed to ... <i>ensuring that our business activities create net positive social, economic and environmental (SEE) impacts</i> ... However, in the 2019 AGM notice the board recommended that shareholders oppose the shareholder resolutions which they stated <i>have been requisitioned by two shareholders holding less than 0.001% of the company's issued ordinary share capital</i>. In the event the 1 resolution was passed by 55% of shareholders and although not passed the second resolution received not insignificant support of 38% of shareholders. Society and stake-holders are demanding more and the opposition by the board to these resolutions and disparaging reference to 0.001% of shares does not build confidence in statements such as that of the CEO above.</p> <p>We are pleased that the company has <i>formed a working group to address gaps in our existing climate change disclosures</i>.</p> <p>The report includes too much detailed theory but the hard facts of scope 1, 2 and 3 green house gases produced were included for the last 3 years and showed a steady decline.</p> <p>Water usage and waste management figures are also provided and again showed a positive trend.</p> <p>What is most pleasing are details of the company's support of renewable energy projects including the number of jobs created.</p> <p>The report compares investment in renewables vs investment in fossil fuel projects and notes that no new finance has been provided for thermal power projects since 2009.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
	Ordinary Resolutions			
1	To elect directors:	<p>The board has an annual evaluation which is externally facilitated every other year. During 2019 it was internally facilitated and the board found it was operating well.</p> <p>In assessing the suitability of individual directors, it is necessary to consider the overall composition of the board, we consider the following:</p> <p>Independence. The board comprises 18 directors of whom 13 (72%) are classified independent, 3 (17%) are not independent and 2 (11%) are executives.</p> <p>Tenure clearly affects independence; 4 (22%) have served less than 3 years, 9 (50%) have served 3 to 6 years, 2 (11%) have served 6 to 9 years, and 3 (17%) have served more than 9 years. The chairman and one other director both classified as independent have served on the board for 16 and 17 years respectively and as such their independence is questioned. The deputy chairman has a long association with the company and is rightly not classified as independent.</p> <p>The Lead Independent Director steps down at the AGM, and is replaced by a director whose independence is concerning given her association along with two other directors with another company.</p> <p>We have concerns with the independence of the board particularly in light of the long service of the chairman and the fact that the deputy chairman is not independent, and that three directors are associated with another company (Sasol).</p> <p>The board states that it <i>welcomed this exemption</i> with reference to the exemption granted by the SARB (South African Reserve Bank) to the requirement to classify directors who have served for more than 9 years as not independent. This is concerning.</p> <p>We need to know what action the board is taking to address the lack of independence of the chair and his deputy.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
		<p>Continuity. As noted above 50% of directors have served 3 to 6 years with only 28% having served more than 6 years. This is not ideal and given the relatively short tenure of both executive directors we are concerned about continuity and potential loss of institutional knowledge.</p> <p>Diversity. The board is meeting its diversity targets, with 7 (39%) female members and 7 black directors (54% of SA directors) and 5 (27%) foreign directors.</p> <p>Skills. A matrix is provided of board skills and experience and we did not note any shortcomings.</p> <p>Board meeting attendance was remarkably difficult to find.</p>		
1.1	Maureen Erasmus	<p>Ms Erasmus, 59, is a former South African now classified as British. She is suitably skilled and experienced and joined the board in 2019. Her attendance since her appointment was impeccable.</p> <p>We are a bit concerned that she may becoming overcommitted.</p>	FOR	FOR 99.9%
1.2	Trix Kennealy	<p>Ms Kennealy, 61, is suitably skilled and experienced and has been a director for 3 years. Her attendance at board and committee meetings was impeccable.</p> <p>As a director of 1 other listed company, we do not consider her over-committed.</p> <p>She is chairman of the audit committee which does not believe that good governance requires them to put the appointment of the audit committee to the members. She is also a member of the Sasol audit committee which believed it did not need to place the appointment of the auditors before the shareholders.</p> <p>We cannot vote on her appointment to the audit committee and therefore oppose her appointment as a director.</p> <p>Further, Ms Kennealy, along with 2 other directors all serve on the board or in senior executive positions in another company (Sasol), we are concerned about the loss of independence as a result of this relationship, and on these grounds also oppose her reappointment.</p> <p>Ms Kennealy takes over as Lead Independent Director, which concerns us greatly.</p>	AGAINST	FOR 98.7%

