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GOVERNANCE, RISK  
AND COMPLIANCE



## Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure.



**Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust.**

### Ethics and integrity

Investec has a strong culture of entrenched values, which form the cornerstone of our behaviour towards stakeholders and against which we measure practices and activities to assess the characteristics of good governance. Directors and employees are required to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour that promotes trust. Sound corporate governance is implicit in our values, culture, processes, functions, organisational structure, and the structures designed to formalise oversight of all businesses and processes. We expect employees to adopt a responsible, open and trustworthy approach to managing their behaviour within the organisation.


Employees are encouraged to deal with issues openly and honestly by sharing information directly and at any level that they feel appropriate.

### Highlights for the year

In line with discussions with our regulators, work was done to further develop the governance processes of the group, with the enhancement of the independent governance structures for Investec Bank Limited (IBL) and Investec Bank plc (IBP), including the establishment of a standalone Audit Committee and Board Risk and Capital Committee for IBL and the creation of a standalone Board Risk and Capital Committee and Remuneration Committee for IBP.

## Our Board

The board oversees and monitors, on an ongoing basis, how the consequences of the group's activities and outputs affect its standing as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management in the workplace, economy, society and environment.

 Please refer to our publicly available document on 'The way we do business' which highlights elements of our code of conduct and positioning in terms of various ESG activities.

Our group-wide philosophy seeks to maintain an appropriate balance between the interests of all stakeholders and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

The board seeks to exercise leadership, integrity and judgement in pursuit of Investec's strategic goals and objectives to achieve long-term sustainability and growth. The board is accountable for the performance and affairs of the group. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

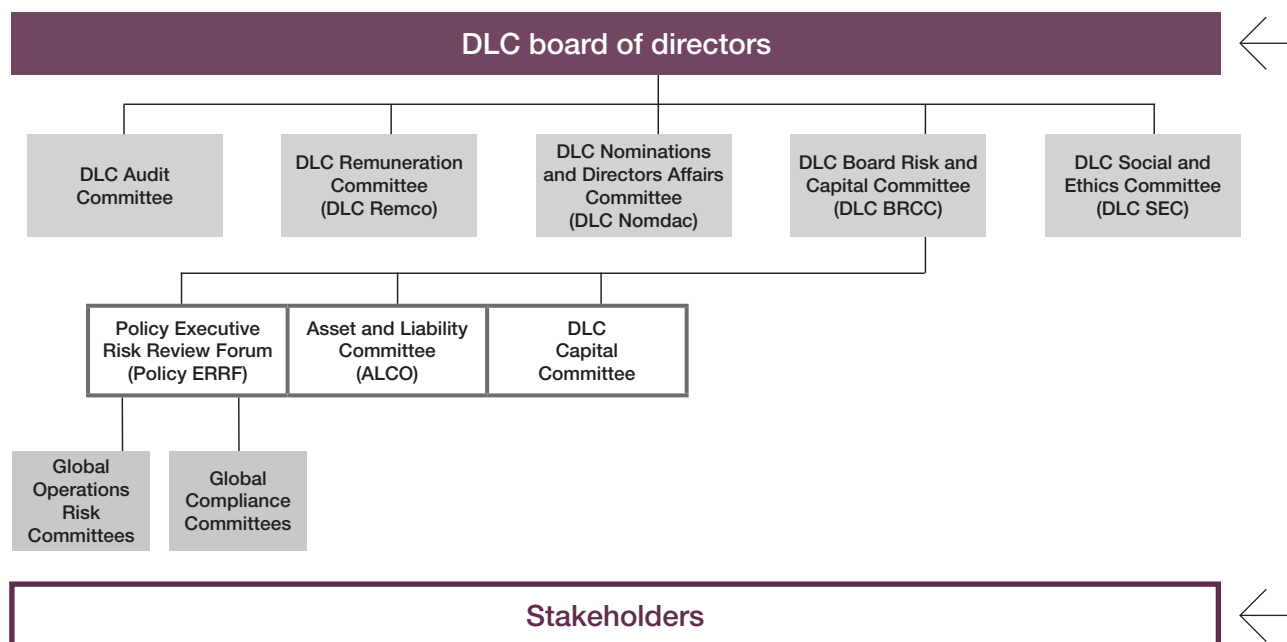
In fulfilling this objective, the board is responsible for:

- Approving the group's strategy
- Acting as a focal point for, and custodian of, corporate governance
- Providing effective leadership with an ethical foundation
- Ensuring the group is a responsible corporate citizen
- Being responsible for the governance of risk, including risks associated with information technology
- Ensuring the group complies with the applicable laws and considers adherence to non-binding rules and standards
- Monitoring performance
- Ensuring succession planning is in place.

