

CORPORATE GOVERNANCE REPORT 2017/18



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Introduction

At Ubank we are committed to good governance and compliance with recognised best practice, codes and legislation. We strive to ensure that our operations, business decisions, behaviors and actions are underscored by sound governance practices that include transparency and accountability to all stakeholders, including employees, customers, regulators and our shareholder.

We subscribe to all applicable Acts, Regulations and Supervisory Codes regulating the financial services industry, comply with the prevailing memorandum of incorporation and ; we have embraced the principles embodied in the King Report on Corporate Governance.

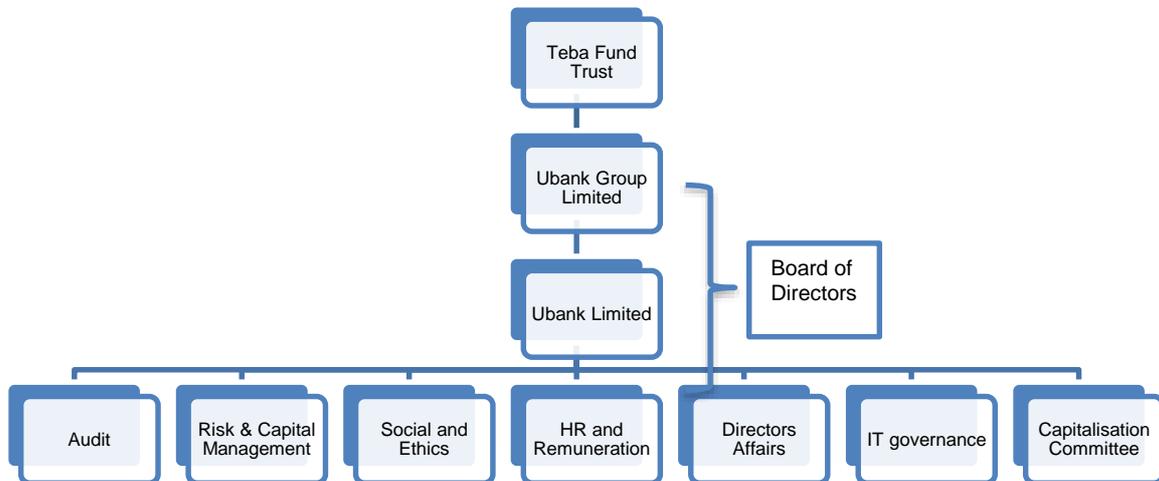
Ethical Leadership

The Board of Directors and Executive Management provide responsible leadership to drive the performance of Ubank in accordance with the agreed strategy and business goals; and to ensure proper discharge of Ubank’s mandate.

Both at a leadership level and organisation-wide, we have committed to adopt the following behaviors which serve to provide the ethical foundation for everything we do:

- CARE** – Treating colleagues and customers with dignity, integrity and respect;
- HARONA** – Protecting and enhancing our reputation. Being proud of who we are;
- ACHIEVE** – Driving performance at pace and delivering on our promises;
- NATURE** – Actively participating in our communities;
- GROW** – Developing ourselves and our people; and
- ENERGISE** – Demonstrating positive energy, enthusiasm and passion: Celebrating success.

Governance Structure



Ubank Group Limited is wholly owned by the Teba Fund Trust (“Trust”). The Trust is administered by two trustees, the majority Union, now being, the National Union of Mineworkers (“NUM”) and the Chamber of Mines (“COM”). Ubank Limited is wholly owned by Ubank Group Limited. The Directors serve on the board of Ubank Group Limited and the board of Ubank Limited, respectively. In accordance with the Memorandum of Incorporation the nominees of the COM and the nominees of NUM may appoint up to three (3) Nominee Non-Executive Directors to the Board of Directors respectively; i.e. up to three (3) directors representing COM and up to three (3) directors representing NUM. For the financial year under review, the Board of Directors comprised one (1) independent director, three (3) directors nominated by NUM (as at July 2017) and three (3) directors nominated by COM (as at 12 April 2017). Further information on the Board composition is provided below. The Committees of the Board are supported by the Executive Committee and a well governed layer of Management Committees.

