

# Corporate governance statement

## Introduction

Corporate governance is aimed at promoting greater corporate accountability, transparency and stakeholder confidence and the board of directors subscribe to these principles and incorporate the principles of leadership, sustainability and good corporate citizenship.

Corporate governance is standardised across the group to ensure the high standards the group has set itself are implemented and monitored consistently in all its operations.

The group is committed to being a good corporate citizen and a world class leader in the financial services industry, and this can be confirmed by examining the group's practices.

The group believes that the implementation of its strategies is best managed at subsidiary and divisional level. While the non-executive directors acknowledge the need for their independence, they recognise the importance of good communication and close cooperation with executive directors. Teamwork between directors is an essential part of the group's philosophy.

## Application of King Code on Corporate Governance

The group subscribes to the principles of the Code of Corporate Practices and Conduct (King Code). The directors are satisfied that the way in which the group is directed and controlled, complies with this Code in all material respects.

## Code of ethics

The board is responsible to cultivate and promote an ethical corporate culture within which integrity permeates throughout the company as set out in the group's Code of Ethics. The object of the group's code of ethics is to enable employees to always act according to defined ethical principles. This code commits all employees to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders.

All staff are required to, at all times familiarise themselves with this code and to adhere to it, as it is regarded as a strategic business imperative and a source of competitive advantage.

## The board of directors

### Functions of the board

The board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility. All directors subscribe to the code of ethics which forms part of the board charter, and their performance is monitored by the directors' affairs and governance committee.

In terms of its charter, the board is responsible for appointing the chief executive officer of the holding company and its subsidiaries, adopting a corporate strategy, major plans of action, policies and procedures as well as monitoring operational performance. This includes identifying risks which impact on the group's sustainability and monitoring risk management and internal controls, compliance management, corporate governance, business plans, key performance indicators, including non-financial criteria and annual budgets.

The board is also responsible for managing successful and productive relationships with all stakeholders that foster trust and confidence in the company.

All directors, both executives and non-executives, carry full fiduciary responsibility and owe a duty of care and skill to the group in terms of governing legislation.

## Composition

The company has a unitary board. Its chairman is non-executive and independent. The roles of the chairman and chief executive officer are separate and distinct, and the number and stature of independent directors serving on the board ensures that enough independence is applied when making significant decisions.

The board of the company comprised of eleven directors: one executive director and ten non-executive directors. Of the non-executive directors, eight are independent.

The boards of major subsidiaries are similarly constituted with an appropriate mix of skills, experience and diversity.

## Appointment

The appointment of directors is set out in a formalized process and appointments are made at the annual shareholder's meeting. The board of directors on the recommendation of the directors' affairs and governance committee, which serves as the nominations committee for the group, appoints the directors in compliance with regulatory requirements. The board takes cognisance of its needs in terms of different skills, experience, diversity, size and demographics.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the Articles of Association. A staggered rotation ensures continuity of experience and knowledge. Brief curriculum vitae of each director standing for election or re-election at the annual general meeting accompanies the notice of the meeting. The reappointment of non-executive directors is not automatic and is subject to performance and eligibility. The board does not believe it should limit the number of terms an individual may serve. Long-serving directors provide valuable insight into the operations and future of the company based on their experience of the group's history,

policies and objectives.

The board believes that 70 is an appropriate retirement age for directors. Directors will only be nominated for re-election after their 70th birthday at the discretion of the board.

## Board meetings

The board meets quarterly, with additional meetings convened as and when necessary.

Directors have full and unrestricted access to management and all group information and properties. They are also entitled to seek independent professional advice and or training at the group's expense in support of their duties. Directors may meet separately with management without the attendance of executive directors. Professional advisors, officers or members of staff whose input may be required, are invited to attend meetings at the discretion of the chairperson. These invitees have no votes at these meetings.

