



# Barclays Africa Group Limited

## 2017 King IV review

IFC	Governance focus areas	1	Board's primary role and responsibilities	5	Technology and information governance	8
1	Leadership and organisational ethics	2	Board composition	6	Remuneration governance	8
IBC	Responsible corporate citizenship and regulatory compliance	3	Delegation to management and committees	6	Stakeholder relationships	9
	Strategy and performance	4	Board and committee performance evaluation	7	Responsibilities of institutional investors	10
	Reporting and assurance	5	Risk governance	7		

# Our reporting suite



All of the reports listed below are available on [barclaysafrica.com](http://barclaysafrica.com) and on our interactive report site [barclaysafrica2017ar.co.za](http://barclaysafrica2017ar.co.za). Comments or queries regarding these documents can be sent to [groupinvestorrelations@barclaysafrica.com](mailto:groupinvestorrelations@barclaysafrica.com) or [groupsecretariat@barclaysafrica.com](mailto:groupsecretariat@barclaysafrica.com)

Document	Scope and boundary	Reporting standards/frameworks	Assurance
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## Integrated report and environmental, social and governance disclosures

<ul style="list-style-type: none"> <li>• 2017 Integrated Report</li> <li>• 2017 GRI (Global Reporting Initiative) report</li> <li>• 2017 King IV review</li> <li>• 2017 Broad-based black economic empowerment (BBBEE) report</li> <li>• Notice of annual general meeting 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Barclays Africa, including key banking and insurance subsidiaries</li> <li>• BBBEE applies to our South African operations</li> </ul>	<ul style="list-style-type: none"> <li>• International Integrated Reporting Council's (IIRC's) Integrated Reporting &lt;IR&gt; Framework</li> <li>• Companies Act No 71 of 2008 of South Africa</li> <li>• JSE Listings Requirements</li> <li>• King IV Report on Corporate Governance for South Africa, 2016™ (King IV)</li> <li>• Amended Financial Sector Code</li> <li>• GRI G4 Standards; Financial Sector Supplement and the Greenhouse Gas Protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Internal controls and management attestations</li> <li>• Compliance, internal audit and legal reviews</li> <li>• External audit opinion on financial information, and external assurance on select indicators</li> <li>• Independent BBBEE verification</li> <li>• Board approval, assisted by the Disclosure, Social and Ethics, and Directors' Affairs Committees</li> </ul>
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## Financial, risk and capital management disclosures

<ul style="list-style-type: none"> <li>• Summarised consolidated and separate financial statements</li> <li>• Annual consolidated and separate financial statements</li> <li>• Pillar 3 risk and capital management report</li> <li>• Financial results booklet and investor presentation</li> </ul>	<ul style="list-style-type: none"> <li>• Barclays Africa including subsidiaries, associates and joint ventures</li> <li>• Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities</li> </ul>	<ul style="list-style-type: none"> <li>• International Financial Reporting Standards (IFRS)</li> <li>• Companies Act of South Africa</li> <li>• Banks Act, No 94 of 1990</li> <li>• JSE Listings Requirements</li> <li>• King IV</li> </ul>	<ul style="list-style-type: none"> <li>• Internal controls and management assurance</li> <li>• Compliance and internal audit and legal reviews</li> <li>• Board approval, assisted by the Group Audit and Compliance, and Group Risk and Capital Management Committees</li> <li>• External audit opinion (within the consolidated and separate financial statements)</li> </ul>
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# Application of King IV

The King IV Report on Corporate Governance™ for South Africa, 2016 (King IV or the Code) was launched by the Institute of Directors in Southern Africa on 1 November 2016 as a set of voluntary principles and leading practices with an ‘apply and explain’ policy. The Johannesburg Stock Exchange (JSE) requires listed companies to apply King IV, which became effective on 1 April 2017. This document outlines our application of the recommended principles and practices of the Code, and supplements the disclosures in our 2017 Integrated Report, particularly the governance review.

## Governance focus areas

To better align our governance practices to those recommended in King IV (and in doing so, comply with the related listings requirements) we focused on key governance areas against King IV’s envisioned outcomes (‘ethical culture’, ‘effective control’, ‘good performance’ and ‘legitimacy’) and categorised expected outcomes as either ‘primary’ or ‘secondary’. For example, a focus on organisational ethics to promote an ethical culture was assessed as a primary outcome with good performance as a secondary outcome. We anticipate that applying the recommended practices to our focus areas – organisational ethics, group governance framework, stakeholder engagement, combined assurance and fair and responsible remuneration – will benefit ‘ethical culture’ and ‘legitimacy’ outcomes the most, followed by noteworthy benefits to ‘good performance’ and ‘effective control’. These expected outcomes reinforce the Board’s view that an ethical culture and a good reputation are essential to building a sustainable business.