	Resolution	Rationale	Vote	Outcome of AGM
1.3	Nomgando Matyumza	Ms Matyumza, 57, is suitably skilled and experienced and has been a director for 3 years. Her attendance at board and committee meetings was impeccable. She is a director of 2 other listed companies. Ms Matyumza serves on the audit committee as well as the Sasol Audit committee and we have concerns around those committees' performance (see 1.2 above). We are also concerned about the loss of independence with 3 of the directors serving another company (see 1.2 above).	AGAINST	FOR 98.7%
1.4	Jacko Maree	Mr Maree, 64, is the deputy chairman and has served on the board we are told for 3 years. However, he has served the company for many years including 13 years as chief executive. He is not classified as independent, but full disclosure would be appropriate. His attendance at board and committee meetings was impeccable.	FOR	FOR 83.9%
1.5	John Vice	Mr Vice, 66, has served on the board for 3 years. He is suitably skilled and experienced and his attendance at board meetings was acceptable and at committee meetings it was impeccable. He is a director of 1 other listed company. Mr Vice is a former partner of KPMG one of the company auditors, he now serves on the audit committee. In the absence of additional information, we do not support him serving on the audit committee (see introduction above). As we are not permitted to vote on the appointment of the audit committee we must vote against Mr Vice's reappointment to the board.	AGAINST	FOR 99.2%
1.6	Priscillah Mabelane	Ms Mabelane, 46, is suitably skilled and experienced. She joined the board on 1 January 2020. She is a director of 1 other listed company, but takes up a senior full-time position later this year. As such we are concerned about her level of commitments. Further, she is 1 of 3 directors who will all be serving on this board as well as serving on the board, or in this case, as a senior executive of another company (Sasol) (see 1.2 above).	AGAINST	FOR 97.8%

	Resolution	Rationale	Vote	Outcome of AGM
1.7	Nonkululeko Nyembezi	Ms Nyembezi, 59, is suitably skilled and experienced and joined the board on 1 January 2020. We are concerned about the level of her commitments but at this stage they seem manageable.	FOR	FOR 85.3%
2	Reappointment of Auditors	Both KPMG and PricewaterhouseCoopers (PWC) have been auditors of the company for 57 years. This is clearly of concern and we cannot support their reappointment. Only 76% and 82% of shareholders supported their reappointment in 2019, and the audit committee makes no reference to this. The audit committee note that they are aware that they will be required to rotate audit firms to ensure that no audit firm serves more than 10 years. We prefer the rotation of auditors, where there are 2 audit firms, be staggered. As such we believe the committee should have started the process to replace one of the firms now. We have repeatedly raised with Standard Bank our view that the audit committee should be appointed by shareholders as with listed companies. We acknowledge that banks are exempt from this by virtue of the Banks Act which requires an audit committee be appointed by the board, however we believe that good governance practice requires all companies to put the audit committee to shareholders. We note that a number of other banks have now done this. The committee report that they are within the law. The Report has now removed the phrase <i>Our approach to governance extends beyond compliance</i> .		
2.1	KPMG Inc.	See 2 above.	AGAINST	FOR 71.8%
2.2	PricewaterhouseCoopers Inc	See 2 above.	AGAINST	FOR 79.8%

	Resolution	Rationale	Vote	Outcome of AGM
3	Place unissued ordinary shares under control of directors	<p>This resolution places the unissued ordinary shares under the control of the directors who are then empowered to issues new shares subject to the laws and regulations up to a maximum number of new shares of 2.5% of the existing issued shares.</p> <p>The limitation of 2.5% shall not apply if the share issue is for:</p> <ol style="list-style-type: none"> 1 The acquisition of assets (no details provided); or 2 The issue is pro-rata to existing shareholders. <p>No reasons for this resolution are provided and we are given no explanation of the circumstances which would lead to the issue of new shares. We are concerned about the potential dilution of existing shareholders particularly given the fact that there is no limit on the number of new shares that may be issued to acquire an asset. As such the resolution is opposed.</p>	AGAINST	FOR 94.1%
4	Place unissued preference shares under control of directors	<p>We are pleased that this year's resolution has a limitation (2.5% of the issued shares) to the number of new preference shares which may be issued, there was no limit in the 2019 resolution. This is an improvement.</p> <p>The unissued preference shares are non-participating, however, they rank above ordinary shares in several respects. Thus, control of them allows the company's capital structure to be changed and has potential implications for ordinary shareholders' returns and for the bank's capital position.</p> <p>We are given no explanation as to the circumstances which would result in the issue of new shares nor are any of our concerns regarding the potential effect on ordinary shareholders addressed.</p>	AGAINST	FOR 96.5%