The board met four times during the year and the table below shows the attendance of directors at the FNB Namibia Holding's board meetings as well as board committee meetings:

Name of Director	Board				Audit Committee				Directors Affairs and Governance Committee			Remuneration Committee			
	Aug 08	Nov 08	Feb 09	May 09	Aug 08	Oct 08	Feb 09	May 09	Aug 08	Nov 08	March 09	Aug 08	Oct 08	March 09	May 09
H-D Voigts (chairman) I NED	√	√	√	√	NM	NM	NM	NM	√	√	√	√	√	√	√
VR Rukoro (CEO) Executive	√	√	√	√	At	At	At	At	At	At	At	At	At	At	At
HWP Böttger I NED	√	√	√	√	√	√	√	√	NM	NM	NM	NM	NM	NM	NM
CLR Haikali I NED	√	A	√	A	NM	NM	NM	NM	√	A	√	√	√	√	A
C J Hinrichsen* I NED	–	–	–	√	–	–	–	–	–	–	NM	–	–	–	NM
JR Khethe NED	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
JK Macaskill NED	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√
SH Moir I NED	√	√	√	√	√	√	√	√	NM	NM	NM	√	A	√	√
MN Ndilula I NED	√	√	√	A	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
PT Nevonga I NED	√	√	√	√	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Il Zaamwani-Kamwi (Ms) I NED	√	√	A	√	√	A	A	A	NM	NM	NM	√	√	√	A

A = Apologies tendered; NM = Not a member; I NED = Independent NED; NED = Non Executive Director, \* Appointed March 2009; AT = Attendee

## Directors development

Training and development of directors is conducted through a formalized process that takes into account performance evaluation of the directors and the board as a whole. Directors undergo a formalized orientation programme at appointment and continuing professional development which includes exposure to new developments relevant to their role and the company.

Two training sessions were conducted for directors during the past year. These sessions cover important topics such as recent developments on corporate governance, updates on legislative developments, as well as relevant developments in the groups' areas of operation. Directors are also at liberty to suggest any area they may feel uncomfortable with for training.

## Directors evaluation

The board of directors' through the directors' affairs and governance committee conducts annual performance evaluation of the board, committees and individual directors on the various functions as set out in charters. The chief executive officer's performance is evaluated against set objectives both as an executive director and as a director.

## Subsidiary boards and board committees

The company has three major subsidiaries. These are:

- First National Bank of Namibia Limited;
- Swabou Life Assurance Company Limited; and
- OUTsurance Insurance Company of Namibia Limited (formerly Swabou Insurance Company of Namibia Limited).

These subsidiary boards are subject to oversight by regulatory authorities including the Bank of Namibia, South African Reserve Bank and the Namibia Financial Institutions Supervisory Authority.

Board committees assist the directors in the discharge of their duties and responsibilities. At company level, in addition to the executive committee (Exco), committees exist to deal with remuneration, audit, directors' affairs and governance, and credit risk. These committees have formal terms of references and report to the board. With the exception of exco and credit risk committee, they are chaired by independent non-executive directors and have a majority of independent non-executive directors. Independent professional advice may be obtained at the group's expense in support of their duties.

## Audit committee

The group's audit committee assists the board in discharging its responsibilities relative to internal controls, financial control and reporting, shareholder reporting and corporate governance generally. To this end, it has adopted a terms of reference dealing

with membership, structure, authority and duties. The group's audit committee has complied with its terms of reference.

Generally, the responsibility of the group audit committee could be summed up as follows:

- ensuring the integrity, reliability and accuracy of accounting and financial reporting systems;
- ensuring that appropriate systems are in place to identify and monitor risk, controls and compliance with the law and codes of conduct;
- evaluating the adequacy and effectiveness of internal audit, risk and compliance assurance functions;
- maintaining transparent and appropriate relationships with the external auditors; and
- reviewing the scope, quality and cost of the statutory audit and the independence and objectivity of the auditors.

The committee is also authorised to investigate any activity or concern externally on any matter within its terms of reference.