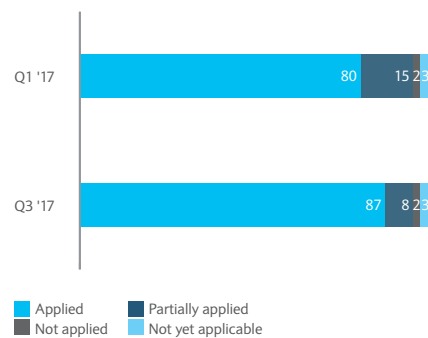
We considered each principle and the underlying recommended practices against existing policy or practice within the Group. The Board and relevant committees considered the outcomes of the analysis.

Our initial assessment in early 2017 indicated that we already apply the most significant aspects of the principles and the majority of the underlying recommended practices. Of the 400 practices, 80% had been fully applied, 15% partially applied, 2% not applied and 3% were not yet applicable.

Principles 14 and 16 (covering remuneration governance and stakeholder inclusiveness respectively) recorded relatively higher percentages in the ‘partially applied’ category. Our asset and investment management businesses also assessed their policies and practices against Principle 17, and confirmed that they are mostly compliant, with certain areas requiring improvement.

From March 2017, our remedial efforts were aimed mainly at updating our Board Charter, committees’ terms of reference and other governance documents and processes. After September our efforts involved more strategic work on selected governance practices. We moved from 80% fully applied to 87% by the end of the third quarter.

Level of application (%)



In applying King IV we made changes to our governance processes, including:

- transitioning from an annual to a biennial Board effectiveness review;
- the inclusion of a policy and targets for gender and race diversity in our Board Charter;
- more extensive disclosures on remuneration practices;
- a heightened focus on combined assurance and the coverage of the three lines of defence;
- a detailed review of our stakeholder-inclusive practices and policies, with a view to create a more comprehensive and effective stakeholder management regime; and
- developing a Group-wide governance framework to improve the inclusivity of governance

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## Leadership and organisational ethics

### Principle 1

The governing body should lead ethically and effectively.

### Principle 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

### Expected outcomes

- Ethical culture (primary)
- Legitimacy (primary)
- Effective control (secondary)
- Good performance (secondary)

### Key matters raised by stakeholders

- Ethical work environment, underpinned by sound conduct and corporate values
- Financial system stability spanning financial soundness to fair treatment of consumers
- Adequate and timeous response to consumer and customer-focused legislative changes
- Adapting to and influencing changes to legislation and regulations that substantially impact the business and the financial services sector

### Informing our material focus areas

- Driving an ethical culture
- Responding to conduct-related regulations
- Managing conduct-related risk

## To achieve

### For our regulators, customers and clients

- Fair and ethical treatment
- A stable financial services sector
- An inclusive and transformed sector
- Fair advice and distribution

### For the Group

- Sound corporate values, high ethical standards, market integrity and good conduct practices
- Sustainable operations
- Stakeholder trust and support

The Board recognises that for leadership to be effective it must be ethical. Our directors are committed to the highest standards of integrity and ethical behaviour. They uphold the standards of conduct required by law; obey the rules of the Board Charter, the Memorandum of Incorporation, and relevant policies; and oversee the embedment of an ethical culture in the organisation.

Our Board Charter sets out the behaviours required of directors in areas that have the potential to lead to actual or perceived unethical conduct such as conflicts of interests or dealing in Barclays Africa securities. In this regard, directors regularly declare their interests and those of their related parties, and recuse themselves from discussions or decisions on matters in which they have declared actual or potential conflicts. A director's conduct is also considered during peer reviews, and the Board takes the outcomes into account when proposing directors for re-election.

The Board, through our Social and Ethics Committee, is responsible for overseeing ethics and ethical conduct in the Group. The Committee monitors and evaluates management's programmes aimed at embedding an ethical culture among employees. Our code of conduct, with amendments approved in November 2017, defines the way we think, work and act, and aligns our policies and practices with our Values – Respect, Integrity, Service, Excellence and Stewardship. These Values form part of employees' induction and ongoing mandatory training. They are visible throughout our business premises, and serve as a reminder to our employees, suppliers and other business partners, of the principles that guide our behaviours. Our suppliers are also held to standards of behaviour set out in our suppliers' code of conduct.