The Board of Directors

In terms of Section 66(1) of the Companies Act, the business and affairs of a company must be managed by or under the direction of its Board of Directors, which has the authority to exercise all of the powers and perform any functions of Ubank, except to the extent that the Act or Ubank's Memorandum of Incorporation prescribes.

The Board of Directors is the focal point and custodian of corporate governance. The Shareholder appoints the Board of Directors and holds the Board of Directors accountable for managing and controlling Ubank's operations in accordance with its mandate.

The Teba Fund Trust deed empowers the nominee trustees to nominate the nominee directors of Ubank. The practice followed for election of nominee directors to the board is that nominations from NUM and COM are solicited by the Trust, which are then communicated to the South African Reserve Bank ("SARB"). Only once the SARB raises no objection to the appointment, is the appointment confirmed and company records are updated accordingly. The SARB requires adherence to stringent criteria for a director who serves on the Board of a bank; and only those individuals that are considered fit and proper will be appointed.

▪ The responsibility of the Board of Directors

The Board of Directors is the custodian of corporate governance within Ubank, which has two main functions: first, it is responsible for determining Ubank's *strategic direction*; and second, it is responsible for the *control* of Ubank.

In carrying out its duties, the Board of Directors ensures compliance with all relevant laws, regulations and codes of best practice; and ensures that effective risk management processes are in place.

The Directors are entitled to seek independent professional advice concerning the affairs of Ubank and have access to any information they may require in discharging their duties.

The Board of Directors is responsible for considering the legitimate interests and expectations of Ubank's stakeholders in its deliberations, decisions and actions.

• Composition of the Board of Directors and Board Sub-Committees

Ubank's Memorandum of Incorporation provides that there shall not be more than 15 directors. The composition of the Board for the period under review is reflected below:-

Board and Committees	Director Member	Status	Date of Appointment
Board of Directors	JH De Villiers Botha	INED – Chairman	29 November 2005
	ZN Miya	NED	21 June 2010
	R Miyambo	NED	17 September 2016
	M Lesabe	NED	17 April 2015
	K Pillay	NED	01 February 2017
	G Briggs	NED	01 March 2017
	P Nkambule	NED	10 July 2017
	L Vutula	ED, CEO	01 November 2012
	H Du Preez	ED, CFO	01 March 2017
Audit Committee	K Pillay (Chairman), R Miyambo, N Miya (Resigned from Committee on 23 June 2017), G Briggs (Appointed to Committee on 25 April 2017), P Nkambule (Appointed to Committee on 23 June 2017), JH De Villiers Botha (Invitee).		

Risk and Capital Management Committee	R Miyambo (Chairman), N Miya, K Pillay, JH De Villiers Botha, P Nkambule (Appointed to Committee on 23 June 2017), L Vutula, H Du Preez.
Directors Affairs Committee	JH De Villiers Botha (Chairman), N Miya, M Lesabe, R Miyambo, K Pillay.
Remuneration Committee	JH De Villiers Botha (Chairman), M Lesabe, R Miyambo, N Miya (Appointed to Committee on 23 June 2017).
Social and Ethics Committee	M Lesabe (Chairman), JH De Villiers Botha, L Vutula, W Mosigi, M Naidoo.
IT Governance Committee	N Miya (Chairman), Z Malele (Co-member), K Pillay, JH De V Botha, G Briggs (Appointed to Committee on 25 April 2017).
Capitalisation Committee	K Pillay (Chairman), R Miyambo, JH De Villiers Botha, N Miya, G Briggs.

▪ **Board Sub-Committees**

The Board of Directors has delegated some of its powers to various Board sub-committees. The specific responsibilities and powers delegated to the Board sub-committees are clearly set out in the Terms of Reference approved by the Board of Directors for each Board Sub-committee.