 Refer to pages 104 to 152 in volume one of the Investec group's 2019 integrated annual report for more information.

*Structure and governance framework*

Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group, which also complies with requirements in both jurisdictions.



The board comprised of six executive directors and ten non-executive directors including the chairman. The changes to the composition of the board and the boards of the principal subsidiaries of the Investec group, which have occurred during the financial year ended 31 March 2019, are detailed on page 17 in volume one of the Investec group’s 2019 integrated annual report.

*Board diversity*

The board recognises that a balanced board is vital for sustainable value creation. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience, tenure and independence.

In accordance with our board diversity policy, the board intends to ensure a minimum female representation of 33% on the board by 2020. The board also intends to ensure that a minimum of 25% of

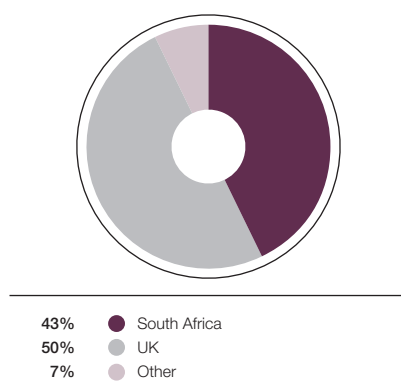
the board members of Investec Limited and Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black women as defined in South African legislation, and that 50% of the board members of Investec Limited and Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black people as defined in the Financial Sector Code or similar legislation that may be in force in South Africa from time to time.

**Board diversity as at 31 March 2019**

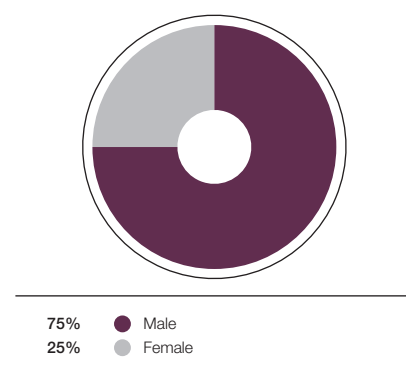
*Age:*

40 – 50	<b>6%</b>
51 – 60	<b>38%</b>
61 and above	<b>56%</b>

*Board geographical mix*



*Board gender balance*



*Board tenure and independence*

The DLC Nomdac considers tenure when examining independence, and when considering the composition of the board. The board and the DLC Nomdac are mindful that there needs to be a balance resulting from the benefits brought on by new independent directors, versus retaining individuals with valuable skills, knowledge and an understanding of Investec’s unique culture.

As identified, the DLC Nomdac considers the guidance set out in the UK Corporate Governance Code and the King IV Code when considering the independence of the non-executive directors, and follows a thorough process of assessing independence on an annual basis for each director. In accordance with directive 4/2018, as issued by the South African Prudential Authority, any director serving for more than nine years will not be deemed to be independent.

**Board tenure as at 31 March 2019**

*Average length of service (years):*

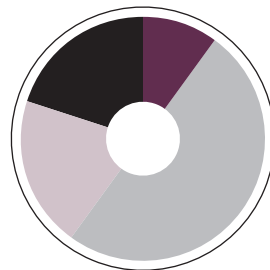
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for non-executive directors

**UK Corporate Governance recommendation:**

Recommendation that non-executives should not serve longer than nine years from the time of their appointment.

*Average tenure for the non-executive directors*



- 10% 0 – 3 years
- 50% 3 – 6 years
- 20% 6 – 9 years
- 20% 9 years plus

*Board effectiveness*

The board regularly reviews its own effectiveness and therefore undertakes an evaluation of its performance and that of its committees and individual directors annually. In accordance with the three-year cycle, the 2018 board effectiveness review was conducted by an external independent facilitator, Professor Robert Goffee, from the London School of Business. Overall the

board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to board governance and functioning, in comparison with the previous externally facilitated effectiveness review, which had been conducted by Professor Robert Goffee in 2015.