In 2017, we enhanced the Social and Ethics Committee's oversight role of the conduct risk and reputation risk frameworks, the supplier due diligence framework, and the conflicts of interest policy. Further, we surveyed our employees' impression of our culture and the state of ethics in the organisation and the Board received a detailed report in the last quarter of 2017.

Employee conduct is monitored through culture surveys and by tracking disciplinary cases, grievances and ethical breaches. The surveys assist in determining the areas impacting culture, and how to better align these with our Values.

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The Social and Ethics Committee was briefed on the application of the whistle blowing process in the Group in the first quarter of 2018, including the systems and processes used to support the reporting and assurance provided on disciplinary and grievance information. Whistle blowing enables confidential and anonymous reporting of inappropriate conduct, unethical behaviour, breached rules, and employees' or business partners' conflicts of interest. Our whistle blowing programme deters such conduct through (i) training and awareness and (ii) encouraging whistle blowing when required. Statistics are reported to the Social and Ethics Committee to assist in monitoring conduct risk.

In line with global norms and in compliance with relevant legislation, our Board-approved anti-bribery and anti-corruption policy provides guidance on identifying and managing risks such as:

- i. employment and work opportunity risk;
- ii. expenditure risks (facilitation payments, political donations, gifts and entertainment); and
- iii. third-party risks.

Conduct forms part of an employee's performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal.

Other Board committees which oversee the Group's ethical environment include the:

- Group Audit and Compliance Committee, which monitors internal and external fraud and forensic investigations;
- Directors' Affairs Committee, which oversees the results of internal and external regulatory investigations and related breaches and fines and the responses to such; and
- Remuneration Committee, which receives reports on legal, conduct and reputational risks which may impact individual compensation (including share awards).

The Group's Securities Dealing Code prohibits the Board, Executive Committee and others viewed as insiders from trading in the Group's securities during closed periods. Directors and senior managers require permission to trade outside of closed periods.

## Responsible corporate citizenship and regulatory compliance

### Principle 3

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

### Expected outcomes

- Ethical culture (primary)
- Legitimacy (primary)
- Good performance (secondary)

### Principle 13

The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

### Expected outcomes

- Ethical culture (primary)
- Legitimacy (primary)
- Effective control (secondary)
- Good performance (secondary)

## Key matters raised by stakeholders

- Societal challenges, such as access to financial services, education, employment opportunities and economic growth
- Funding for strategic partnerships in community development
- Our environmental footprint and how we manage it

## Informing our material focus areas

- Supporting education and skills development
- Investing in enterprise development
- Improving access to financial services
- Environmental stewardship

## To achieve

### For our communities

- Increased access to, and funding for, education opportunities
- Improved access to markets and financial services for small and medium businesses
- Improved financial wellness
- Decreased negative impact on the environment

### For the Group

- Enhanced client relationships and economic growth through more viable small and medium businesses
- Decreased risk exposure through greater financial literacy among consumers
- Minimised environmental impacts
- Strengthened social licence to operate

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We consider good corporate citizenship to be a strategic imperative. Our Board, through the Social and Ethics Committee, approves policies and strategies, and monitors and evaluates programmes that strengthen and maintain our standing as a good corporate citizen. Our Shared Growth philosophy guides our corporate citizenship programmes which leverage our assets and expertise to address the societal challenges which we believe we can most positively impact. Collaboration is key to our approach, and we work with like-minded stakeholders to implement mutually beneficial solutions in supporting education and skills development, and to invest in enterprise development.

We have a duty to ensure compliance with laws and regulations relevant to our business. The Group Audit and Compliance, Social and Ethics, and Directors' Affairs committees assist the Board in its oversight responsibilities monitoring legal and regulatory compliance. Our Head: Compliance oversees the compliance framework, while individual business leaders are responsible for embedding compliance. Our employees receive annual mandatory training on policies and regulations.