The mandates of the Board Committees are set out below:

Audit Committee	The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and Ubank's process for monitoring compliance with laws and regulations and the accuracy of financial reporting. The Audit Committee is the custodian for financial reporting, accountability and adequacy of efficient controls planning.
Risk and Capital Management	The Board of Directors is responsible for the total process of risk and capital management, as well as for forming its own independent and objective opinion on the effectiveness of the process. The Risk and Capital Management Committee therefore assists the Board in reviewing the overall quality, integrity and reliability of Ubank's risk management process and all significant risks facing the Bank.
The Human Resources and Remuneration Committee	The Human Resources and Remuneration Committee assists the Board of Directors in establishing, overseeing and reviewing remuneration and human resources strategies, policies, guidelines, procedures and practices.
Directors Affairs	The Board of Directors is the custodian of the quality and effectiveness of the overall corporate governance at Ubank; the implementation of a formal process of reviewing the

	<p>balance and effectiveness of the Board as a whole, the identification of skills needed by the Board and the recommendation for appointment of those individuals that possess the skills needed as well as the effective functioning of the Board.</p> <p>The Directors Affairs Committee therefore assists the Board in determining, evaluating; and if necessary, reviewing year-on-year, the efficiency, adequacy and appropriateness of Ubank's Corporate Governance framework and practices.</p>
IT Governance Committee	The IT Governance Committee assists the Board in fulfilling its oversight responsibility for the Governance of IT and for providing assurance of the effectiveness of IT internal controls.
Social and Ethics Committee	<p>The Board is required to ensure that Ubank's overall governance is effective, appropriate and within the bounds of sound corporate governance practices and that the bank is a responsible corporate citizen. The Board shall ensure compliance with legislation/legal requirements and codes in relation to: Social and economic development, Good corporate citizenship; Environment, health and public safety; Consumer relationships, and Labour and employment.</p> <p>The Social and Ethics Committee assists the Board with the maintenance of business ethics and ensures that the bank's ethics are managed effectively; and that compliance with laws, rules, codes and standards is incorporated in the code of conduct of the bank.</p>
Capitalisation Committee	The Capitalisation Committee assists the Board of Directors in fulfilling its responsibility of sustainability and ensuring adequate capital for growth to fulfil the strategy of Ubank.

▪ **Board and Committee meetings and attendance**

The attendance of Directors that are members at meetings of the Board and its Sub-Committees are reflected below respectively; the Chairman of the Board and Executive Directors attend all board subcommittee meetings; and the Directors Affairs Committee is only comprised of the Chairpersons of the Board Sub-Committees.

SOCIAL AND ETHICS COMMITTEE MEETING

NAME	15 JUNE 2017	12 SEPTEMBER 2017	21 NOVEMBER 2017	13 FEBRUARY 2018
Mpho Lesabe	√	√	√	-
Luthando Vutula	-	√	√	√
JH De V Botha	√	√	√	√
Melanie Naidoo	√	√	√	-
Wilson Mosigi	√	√	√	√

√ = Present * = Recused - = Apology N/A = Not a member ** = Resigned

HR AND REMUNERATION COMMITTEE MEETINGS

NAME	15 JUNE 2017	12 SEPTEMBER 2017	21 NOVEMBER 2017	13 FEBRUARY 2018
JH De V Botha	√	√	√	√
Mpho Lesabe	√	√	√	-
Ronny Miyambo	√	√	√	√

√ = Present * = Recused - = Apology N/A – Not a member ** = Resigned

IT GOVERNANCE COMMITTEE MEETINGS

NAME	14 JUNE 2017	12 JULY 2017	12 SEPTEMBER 2017	21 NOVEMBER 2017	13 FEBRUARY 2018
		(S)			
Nelson Miya	√	√	√	√	√
Zeth Malele	√	√	√	√	√
JH De V Botha	-	√	√	√	-
Keshan Pillay	√	√	√	√	√
Graham Briggs	√	√	√	√	-

S = Special ITGC Meeting √ = Present * = Recused -- = Apology N/A = Not a member ** = Resigned