Refer to pages 104 to 152 in volume one of the Investec group’s 2019 integrated annual report for more information.

## Compliance

Investec remains focused on maintaining the highest levels of compliance in relation to regulatory requirements and integrity in each of our jurisdictions.

### *The way we do business*

Investec has a strong culture of entrenched values, which form the cornerstone of our behaviour towards stakeholders and against which we measure practices and activities to assess the characteristics of good governance. Directors and employees are required to conduct themselves with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust. Sound corporate governance is implicit in our values, culture, processes, functions and organisational structure and the structures designed to formalise oversight of all businesses and processes. Employees are encouraged to deal with issues openly and honestly, by sharing information directly and at any level which they feel appropriate.

Our businesses are subject to rigorous external regulation and supervision. Consequently, all employees have a duty to comply with acceptable standards of corporate governance and international best practice which we adopt, having due regard for:

- The legal requirements of the region in which they operate
- The code of corporate governance applicable in that jurisdiction
- The standards of conduct and competence required of a financial service provider
- Ethical business practice, which includes fairness, accountability, responsibility and transparency.

In all instances, employees are expected to exercise sound judgement in accordance with our values and take advice where appropriate so that high ethical standards are maintained.

**Risk management:** We identify risk management as critical to our operations and in order to deliver value to all stakeholders, we continuously seek to comply with international best practice. In order to comply with acceptable standards of corporate governance and international best practice, we continuously review our practices and all employees are expected to comply with the required standards.

**Tax strategy:** Investec has a zero tolerance approach to the facilitation of tax evasion in any form and, where applicable, is committed to preventing the facilitation of tax evasion by persons acting for or on its behalf, as defined by the relevant legislation. Employees are expected to be vigilant in their interactions with clients and in structuring transactions in order to prevent the facilitation of tax evasion.

**Anti-bribery and corruption:** Investec seeks to uphold high standards of honesty, transparency and ethical behaviour and does not tolerate bribery or corruption in any form in any of the countries in which it operates. Employees must ensure their conduct does not contravene any of the local laws in the jurisdiction which we operate in, including the UK Bribery Act and the Prevention and Combating of Corrupt Activities in South Africa. The same approach to doing business is expected from business partners.

**Conflicts of interest:** The group has a regulatory and fiduciary requirement to manage its conflicts of interest (COI) with clients, between clients and between their employees and clients to ensure the fair treatment of clients. Investec has both regulatory and fiduciary obligations to ensure that all potential or actual COI to which it is party are identified timeously, mitigated where possible and appropriately managed.

**Confidentiality of information:** Investec's approach to privacy and confidentiality of information is to ensure we respect and protect all personal information which we hold and ensure adherence to all local and international legislation for handling personal information.

**Antitrust and anti-competitive practices:** Investec is committed to compliance with antitrust and anti-competitive laws in all the jurisdictions in which we operate. Investec does not tolerate any behaviour in contravention of these laws or the applicable internal Investec policies and monitors compliance accordingly.

**Anti-money laundering (AML) and terrorist financing:** Investec supports the objectives of global efforts to combat money laundering and terrorist financing through the Investec AML and combating of terrorist financing policy.

**Fraud:** We are committed to protecting both Investec and its clients from becoming victims of fraud, ensuring adequate resources are provided for staff training and awareness, appropriate client education and implementing a proactive approach to detecting and preventing fraud.

**Sanctions:** Investec is committed to complying with the sanctions laws and regulations of the United Nations (UN), the UK, the European Union (EU), and the United States (US), as well as all relevant international sanctions applicable to Investec's business operations.

**Whistle-blowing policy and protected disclosures:** Our whistle-blowing policy aims to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution.

**Outside business interests and employee participation:**

Employees must ensure that they do not engage in any private pursuit or personal interests in conflict, or potential conflict, with the interests of Investec. The policy details the pre-approval and declaration requirements in terms of outside business interests and employee participation.

**Gifts and entertainment:** Employees must ensure they do not offer or receive any gifts and entertainment that could give rise to perceived or actual conflict of interest, or that could amount to, or create the impression of, bribery or inducement. The gifts and entertainment policy details the pre-approval and declaration requirements for the giving and receiving of gifts and entertainment including limits, examples of what would be prohibited and relevant business procedures.