In accordance with Principle 13's recommended practices, we reviewed our ability to assess legislation and regulations and their impact on the Group. The review confirmed the robustness and efficacy of our regulatory compliance framework and, consequently, our ability to monitor and adapt to new and amended regulations or legislation. However, we identified opportunities to strengthen our processes by, among other things (i) ensuring greater standardisation of processes in the regulatory continuum between South Africa and our Rest of Africa countries, and (ii) methodically tracking regulatory changes to fully understand their impact.

## Strategy and performance

### Principle 4

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

### Expected outcomes

- Good performance (primary)
- Effective control (secondary)

Our Board is responsible for creating and delivering sustainable value for shareholders by overseeing the management of the business. The Board (i) approves the Group's strategic objectives, business plans and annual budgets; and (ii) monitors implementation of the strategy and plans according to the approved risk appetite, the available opportunities, and the macro and regulatory environment. Each Board committee monitors execution of the strategy and business plans according to its specific mandate.

In December 2017, we developed a longer-term strategy, and the relationship between strategy and aspects of the triple context (the combined context of the economy, society and the environment in which we operate) was actively debated. In particular, an operating environment analysis, a culture review, and employees' active participation have enabled us to:

### Make seven key choices that define our new strategy

- Focus on growth with sustained high returns
- Become an African organisation with globally scalable platforms
- Become customer obsessed
- Build a culture based on inclusivity, diversity, entrepreneurship and ownership
- Become a digital organisation
- Play a shaping role in society
- Maximise the potential of our current portfolio while seeking growth via acquisitions and the disposal of non-core assets

### Develop the three priorities on which our strategy rests

- Create a thriving organisation
- Restore leadership in core businesses
- Build pioneering new propositions

### And define three enablers

- Build a scalable, digitally led business
- Play a shaping role in society
- Pursue growth opportunities

Our methodology for linking risks and opportunities will be further embedded over time.

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## Reporting and assurance

### Principle 5

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.

### Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

### Expected outcomes

- Effective control (primary)
- Good performance (primary)
- Ethical culture (secondary)
- Legitimacy (secondary)

Our primary reports to stakeholders are the integrated report, interim and annual financial statements, Pillar 3 risk and capital management report, a broad-based black economic empowerment report and a GRI report.

The Group Audit and Compliance Committee oversees assurance services and the effectiveness of the Group's control environment. The credibility of our regulatory reports and their utility for our stakeholders depends on the quality of assurance. Regulations around other reports, such as the integrated report, are more flexible with regard to disclosure within guidelines and standards, and these reports' content and assurance is developing continually. The Group's combined assurance approach optimises assurance activities so that, taken as a whole, these enable an effective control environment and ensure integrity of information for decision-making and external reports.

Although no gaps were specifically identified, (i) the combined assurance process is a work in progress; and (ii) assurance of external reports with a framework (identifying qualifying external reports, levels of assurance, and provider of assurance in respect of each) is required.

Our combined assurance activities focus on our most important and at-risk areas – critical processes, strategy change programmes, and material control issues, where at least two levels of assurance are applied to each. The assurance providers include:

- business and management assurance as the first line of defence;
- compliance and key risk officers as the second line of defence; and
- internal audit and external audit as the third line of defence.

The Group Risk and Capital Management Committee reviews all risk-related disclosures in external reports. Our Disclosure Committee, a sub-committee of the Group Audit and Compliance Committee, assists in developing material matters for disclosure and then in reviewing and approving the integrated report.

In applying King IV's recommendations on external reports' assurance, the Group Audit and Compliance Committee is supervising the development of a framework that will allow a phased approach, with initial focus on reports issued to shareholders in March 2018.

In addition to legislative or regulatory requirements, we are determining the appropriate type/level of assurance to support the integrity of each external report. We developed a framework for external reporting, identifying the combination of internal and external assurance providers per report. The Board or committee will be in a position to determine the effectiveness of the assurance process applied to each external report and issue a statement on the integrity of such report accordingly. Effective from the first financial results publication on 1 March 2018, the detail of the assurance provided will be published within each report issued.

Phase two of the process involves identification of reports outside of the regular reporting suite (such as to regulators) which may fall within the ambit of this King IV recommendation. While these reports have been subject to forms of assurance they will be more formally assured in phase two.

Our phased approach implements measures including (i) formal attestation by relevant executives; (ii) Board approval of all externally published reports; and (iii) a statement of assurance on the integrity of the report, including a basis for such statement, by the responsible Board committee. A template for disclosing external reports' assurance has similarly been developed.