The committee consists of non-executive directors. The group chief executive officer, the group chief financial officer and the head of internal audit attend ex-officio. The external auditors attend all meetings.

The committee met four times during the year.

## Remuneration committee

The committee consists of non-executive directors with the group chief executive officer attending in an ex-officio capacity.

Its primary objective is to develop the remuneration policy for the group. It is responsible for:

- the remuneration, bonus and share incentive scheme policies and practices in the group;
- all forms of remuneration and reward to directors (including a preview of executive directors' remuneration proposals, whose remuneration is approved by the Directors' Affairs and Governance committee) and senior management including, but not limited to, fees, basic pay, perks and other benefits, bonus and incentive payments, restraint of trade, issuing of share options; and
- reviewing of proposals to the board and shareholders on non-executive director remuneration, and
- reviewing and approving annual salary increases and bonus awards of staff.

Non-executive directors' fees are based on market comparisons, and are reviewed on an annual basis. These fees are paid on a retainer as well as attendance basis. There are no contractual arrangements for compensation for loss of office. The remuneration

of directors for the financial year is set out in note 6.1 of the group's annual financial statements.

The committee met four times during the year.

### Directors' affairs and governance committee

This is a committee of the board of FNB Namibia Holdings Limited and those companies within the group and is appointed in terms of its Articles of Association.

Its prime objectives are to assist the board in discharging its responsibilities relative to:

- its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structures of the group;
- board and board committee structures;
- the maintenance of a board directorship continuity programmes including:
- the continuity of non-executive directors;
- the regular review of the competence of the board of directors, including the skills, experience and other qualities required to enhance the effectiveness of the board; and
- the selection and appointment of new directors;
- the remuneration, other benefits and employment conditions of the CEO and executive directors;
- the self-assessment of the effectiveness of the board as a whole and the contribution of each director, which self-assessment shall be co-ordinated by the chairperson of the board; and
- ensuring that succession plans are in place for key posts (as determined by the committee from time to time) in the group.

The committee reviews the structure and composition of the boards of significant operating companies within the group.

The committee is composed of three non-executive directors, two of which are independent.

The committee met three times during the year.

### Strategic committee ("Stratco")

This committee assists the board in the formulation of strategies and meets once a month. Membership consists of the group chief executive officer, bank chief executive officer, group chief financial officer and group chief strategy officer.

### Executive committee ("Exco")

The group's exco is required to implement strategies approved by the board and manage the affairs of the group. Meetings are held once a month. Exco is chaired by the group chief executive officer. Membership includes key members of senior management. Exco has the following sub-committees:

- asset and liability management committee (ALCO);
- procurement; and
- investment committee.
- operational risk and compliance committee
- balance sheet management committee

### BEE committee

This committee was established in terms of the BEE agreement entered into between FirstRand Bank Holdings Limited, FNB Namibia Holdings Limited and the BEE consortia. The purpose of this committee is to monitor the progress made by the consortia in meeting their targets for the vesting of their share options and to make recommendations to FirstRand Bank Holdings Limited regarding the vesting of the tranches. The committee is chaired by a non-executive director and membership includes representation of FirstRand Bank Holdings Limited, the consortia and members of the executive management of the group.

### Share dealings

Directors, senior executives, participants in the share option schemes, or persons who may have knowledge of price sensitive information may not trade in the company's shares for about two and a half months after the reporting period end, but before the announcement of the interim and year-end results. This prohibition also covers periods where the company is trading under cautionary announcements. Additional closed periods may be invoked by the board.

All dealings in shares by the directors require prior approval by the chairman, are disclosed on SENS, and the group company secretary files all records of all such share dealings and approvals. Details of trades in shares by staff members who may have access to price sensitive information is also disclosed to the group remuneration committee.

### Financial statements

The directors are responsible for monitoring and approving the financial statements to ensure that they fairly present the group's affairs and the profit or loss at the end of the financial year. The independent auditors are responsible for expressing an opinion on the fairness with which these financial statements represents the financial position of the group.