**Political donations:** Investec does not engage in any political campaigning. We may conduct dialogue with government on issues relevant to our business and ensure this is done transparently and with the best intentions for the growth of the economy and our business. On ad hoc occasions, political donations may be made to progress democracy but only under

strict approval of the board and in equal amounts to the majority parties. All political donations are publicly disclosed in our annual financials.

*Compliance training*


Training has become of paramount importance as the regulatory environment within which we operate imposes increasing obligations on Investec and its employees. The consequence of non-compliance makes it imperative to ensure that relevant employees are well trained and competent to comply with all of their obligations. Investec will regularly insist that employees undertake appropriate training to maintain the threshold of competency and compliance required. We believe that a well-trained and empowered employee will ensure that the risk of contravention and non-compliance is minimised.

In South Africa, 99% of employees completed AML training and passed with over 80%.

 Refer to 'The way we do business' on our website for more detail.

## Environmental and social risk management

Investec's statement on climate change and policy on environmental and social risk take into account the challenges that climate change and limited natural resources present to the global economy.

 This section should be read together with the full risk report in volume two of the Investec group's 2019 integrated annual report.


### Highlights for the year


- Training of a further 43 frontline banking consultants on environmental, social and governance (ESG) practices in South Africa and the UK
- We strengthened our climate change statement and environmental and social risk policy to include more detailed guidance for certain high-risk industries.

We expect our employees and stakeholders to operate and behave in a socially and environmentally appropriate and responsible manner.

In particular, the following factors are taken into account when a transaction is evaluated and approved or declined based on sustainability considerations:

- Environmental considerations (including animal welfare and climate-related impacts)
- Social considerations (including human rights)
- Macro-economic considerations.

 Refer to page 19 for considerations regarding human rights and modern slavery.


 Refer to our climate change statement and environmental policy on our website.

### Investec Asset Management

Our approach and commitment to ESG considerations is outlined in our stewardship policy and is overseen by our internal Investment Governance Committee (IGC), which includes senior leaders from across the business.

We are a signatory of the United Nations Principles for Responsible Investment (UNPRI), the UK Stewardship Code and the Code for Responsible Investing in South Africa (CRISA).

We are also involved in various advocacy organisations which allow us to better engage on issues of active ownership on a global scale with other investors.

 Refer to our stewardship policy available on our website.



## Investec Specialist Bank and Wealth

### *Our approach*

The group supports the precautionary approach to environmental management and strives to minimise and prevent investing in projects or dealing with counterparties where potential and unmitigated environmental degradation might result. The group recognises that identifying and quantifying environmental risk should be part of the normal process of risk assessment and management within businesses. For example:

- As part of our client on-boarding process, we would assess, where appropriate, potential clients for various types of risks including whether they are behaving responsibly in their business activities
- Environmental and social risks are identified and assessed as part of transaction due diligence processes
- Our operational activities are assessed for compliance with relevant environmental, health and safety, and labour rights regulations
- We regularly review sensitive sectors and activities prone to bearing environmental and social risks.

The group will avoid exposures to any transactions that involve:

- Undue damage to high conservation and/or protected environmental areas
- Forced labour or child labour
- The production and trade of controversial or military weapons or ammunitions
- The production or trade in any product or activity deemed illegal under the country of operation's laws and regulations.

Any transactions with a corporate involved in transactions in the following activities requires stringent escalation to the senior group policy forum namely, Policy Executive Risk Review Forum:

- The production and trade in radioactive materials
- The production of harmful or addictive substances
- Activities that involve early drug testing on humans
- Activities that involve any form of testing on animals.

We follow the guidelines supplied by the International Finance Corporation (IFC) to categorise our general finance and lending activities into high, medium and low risk.

### *Equator Principles*

We fully support the key provisions of the Equator Principles (EP) but we are not currently a signatory to EP for the following reasons:

- While the principles are adhered to, our current internal framework is robust and, on a project-by-project basis, in accordance with World Bank standards as well as the standards of the legal and environmental frameworks of the countries in which the projects are undertaken. Furthermore, we have enhanced procedures to evaluate and actively avoid, manage and mitigate the potential social and environmental impacts of the projects we support
- In the case of a number of large infrastructure and energy projects, there is potential conflict between larger, nationwide development imperatives (e.g. additional power generation or road transportation) to enhance the socio-economic welfare of the region, and locally affected parties whose quality of life stands to be adversely affected by relocation or job loss
- These trade-offs are a matter for local parties and their representatives. While we should remain aware of them, it is not our responsibility to pass judgement on such trade-offs. Key to this, however, is that we target transactions in countries with established laws that comply with World Bank standards and that have due processes that are applied reasonably and effectively. If not, sponsors and suppliers are obliged to give undertakings and compliance with such standards.