## Board's primary role and responsibilities

### Principle 6

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

### Expected outcomes

- Effective control (primary)
- Good performance (primary)

Our Board (assisted by the Directors' Affairs Committee) is the focal point and custodian of the Group's corporate governance. The Board Charter is the foundation of the Group's governance principles and practices, and is reviewed and refreshed each year. The Board Charter outlines the mandate of each Board committee, sets expectations of committee chairmen, and delineates the roles of the Group Chairman and Group Chief Executive Officer, Lead Independent Director, and executive directors. The Directors' Affairs Committee tracks progress against the Board's annual governance objectives, and the results are published in the integrated report.

We have a suite of policies for areas such as authority levels, risk and conduct, and the Board or its committees regularly review and approve these to formally embed good governance in the organisation.

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## Board composition

### Principle 7

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

### Expected outcomes

- Good performance (primary)

13 of our 18 Board members are independent non-executive directors. When appointing directors, the Board considers educational background, personal attributes, professional expertise, industry knowledge, gender, and ethnicity so to enhance the collective skills of the Board. The Directors' Affairs Committee assists in identifying suitable candidates and facilitates the formal appointment process as set out in the Board Charter. The Board appoints directors on recommendation of the Directors' Affairs Committee.

We regularly review the composition of our Board, including skills set, to maintain appropriate diversity and a skill set whereby it can effectively execute its oversight duties. Directors' succession planning (in particular for committee chairmen) assists continuity for the Board and its institutional knowledge.

Our Board Charter has a policy to promote race and gender, and the integrated report includes a diversity statement, in accordance with the JSE Listings Requirements.

The Group's Memorandum of Incorporation requires that one-third of directors be re-elected at each annual general meeting in line with its rotation policy, and that directors who have served for more than nine years are subject to annual re-election. Summarised CVs of directors standing for election and re-election are included in the notice of annual general meeting to assist shareholders in their decision.

Each non-executive director's independence is assessed annually, and the outcomes are disclosed as part of the governance review in our integrated report. In terms of an enhanced process, non-executive directors are now annually and formally required to confirm that they have sufficient time for their duties and responsibilities as members of the Board and its committees. All of our non-executive directors have made this confirmation as at 28 February 2018.

The Board is satisfied that its composition complies with regulatory requirements and is sufficiently diverse, independent, and able to effectively discharge its duties and responsibilities. An independent non-executive director chairs the Board, and her performance assessment is led by the Lead Independent Director, who acts as Chairman in her absence.

## Delegation to management and committees

### Principle 8

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgment, and assist with balance of power and the effective discharge of its duties.

### Expected outcomes

- Effective control (primary)
- Good performance (primary)

### Principle 10

The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

The shareholders delegate authority to the Board through the Memorandum of Incorporation and shareholders' resolutions passed at general or annual general meetings. To function effectively, the Board Charter enables the Board to establish and delegate specific oversight roles and responsibilities to its sub-committees and individual directors. The day-to-day running of the business is delegated to executive management, with certain matters reserved for the Board's own authority.

The membership of each Board Committee is selected considering factors such as skills requirements, effective collaboration through cross-membership between committees, and a need for a balanced distribution of responsibilities and a balance of power among directors. The Board has implemented guidance of a maximum number of committee memberships per Board member to support distribution of responsibilities and power. The Board remains accountable to shareholders for responsibilities delegated to sub-committees. Committee chairmen regularly report to the Board. Other than our executive directors, senior managers account to the Board by attending and presenting at various committee meetings, as necessitated by their functions.

Our Board appoints, assesses and dismisses the Chief Executive Officer, Financial Director and Group Company Secretary. The Chief Executive Officer appoints senior management in consultation with the Board. The Board, assisted by the Directors' Affairs Committee, considers executive directors' succession. The Group Audit and Compliance Committee approves the Chief Internal Auditor's appointment, and oversees her performance and remuneration.

Terms of reference dealing with standard items such as membership, role clarification and nature of delegated authority are approved by the Board. The enterprise risk management framework and certain governance policies, such as those pertaining to approval mandates, further clarify the roles and powers of the various governance configurations.

Directors, in the execution of their duties, are required to uphold their fiduciary duties and act with independent minds and judgment in the best interests of the Group.



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The Group has a full-time Group Company Secretary. Her qualifications, competence and experience are evaluated annually, and the results are disclosed in the integrated report. The Board has assessed the Group Company Secretary on all these measures for 2017 and confirmed that she meets the relevant regulatory requirements.