The financial statements in this report have been prepared by management in accordance with the International Financial Reporting Standards ("IFRS") and in the manner required by the Namibian Companies' Act and the Namibian Stock Exchange. They are based on appropriate accounting policies that have been consistently applied, except as indicated, and which are supported by reasonable and prudent judgements and estimates.

## Auditor independence

The group's annual financial statements have been audited by the independent auditors, Deloitte & Touche. The group believes that the auditors have observed the highest level of business and professional ethics. It has no reason to believe that they have not at all times acted with unimpaired independence. The audit committee has confirmed the independence of the external auditors for the reporting period.

Details of fees paid to the external auditors are disclosed in the notes of the financial statements, together with details of non audit services and the fees paid in respect thereof.

## Succession planning

The group benefits from an extensive pool of people with diverse experience and competence at senior management level.

A formal succession plan is in place for key positions within the group and is updated on a regular basis. The board is confident that it should be possible to identify suitable short-term and long-term replacements from within the group should the need arise.

## Employment equity

The group has an affirmative action policy to achieve employment equity in the workplace and enhance business competitiveness. Developing all employees is critical to the success of the programme and emphasis is placed on training, monitoring and promotion of existing staff.

The group has received its Affirmative Action Compliance Certificate from the Employment Equity Commission annually since inception.

## Group's compliance with regulatory requirements

As the group's main business is diversified into banking and non-banking financial service provision, the bank business is regulated by the Bank of Namibia in terms of the Banking Institutions Act No 2 of 1998 and determinations passed there under, while the long-term and short-term insurance, unit trusts and asset management businesses are regulated by the Namibia Financial Institutions Supervisory Authority ("NAMFISA") in terms of different legislation. FNB Namibia Holdings Limited is also listed on the Namibia Stock Exchange ("NSX"), and therefore obliged to comply with the Stock Exchanges Control Act of 1985 and the listing requirements of the exchange.

With the exception of the regulatory requirement to have a fully localised core banking system, the board is satisfied that the group complied with all these laws and regulations for the past year and none of the regulatory authorities, through their ongoing supervision mechanisms, expressed any material dissatisfaction

with the manner in which the group conducts its business. With regard to the regulatory requirement to localise the core banking system, the banking group has been given dispensation by the Bank of Namibia until 30 December 2009.

## Social responsibility and sustainability

The group satisfies its social responsibility through the FNB Foundation which on a yearly basis supports worthy community upliftment initiatives. This foundation is funded by 1% of the annual post tax profits of the group. A board of trustees oversees the work of the foundation to ensure that the funds therein are properly managed and are used for their intended purpose.

The group also continues to provide bursaries to Namibians (not necessarily employed by the group), a policy which is in line with our commitment to developing the skills of all Namibians and thus contributing to the country's general economy.

These contributions form part of the group's efforts to support the Government's Vision 2030 which is aimed at creating jobs, wealth and prosperity for all Namibians. The group is committed to the social and economic transformation objectives as set out in the Financial Institutions Charter and actively engages in activities aimed their achievement.

## Group company secretary

The group company secretary, Ms Yamillah Katjirua, is suitably qualified and empowered and has access to the group's resources. She provides support and guidance to the board in matters relating to governance and ethical practices across the group. She is also responsible for the induction programs of new directors to ensure that they settle well in their new responsibilities and ensuring that board members are kept abreast of relevant changes in legislation and governance principles.

All directors have unrestricted access to the group company secretary.

## Communication with shareholders

The group recognizes that effective communication with stakeholders is essential to good governance and to this end the group distributes information to shareholders through the Stock Exchange News Service (SENS), the print media and its website to ensure transparent and effective communication with shareholders in order to build and maintain relationships.

Following the publication of its financial results, it engages with investors and analysts both locally and internationally to present the results and answer questions in respect thereof.

Shareholders are encouraged to attend the annual general meeting and participate in the affairs of their company.