	Resolution	Rationale	Vote	Outcome of AGM
5	Non-binding advisory votes			
5.1	Support the group's remuneration policy	<p>There is a clear link between variable awards and the <i>five strategic value drivers; client focus, employee engagement, risk and conduct, financial outcome and social, economic and environmental (SEE) impact</i> which underpin the company strategy. It is most pleasing that issues such as client focus and social and environmental impact are included as metrics. It is not easy to measure these and consequently we are told <i>All variable remuneration awards are discretionary</i>. The level of discretion allowed is not consistent with good governance practices and therefore this resolution is opposed.</p> <p>A large remuneration committee comprising 7 members of whom 6 are classified as independent. The chairman retires this year and the new chair has been nominated to take over. The CEO attends by standing invitation. We do not favour a standing invitation for the CEO or other executives.</p> <p>Both remuneration resolutions were well supported at the 2019 AGM. Executive remuneration comprises Fixed Remuneration, Short-Term Incentives (STIs) and Long Term Incentives (LTIs). Fixed Remuneration informs both STIs and LTIs and thus it is critical to ensure this is at the correct level.</p> <p>Remuneration is benchmarked with the assistance of external consultants, the consultants are named but it is not clear what role the various consultants play.</p> <p>Benchmarking is done by reference to local competitors who are named and named international competitor companies, a bespoke survey and generic surveys. It is not clear who performs the benchmarking and how it is weighted against the various sources of information.</p> <p>It is not clear if the benchmarking only covers Fixed Remuneration or the total package.</p>	AGAINST	FOR 88.3%

	Resolution	Rationale	Vote	Outcome of AGM
		<p>It is pleasing that benchmarking is performed using a variety of appropriate competitors, it is not clear if the benchmarking is independent.</p> <p>Although the fixed pay has not increased other than the 2.4% increase as a result of changes in benefits, we note that the STI and LTI limits as expressed as a percentage of fixed pay have increased.</p> <p>Total package has increased.</p> <p>The breakdown of pay on target and stretch for the executive directors is: CEO/CFO on target STI is 240%/215% of fixed pay and LTI is 160%/170% of fixed pay and at stretch STI is 300%/308% and LTI 314%/360%.</p> <p>Rewards are heavily biased towards variable pay in comparison to other SA companies, and a heavier bias towards STI although 50% of that is deferred.</p> <p>It is unusual for the CFO to have a higher risk component than the CEO.</p> <p>The Remuneration Policy Report does not provide metrics or details of how the STI and LTI are arrived at. However, metrics disclosed in the Remuneration Implementation Report are: Client Focus, Leadership and People, Risk and Conduct, Financial Outcome and SEE (Social, Economic and Environmental) Outcome. No weighting of the metrics is provided and no measures or targets are provided. We are not told to what extent the different metrics apply to the STI or LTI</p> <p>Most unusually deferred awards made to staff on vesting are settled in shares whereas awards to executives are settled in cash on vesting. Executives may choose to have all or part of their deferred bonus invested in the Share Appreciation Rights Plan in which case they are exposed to the share price but are given a 10% premium on their investment.</p> <p>It is pleasing that clients, people and social and environmental factors are considered in the remuneration mix.</p> <p>Clawback provisions may apply.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
5.2	Endorse the group's remuneration implementation rep	<p>The Remuneration Implementation Report provides details of 2019 and 2018 income and notes that Fixed Pay did not increase other than a 2.4% increase due to the introduction of a health insurance plan. Inflation is reported at 4.8%. Fixed pay for both executive directors is in line with similar other SA companies.</p> <p>Fixed Pay increases are modest but we are given no indication of general staff increases and we note that the previous year executive pay increases were 9% and 13%, this puts these increases considerably ahead of inflation for the 2 years.</p> <p>A "report card" covering each of the critical outcomes as noted under 5.1 above is provided for each executive, these however do not provide a lot of hard information and no targets are provided.</p> <p>Incentives for both executives amounted to 376% of fixed pay which would suggest an outstanding year for the company. We find that the TSR for the 2019 year does not support this level of award.</p> <p>Incentives are high particularly in light of the muted performance albeit in a difficult climate. The level of discretion involved in compiling the "report cards" seems to be extremely high.</p>	AGAINST	FOR 86.4%
	Special Resolutions			
6	Approve non-executive directors' fees:	<p>Non-executive directors are paid a flat fee with additional fees for serving on the various committees. The chairman is paid an all-inclusive flat fee.</p> <p>Board fees are proposed to increase 5% which is relatively high but there was no increase in 2019.</p> <p><i>The board agreed that the current fee structure of a single annual fee, rather than a retainer and meeting attendance fee, was more appropriate for the group board and committees ... Attendance of board meetings and committee meetings in 2019 was impeccable in most cases and good in the remainder.</i></p> <p>However, an attendance fee is a measure and in the absence of more effective measures we regard this as a minimum. Board and committee fees are therefore opposed.</p>		