## Board and committee performance evaluation

### Principle 9

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

### Expected outcomes

- Good performance (primary)

The effectiveness of our Board, Board committees, Chairman and individual directors, and corporate governance processes and procedures, is regularly assessed against set criteria. Matters arising, including areas requiring improvement and the remedial plans are presented to the Board. Remediation is monitored by the Directors' Affairs Committee until the next evaluation. The Chairman engages with individual directors on the outcomes of peer reviews to address areas for development or those of concern.

In light of the scope of the Separation of Barclays PLC and Barclays Africa and the revision of the Group's strategy, the Board decided that it would be more beneficial to conduct the next evaluation in 2018 (two years since the previous one). In line with King IV, the Board has adopted biennial reviews going forward, in order to allow sufficient time to remedy those matters that arise and a reasonable period of Board activity to take place.

The integrated report describes the evaluation process, and any issues emanating therefrom.

## Risk governance

### Principle 11

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

### Expected outcomes

- Effective control (primary)
- Good performance (primary)

Our Board has overall responsibility for the Group's risk management. The extent to which we are able to monitor and effectively manage the material matters that have potential to affect the sustainability of our business, is directly linked to our value creation efforts. The enterprise risk management framework (incorporating the principal and key risks) is approved by the Board, and provides the basis for policies and standards, and for establishing the appropriate risk practices throughout the Group. Executive management is responsible for executing risk policies and embeds risk management in the business.

The Group Risk and Capital Management Committee assists the Board with the governance and oversight of risk, capital and liquidity management. The committee approves the Group's risk appetite, taking into account the current, anticipated, and possible stressed business environment. Other Board committees monitor the key risks relevant to their mandates:

- Credit Concentration Risk Committee: credit and concentration risk
- Social and Ethics Committee: conduct and reputation risks
- Group Audit and Compliance Committee: financial reporting, fraud and tax risks
- Information Technology Committee: information and technology, including cyber risks

Environmental and regulatory changes are a key consideration in identifying and managing our sustainability.

We consider risk management a collective effort, and employees receive mandatory training to familiarise them with risk management policies relevant to their functions; teach them how to identify, mitigate, manage and, when necessary, escalate actual or potential risks; and provide a role-appropriate level of awareness of the risk management process as defined by the enterprise risk management framework.

The Board, through the Group Audit and Compliance Committee and Group Risk and Capital Management Committee, receives assurance on risk management from the various assurance providers in line with the three lines of defence in the combined assurance model.

As a regulated bank holding company, we publish comprehensive risk management reports on our corporate website. These provide a complete overview of the risks and risk profile of the Group. Summarised reports are included in the annual and interim financial results booklets and the integrated report.

The Board is developing its view of opportunities according that of King IV, in context of risks and opportunities.

## Technology and information governance

### Principle 12

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

### Expected outcomes

- Good performance (primary)

Information and technology (IT) are central to our competitiveness, growth and sustainability. They form part of our Board's annual governance objectives. The Information Technology Committee assists the Board in overseeing and governing IT for the Group. The Information Technology Committee's terms of reference have been updated to reflect King IV's distinction between oversight of (i) information assets and (ii) technology infrastructure used to generate, process and store information.

The Group Audit and Compliance Committee and the Group Risk and Capital Management Committee oversee selected components of IT governance. The Board has delegated the day-to-day responsibility of the IT governance framework to executive management. The IT strategy is aimed at enhancing the stability, security, resilience, and competitiveness of the Group's information systems and technology infrastructure.

The Information Technology Committee will continue focusing on:

- our infrastructure;
- system availability and stability;
- technology risk;
- cyber security;
- people risk within technology;
- cloud migration;
- digital transformation and innovation;
- technology separation; and
- reporting on value delivered by information technology investment and projects.

Managing data and extracting value from it remains work in progress. We are on track to conform to privacy regulations processes and controls; however, King IV recently added policies around privacy and protection of personal information, which we are yet to implement.