BOARD RISK AND CAPITAL MANAGEMENT COMMITTEE MEETINGS

NAME	19 JUNE 2017	14 SEPTEMBER 2017	15 NOVEMBER 2017	15 FEBRUARY 2018
Ronny Miyambo	√	√	√	√
Nelson Miya	√	√	√	√
JH De V Botha	√	√	√	√
Luthando Vutula	√	√	√	√
Keshan Pillay	√	√	√	√
Petrus Nkambule	N/A	√	√	√
Henry Du Preez	√	√	√	√

√ = Present * = Recused -- = Apology N/A = Not a member ** = Resigned

BOARD AUDIT COMMITTEE MEETINGS

NAME	06 APRIL 2017	19 JUNE 2017	12 JULY 2017	14 SEPTEMBER 2017	15 NOVEMBER 2017	15 FEBRUARY 2018
	(S)		(S)			
K Pillay	√	√	√	√	√	√
N Miya	√	√	N/A	N/A	N/A	N/A
R Miyambo	√	√	√	√	√	√
G Briggs	N/A	√	√	√	√	√
P Nkambule	N/A	N/A	√	√	√	√

S = Special BAC Meeting √ = Present * = Recused -- = Apology N/A = Not a member ** = Resigned

CAPITALISATION COMMITTEE MEETINGS

NO MEETINGS WERE HELD

DIRECTORS AFFAIRS COMMITTEE MEETINGS

NAME	23 JUNE 2017	28 SEPTEMBER 2017	19 OCTOBER 2017	27 FEBRUARY 2018
JH De V Botha	√	√	√	√
Nelson Miya	√	√	√	√
Ronny Miyambo	√	√	√	√
Keshan Pillay	√	√	√	√
Mpho Lesabe	√	√	N/A	√

√ = Present

* = Recused

– = Apology

N/A = Not a member

** = Resigned

BOARD OF DIRECTORS MEETINGS

NAME	22 March 2017	25 April 2017	29 May 2017	23 June 2017	25 July 2017	28 September 2017	30 November 2017	27 February 2018
	(S)	(S)	(S)		(S)			
JH de V Botha	√	√	√	√	√	√	√	√
N Miya	√	√	√	√	√	√	√	√
M Lesabe	√	√	√	√	√	√	√	√
L Vutula	√	√	√	√	√	√	√	√
R Miyambo	√	√	√	√	√	√	-	√
K Pillay	√	√	√	√	√	√	√	√
G Briggs	N/A	√	√	√	√	-	√	√
P Nkambule	N/A	N/A	N/A	N/A	√	√	√	√
H Du Preez	√	√	√	√	√	√	√	√

(S) = A Special Board Meeting
 √ = Present * = Recused – = Apology N/A = Not a member ** = Resigned + Nomination rescinded

The Board met 8 times during the 2017/18 financial year, of which 4 were Special Board meetings convened to deal mainly with the strategy plan.

Delegation of Authority

The Board of Directors retains full and effective control over Ubank's affairs, through a balanced governance structure. The Board of Directors has however delegated the day-to-day running of Ubank's operations to the Chief Executive Officer (the "CEO") as set out in the approved Corporate Delegations of Authority.

The Corporate Delegations of Authority is a mechanism through which the Board of Directors of Ubank have developed and delegated some of its powers to the Board Committees, the Chief Executive Officer and to the Executive Management, where applicable, to act on behalf of, commit and/or incur liabilities on behalf of Ubank and to enable Management to discharge its day-to-day functions, as well as, meet the operational objectives of Ubank within the prevailing corporate governance framework, established by the Board of Directors.

Through the CEO, the Board of Directors has further delegated the day-to-day management of Ubank to the Executive Management Committee as set out in the Corporate Delegations of Authority.

Even though the CEO is ultimately responsible for the management of the Bank, the Board of Directors holds the Committee accountable for the decisions and actions delegated to them.

The CEO reports to the Board of Directors quarterly on business performance and provides monthly and regular updates as and when required.

The HR and Remuneration Committee and the Chairman of the Board in consultation with the other Directors evaluate the performance of the CEO.