**Refer to our group environmental policy statement available on our website.**

## Information technology (IT), cybersecurity and system availability

Our vision is to continuously deliver efficient and effective information technology that enables business and excellent client service, within acceptable risk tolerance.

### Responsibility and oversight


The board of directors regularly oversee the information technology and cybersecurity strategies and review processes. The IT Risk and Governance Committee, who meet on a quarterly basis, has oversight of how technology and security risks are managed and report back to the board with relevant updates. Lyndon Subroyen, part of Investec's IT leadership, has recently been appointed to the executive as the Global Head of Digital and Technology. In addition, Laurel Bowden, an independent non-executive director, has relevant enterprise software and fintech expertise. Bi-annual directors training takes place to educate and enhance awareness around IT and cybersecurity matters.

### Strategy

Investec recognises that information and technology resources are critical business assets which need to be appropriately managed and secured. We continue to drive innovation in line with defined business objectives – integrating people, technologies, information and processes, and leveraging IT to sustain and enhance the organisation's intellectual capital. Fundamental to this is monitoring and appropriate response to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the organisation. We strive to make ethical use of technology, protect client and employee privacy, and responsibly dispose of obsolete IT infrastructure and data.

#### The key principles underpinning our IT strategy are:

- Aligning IT architecture across the group
- Rationalising and simplifying our application and data footprint
- Commoditising common IT functions and processes
- Leveraging our digital offering
- Continuing to improve our security capability.

 Refer to page 11 in volume two of Investec group's 2019 integrated annual report for more detail on our risk appetite statement.

### Key infrastructure related developments

Infrastructure related developments aim to reduce our environmental footprint and at the same time improve IT efficiency. During the 2019 financial year we:

- Continued consolidating databases, reducing hardware and power requirements
- Implemented on-premise containerisation, reducing our virtualisation footprint and resulting in less physical server hosts required for business applications
- Accelerated digitalisation initiatives to reduce physical paper requirements

- Migrated from traditional disk storage to solid-state storage to improve performance and reduce footprint, power and cooling requirements
- Adopted modern technologies in the new London office, including the introduction of an agile working system where energy efficient laptops are used instead of PCs
- Significantly reduced our printer and photocopier fleets and implemented follow-me printing which defaults to double-sided black and white printing to optimise paper and toner usage
- Continued to expand usage of energy efficient cloud services and reduced the procurement of hardware in our outsourced UK datacentres.

### Key business application related development

Our business application related developments are focused on consolidation and automation. During the 2019 financial year we:

- Continued to consolidate and merge technology and support teams across divisions and geographies
- Streamlined the leveraging of the Global Client Support Centre in South Africa and the digital channel
- Increased the use of single security and service management applications across the group
- Increased the use of online software solutions that require little to no local server resources
- Explored a variety of emerging technologies, including machine learning, artificial intelligence and robotics, to improve automation and efficiency.

### IT security and risk management

We continue to build information security and IT risk management capabilities across the group while promoting the responsible handling of personal data. Our strategy is to enable business continuity while protecting information assets by proactively identifying and mitigating threats to our people, processes, technology and data. This approach is underpinned by three core security principles: defence in depth, security by design and role-based access, with emphasis on group-wide coordination and efficiency. We run training campaigns to maintain staff awareness of information security risks and reinforce their responsibilities in safeguarding information assets.

Policies and procedures are in place for employees with access to critical information. A suite of IT security policies is available internally to all staff which includes a detailed *Secure and Acceptable Usage Policy*. Information security awareness is an ongoing activity and as such training is provided to staff to ensure high levels of vigilance. In addition to interactive security training, ad hoc focused awareness takes place as needed through various channels including face-to-face, email, and the corporate intranet.