## Remuneration governance

### Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

### Expected outcomes

- Ethical culture (primary)
- Good performance (primary)
- Legitimacy (primary)
- Effective control (secondary)

Our remuneration principles and practices are designed to ensure remuneration is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and aligns with risks and the Group's conduct expectations. The Remuneration Committee assists the Board in Group-wide remuneration governance. While we will be obliged to comply with the European Union Capital Requirements Directive IV until regulatory deconsolidation from Barclays PLC, we are applying the recommended principles and practices of King IV as far as possible in respect of our remuneration. In this regard, we are developing a revised reward and remuneration policy, which will comprehensively:

- address the principles of fair and responsible remuneration;
- address our approach to remuneration and disclosures Group-wide;
- incorporate all the elements of remuneration that are offered in the organisation; and
- align to the Group's value-creation efforts.

The RemCo terms of reference was updated to ensure organisation-wide coverage of remuneration matters. Our revised remuneration policy, to be approved in 2018, will define a strategic approach to remuneration benefits including fair and responsible executive management remuneration in relation to overall employee remuneration; and the elements of, and mix of, remuneration that are offered in the organisation.

Our remuneration report aims to provide more transparent disclosures including our responses to key concerns and recommendations of shareholders as well as the approach to shareholder voting on remuneration at the annual general meeting. Our current policy disclosure is linked to high-level statements of intent however, going forward the main provisions of the policy will be disclosed. We have introduced and disclosed a single aggregated annual remuneration number for each executive and are investigating the methodology of disclosure of awards at fair value.

Our reporting suite	IFC	Governance focus areas	1	Board's primary role and responsibilities	5	Technology and information governance	8
> Application of King IV	1	Leadership and organisational ethics	2	Board composition	6	Remuneration governance	8
Contact details	IBC	Responsible corporate citizenship and regulatory compliance	3	Delegation to management and committees	6	> Stakeholder relationships	9
		Strategy and performance	4	Board and committee performance evaluation	7	Responsibilities of institutional investors	10
		Reporting and assurance	5	Risk governance	7		

We are tabling our remuneration policy and implementation report at the annual general meeting on 15 May 2018 for a non-binding advisory vote by shareholders, in accordance with King IV's recommendations and the JSE Listings Requirements.

Our Board proactively engages investors to explain our remuneration principles and practices. Our enhanced remuneration disclosures have addressed the matters raised by our shareholders as detailed in the remuneration report section of the integrated report.

## Stakeholder relationships

### Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

### Expected outcomes

- Legitimacy (primary)
- Good performance (secondary)

As our stakeholders are integral to our business success, Our Board continuously and proactively engages with our material stakeholders in order to understand their issues and concerns. Our Board is assisted by the Social and Ethics Committee in overseeing stakeholder governance as per the Board Charter. Stakeholder groups have been identified, and the key matters they raised have been reported in our integrated report.

The Group generally has a stakeholder-inclusive approach; however, we have an opportunity to enhance this. We operate a decentralised stakeholder management model where relevant executives define the engagement approach including mechanisms, frequency of engagement, issue management, reporting and dispute management. Our Balanced Scorecard contextualises key matters raised by our stakeholders, and we address these further in the sections on governance and remuneration as well as in our stakeholder management approach in our GRI report.

Management of stakeholder risks as an integral part of Group-wide risk management, is a work in progress. We are developing a stakeholder management framework that will (i) improve the Board and Social and Ethics Committee's supervision and direction, and (ii) recognise our decentralised stakeholder engagement approach, but with a central point to collate engagement results. We continue to improve the measurement of the quality and maturity of stakeholder relationships.

The foundational elements for stakeholder relationship management exist in our governance structure, with varying levels of maturity. We are:

- developing a new Group-level stakeholder engagement policy;
- reviewing governance structures, including executive-level accountability for each stakeholder group;
- annually reviewing our identified stakeholder groups, and prioritising key matters;
- developing stakeholder management methodologies; and
- formalising centralised reporting on stakeholder activities and outcomes, including the development of measurement tools, to determine the effectiveness of engagement activities.

Management will table an integrated stakeholder management approach (with relevant policies, strategic direction and internal and external reporting) to our Board for deliberation and approval in 2018.

In line with King IV's recommendation on relationships within a group of companies, the Board is overseeing the development of a group governance framework to replace the existing memorandum of understanding, which governs the relationship between our Board and the chairmen of the subsidiary bank boards. In developing the framework, the memorandum of understanding will be expanded in:

- scope to deal with all significant subsidiary entities; and
- in mandate to deal with:
  - the approval of policies (i.e. which are deemed to apply to each subsidiary, having regard to the enterprise risk management framework, and which need to be tabled and approved by each of the relevant boards); and
  - the application of discretion limits to management and boards, having regard to the Group's approach to approval of key matters.