	Resolution	Rationale	Vote	Outcome of AGM
6.1	Standard Bank Group Chairman	The chairman's fee as per the resolution presented to the shareholders is incomplete as he also receives the benefit of a company vehicle the valued at R 503 000. This should be included in the resolution.	AGAINST	FOR 93.7%
6.2	Standard Bank Group Director	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.0%
6.3	Standard Bank Group International Director	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 93.8%
6.4	Group Audit Committee			
6.4.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 94.1%
6.4.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%
6.5	Group Directors' Affairs Committee			
6.5.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 94.1%
6.5.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%
6.6	Group Remuneration Committee			
6.6.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 93.9%
6.6.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%
6.7	Group Risk & Capital Mngt Comm.			
6.7.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 94.1%
6.7.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%
6.8	Group Social and Ethics Committee			
6.8.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 94.1%
6.8.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%

	Resolution	Rationale	Vote	Outcome of AGM
6.9	Group Tech. & Info. Committee			
6.9.1	Chairman	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 93.9%
6.9.2	Member	As noted under 6 above, we regard an attendance fee as a minimum measure.	AGAINST	FOR 95.3%
6.10	Ad hoc meeting attendance	This fee is paid per additional meeting and therefore our concern regarding attendance is satisfied.	FOR	FOR 94.1%
7	General authority to acquire the company's ordinary shares	The repurchase of company shares has the effect of diluting minority shareholders interests and as such we oppose non-specific resolutions granting the directors the authority to repurchase shares.	AGAINST	FOR 99.4%
8	General authority to acquire the company's preference shares	The preference shares are trading at a discount and are not redeemable. It is therefore in the interest of these shareholders that the company repurchase them. The company's capital requirements encourage them to eliminate this class of share.	FOR	FOR 99.4%
9	Loans or other financial assistance to related or inter-related companies	The information provided as part of this resolution is minimal and we are not given any reasons or effects as required for special resolutions.	AGAINST	FOR 99.5%

RESULTS OF THE AGM

The AGM was fairly well attended with approximately 80% of shares voted in person or by proxy, all resolutions were passed despite a lot of questions regarding directors' conflict of interests. Two directors did not meet with universal approval with 15% plus of shareholders opposing their appointment but this did not seem to be connected to the questions regarding conflict of interest.

Shareholders are not pleased with the length of tenure of the auditors with nearly 30% voting against the one firm of auditors, the audit committee has been silent on auditor rotation. This resistance has been growing over the last 3 years but we don't anticipate any statement from this audit committee in their next report.

The number of shareholders opposing the remuneration reports is increasing each year but these are still passed by a comfortable majority.