## Information security training

During the year we ran a modular computer based training (CBT) information security awareness campaign, aimed to educate staff about the threats to our information, give them insight into the potential risks of data compromise, and to arm them with the knowledge they need to safeguard our (and their) data. A total of 81% of staff completed the training during the past financial year. The campaign covered a broad range of topics consisting of the following modules:

- **Module 1 – Data protection:** The different classifications of information, the importance of protecting it, and how to securely handle the information you access in your role
- **Module 2 – Cybersecurity:** The threats you may face when you are online, the dangers of tricks and techniques used by cyber criminals, and how to guard against these
- **Module 3 – Mobile devices and social media:** The risks associated with using mobile devices, the potential dangers of social media, and what you can do to keep your data and devices safe
- **Module 4 – Beyond the office:** The importance of being vigilant and how to protect information when out of the office – be it at home, in public places, or while travelling
- **Module 5 – Security essentials:** The fundamentals of information security, social engineering, and secure use of IT resources to safeguard both corporate and personal data.

## Cybersecurity

Cyber remains a board-level agenda item. Periodic updates to the board keep them abreast of industry developments and informed on the group's security posture.

We maintain a risk-based strategy incorporating prediction, prevention, detection and response capabilities, to ensure the group is adequately protected against advanced attacks. Continual monitoring provides visibility and enables proactive response to evolving cyber threats. We maintain active participation in the global cybersecurity industry to stay current and relevant.

Targeted attack simulations by external specialists are performed to measure and improve cyber defences. These are complemented by non-technical exercises involving the board and senior leadership to evaluate and improve cyber incident response and crisis management.

- A target attack simulation was performed by an independent cybersecurity firm to assess the group's defences against potential cyber threats. The aim was to simulate real-world advanced threats to meaningfully stress the group's people, processes and technology.
- The test was conducted without the security response teams being informed and spanned a total of five months, covering both outsider and insider threats in separate but overlapping phases
- In the test, Investec outperformed peers in five of the seven categories
- In the year ahead, we will strengthen our policies, procedures and identity management to enhance our resilience as a business.

## System availability

Continuity capabilities are in place to maintain business operations during adverse events, and to minimise impact to clients and the broader financial system. Fit-for-purpose resilience strategies include relocation to alternate processing sites, implementation of high availability technology solutions, and ensuring physical redundancy for critical infrastructure components. Our recovery strategies are validated at least bi-annually to ensure they remain effective and appropriate. Our continuity plans are defined and tested per critical service and application. Resilience has been further enhanced by aligning security incident response with crisis management and business continuity processes.

## Procurement

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, and change outcomes across economic, social and environmental fronts.

In the UK, we work together with our suppliers to source goods and services in a way that achieves value for money on a whole life basis. This means that whatever we procure must benefit Investec, society and the economy, whilst minimising damage to the environment. For example, we are committed to ensuring that 100% of our beverage offering has an ethical label. In our UK head office, 100% of our hot beverages are ethically sourced, 90% of which have the Fairtrade label, while 10% carry the Ethical Tea Partnership label.

In South Africa, our procurement practices seek to meet the B-BBEE requirements of the Department of Trade and Industry's Codes of Good Practice and we have an established process for monitoring and measuring our procurement efforts. Environmentally responsible partners are key in the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. Our largest suppliers of personal computers and server equipment subscribe to an electronic code of conduct, which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety.

We always consider the Energy Star rating system before purchasing equipment to assess its energy efficiency. Our banqueting team sources products bearing the Rainforest Alliance Certification seal which assures rigorous environmental, social and economic criteria are considered in order to achieve long-term sustainability.

Our supply chain statement incorporates standards on human rights, labour rights, environmental and anti-corruption principles as set out in the UN Global Compact.

### We aim to only engage with suppliers who:

- Operate in compliance with all applicable environmental, labour and anti-corruption laws and regulations of the countries in which they operate, manufacture or conduct business
- Maintain an effective environmental policy and/or environmental management system that supports environmental protection
- Do not use any form of forced or involuntary labour
- Do not employ children
- Provide equal opportunity for all employees regardless of race, ethnicity, gender, nationality, age, disability, sexual orientation or religion
- Respect the rights of their employees to freely associate and collectively bargain within the boundaries of the applicable law
- Treat their employees with respect and dignity and provide a work environment free of harassment, intimidation and bullying
- Provide a safe and healthy working environment in order to prevent workplace accidents and injuries
- Do not engage in bribery, collusive practices or any other form of corruption to obtain or retain business.