The Chairman

The current Chairman of the Board is an Independent Non-Executive Director, Mr. De Villiers Botha who was appointed, as an independent non-executive director in 2005 and subsequently as Chairman, in July 2012. The roles and the responsibilities of the Chairman are clearly articulated in the Board Charter and are distinct from the roles and responsibilities of the CEO. The

independence of the Chairman was confirmed by an assessment conducted by the external auditors during the 2014/15 financial year.

The Chief Executive Officer

The CEO has a crucial and strategic role in ensuring operational and business success of Ubank in accordance with the strategy approved by the Board of Directors.

The collective responsibility of Management vests in the CEO, and therefore, the CEO bears the ultimate responsibility for all management functions.

Remuneration of Directors

The Non-Executive Directors, the Executive Directors and the Executive Managers of Ubank are remunerated in line with Ubank's policies and best practices aligned with the company strategy. The remuneration policies are reviewed annually.

The Directors' remuneration for the year under review is set out in the Annual Financial Statements.

Company Secretary

The Company Secretary and Legal Executive is the gatekeeper for governance within Ubank. She serves as an advisor to the Board and Executive on legal and governance issues.

All directors have access to the advice and services of the Company Secretary, whose appointment is made by the Board in accordance with the provisions of the Companies Act and good governance practice.

Code of Ethics

The Board of Directors ensures that the ethical standards guiding Ubank's relationships with internal and external stakeholders are clearly identified. Our commitment to upholding the highest standard of ethical behavior is embodied in our Code of Ethics.

Conflict of Interest

Our Directors and Executives are required to disclose any conflict or potential conflict of interest that they may have regarding any matter relating to the activities of Ubank and/or any matter discussed at Board, Board Committee and Executive Management meetings.

The Company Secretary maintains a Conflict of interest and Related Party Disclosures register. Conflicts of interest are managed in accordance with s 75 of the Companies Act.

The declaration of interest is also a standard item on the agenda of all meetings of the Board of Directors, Board Sub-Committees, and Executive Committee meetings.

Board Affairs

▪ Appointment of Directors

The Board of Directors has defined, and kept under ongoing review, its skills requirements. Potential independent Directors are nominated for appointment to the Board of Directors on the basis of their identified skills, knowledge and experience to meet the needs of the Board of Directors at the time their appointment is proposed. The Shareholder also nominates Directors from its 2 constituencies, namely the Chamber of Mines and the National Union of Mineworkers.

- **Induction and Training**

All new directors appointed to the Board of Directors undertake a formal induction program co-ordinated by the Company Secretary.

All directors are continuously updated on Ubank related issues and also, as members of the Institute of Directors, are exposed to appropriate continuous development programs to meet their specific needs.

- **Board Evaluation**

The Board of Directors recognise that regular evaluation of its effectiveness is crucial to the improvement of the governance of Ubank.

- **Access to Information**

The Board of Directors believes that it is provided, and has access to, all the relevant information which will enable it to carry out its duties; and for each Director to carry out their fiduciary duties.

- **Independence**

The Non-Executive Directors currently have no material relationship to Ubank that may interfere with the exercise of their objective independence.

Governance of Risk

The Board of Directors is responsible for the governance of risk through formal processes, which include the total system and process of risk management.

Ubank endeavors to have risk management processes entrenched in the day-to-day operations of the business by continuous identification, understanding of risk factors and incidents that may impact on the business objectives, development of appropriate response strategies and continual monitoring and reporting for Ubank; and has adopted a combined assurance model.