A new aspect for the Group, and one to be dealt with through the group governance framework, is the matter of proportionality, i.e. the extent to which King IV will be applied by each of the subsidiary entities. For larger and regulated entities, we would prefer that the 16 principles of the Code are applied (but not necessarily across all the practices); in smaller, less strategic entities, a significantly lower level of application of the practices may be determined.

Approval of the framework (in the second half of 2018) is expected to strengthen the Group's governance landscape through, among others, aligning key governance practices and uniform application of key governance principles and policies, whilst respecting the independent legal and governance responsibilities of subsidiary boards.

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## Responsibilities of institutional investors

### Principle 17

The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote the good governance and the creation of value by the companies in which it invests.

### Expected outcomes

- Good performance (primary)
- Ethical culture (secondary)
- Effective control (secondary)

King IV recommends as follows in respect of Principle 17: “the governing body should approve policy that articulates its direction on responsible investment. This policy should provide for the adoption of a recognised responsible investment code, principles and practices.”

This principle is designed for application by institutional investors. Our asset/investment management businesses – Absa Asset Management Proprietary Limited, Absa Alternative Asset Management Proprietary Limited and Absa Multi Management Proprietary Limited – have assessed their policies and practices against this principle and confirmed that they are mostly compliant, with certain areas requiring improvement.

Absa Asset Management and Absa Alternative Asset Management are signatories to the United Nations Principles for Responsible Investment (UN PRI) and subscribe to the Code for Responsible Investing in South Africa (which is based on the UN PRI), while Absa Multi Management is working towards the same by the end of 2018. Furthermore, we will review our other businesses which may touch on the asset management value chain.

Currently, the application of the principles for responsible investing is monitored as part of the due diligence process with asset managers. Two of their main policies – the Responsible Investing Policy and Proxy Voting Policy and Procedure – guide the application of the CRISA principles.

The Proxy Voting Policy and Procedure specifies the processes and procedures related to proxy voting and related activities. The policy has detailed guidelines that assist in evaluating good corporate governance and behaviour in investee companies in the following categories:

- Composition of board of directors
- Ratification of auditors
- Management and director compensation
- Anti-takeover mechanisms and related issues
- Changes to capital structure
- Mergers and corporate restructuring
- Environmental, social and governance matters.

Environmental, social and governance issues form a critical consideration in deciding whether to vote for or reject matters proposed by management at shareholders' meetings. Our asset managers recognise this and have established a set of guidelines for its proxy voting responsibilities, as set out in the Proxy Voting Policy and Procedure. The approach to responsible investing is published on the Absa Investments website (<https://www.absa.co.za/investmentmanagement/wealth-and-investment-management/about-us/governance/>).

Engagements on environmental, social and governance concerns are undertaken to gain insight on the risk implications to the intrinsic value of the investee company and primarily in three ways – directly with management, through industry meetings, or at annual general meetings.

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# Contact details

## Barclays Africa Group Limited

Incorporated in the Republic of South Africa  
 Registration number: 1986/003934/06  
 Authorised financial services and registered credit provider (NCRCP7)  
 JSE share code: BGA  
 ISIN: ZAE000174124

## Head Investor Relations

**Alan Hartdegen**  
 +27 (0)11 350 2598  
 ir@barclaysafrica.com

## Transfer secretaries

Computershare Investor Services Proprietary Limited

## Assurance providers

Empowerdex  
 Ernst & Young Inc.  
 KPMG Inc.  
 PricewaterhouseCoopers Inc.

## Significant banking subsidiaries

Information regarding our country operations can be found at [barclaysafrica.com](http://barclaysafrica.com)

## Registered office

7th Floor, Barclays Towers West, 15 Troye Street,  
 Johannesburg, 2001  
 PO Box 7735, Johannesburg, 2000  
 +27 (0)11 350 4000  
 barclaysafrica.com

**Media queries:** [questions@computershare.co.za](mailto:questions@computershare.co.za)

## Group Company Secretary

**Nadine Drutman**  
 +27 (0) 11 350 5347  
 groupsec@barclaysafrica.com

**Share queries:** [questions@computershare.co.za](mailto:questions@computershare.co.za)

## ADR depositary

BNY Mellon

## Lead independent sponsor

J.P. Morgan Equities South Africa Proprietary Limited

## Joint sponsor

Absa Bank Limited (Corporate and Investment Bank)