The governance of risk within Ubank rests in the following structures:

- a. **Board of Directors**: the Board of Directors ensures that there are processes in place for the management of risk in Ubank. It approves and oversees the operation of the Bank's risk management framework, assessing its effectiveness and, together with Management, identifies the major/significant risks facing the bank and reviews their monitoring by management. It also determines the risk appetite of Ubank.
- b. **Board Risk and Capital Management**: the Risk and Capital Management Committee is appointed to assist the Board of Directors in reviewing the overall quality, integrity and reliability of Ubank's risk management process and all significant risks facing Ubank. This committee oversees the management of risk. The committee reviews risk management strategies, policies and procedures to ensure that the bank manages risks in an optimal manner. The committee considers the risk assessment reports and monitors the implementation of the risk mitigation plans thereto. The committee is also responsible for establishing and implementing a process that states the capital adequacy goals with respect to risk, taking account of the bank's strategic focus and business plan.
- c. **Audit Committee**: The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Ubank's process for monitoring compliance with laws and regulations and the accuracy of financial reporting. The committee is the custodian for financial reporting, accountability and adequacy of efficient controls planning.

- d. Chief Executive Officer: The CEO manages the organisational, reputational and stakeholder management risks of Ubank.
- e. Executive Committee and Sub-Committees: The Executive Committee and Sub-Committees assist the CEO in fulfilling his management responsibilities. These committees assist with the day-to-day management and mitigation of operational risk within Ubank.
- f. Executive Management: Each Line manager in all business units within Ubank is accountable and responsible for identifying and managing risks to the operations of his/her business unit.
- g. Risk Management: the Risk Management function is responsible for ensuring that an effective framework for risk management is in place and for driving its implementation throughout Ubank by increasing Management’s awareness of risk.
- h. Internal Audit: The Internal Audit function independently audits the adequacy and effectiveness of Ubank’s risk management, controls and governance processes.

The Three Lines of Defense Model

In order to implement the Enterprise Risk Management methodology Ubank has adopted the Three Lines of Defense model/structure to manage risk, which highlights the layering of principal responsibilities that extend across Ubank as follows:

First Line of Defence	Second Line of Defence	Third Line of Defence
<p>Focused and informed involvement by the Board of Directors and the Executive Committee. Their main role is accountability and responsibility of business management and finance. They are all supported by appropriate internal control, risk management and governance structures and processes.</p>	<p>Link capital and management performance throughout Ubank for risk management improvements, focusing business unit effort and investment on improving risk mitigation and internal controls. Assist, guide and support the Business Units with risk and assurance. The Risk, the Compliance; and Legal and Secretariat Functions respectively play a key role in assisting the Business Units.</p>	<p>Independent assurance provided by Internal and External Audit.</p>

• **Stakeholder Management**

The Board of Directors recognises that the stakeholders’ perception may affect Ubank’s reputation and therefore endeavors to find an appropriate balance between its stakeholder groups and the best interest of Ubank. The management of stakeholder engagement has been delegated to Management by the Board of Directors through the Stakeholder Management Policy and Stakeholder Management Framework. The Board of Directors retains oversight over Stakeholder Management through the Social and Ethics Committee, a Sub-Committee of the Board of Directors, which Management reports quarterly on stakeholder activities.

▪ **IT Governance**

Governance best practice highlights the importance of Information Technology in business and has placed the responsibility of IT Governance on the Board to ensure that IT Governance supports the effective and efficient management of IT resources and facilitates the achievement of Ubank’s strategic objectives. An IT Governance Committee, chaired by a Non-Executive Director, was formed in 2009. The committee was constituted to assist the Board in fulfilling its duties in terms of IT performance.

Ubank complies with the principles of good IT Governance as follows:

- a. The Board is responsible for IT Governance

- b. IT is aligned with the performance and sustainability objectives of the company
- c. The Board has delegated to management the responsibility for the implementation of an IT Governance charter and framework
- d. The Board evaluates and monitors significant IT investment and expenditure
- e. IT forms an integral part of the company's risk management
- f. The Board ensures that the information assets are managed effectively
- g. The IT Governance Committee assists the Board in carrying out its IT responsibilities

COBIT (Control Objectives for Information and related Technology) has been adopted as the standard framework that is used to operationalise IT Governance.

Directors Report

The Directors Report for 2017/18 is set out in Annual Financial Statements from pages 4 to 14.

Audit Committee Report

The Audit Committee Report is set on pages 15 to 16 of the Annual Financial Statements.

By the Board of Directors