



# Ratings Afrika

✉ 1018 CRESTA 2118 SOUTH AFRICA ▪ Tel +27 11 478-5438

Update to the ACG (Assessments of Corporate Governance) Top 40 RSA

## Standard Bank Limited (SBK)

### Facts:

Standard Bank Limited announced in their 2009 annual report this week (p18 in the electronic version of the SBSA report) with reference to the chairman of the board, Mr Derek Cooper: "*the board of Standard Bank unanimously decided that it would be wholly appropriate to award him an ex gratia payment of R7,5 million at the conclusion of his tenure.*" The paragraph states further that shareholders will be requested to vote on this proposal at the annual general meeting.

### Viewpoint:

Ratings Afrika views this announcement with dismay and suggests that shareholders who strive for the soundest corporate governance, vote against this proposal.

Our perspective is as follows:

1. On the test as to whether the interests of stakeholders are served, we can find only two stakeholders who benefit: Mr Cooper and in all probability, his successor as chairperson. The company receives no benefit, nor does any shareholder; staff, the communities, clients and the general public are equally not served. The proposed action accordingly fails this test.
2. On the test as to whether this action would be in line with the goals of the company, we have strong misgivings. It may in fact be *ultra vires* in strict application of the rule. Although this amounts to a donation, it fits none of the qualifying elements of when donations could be construed to be "in the interests of the company" other than to take the view that Standard Bank may be seen to be (exceptionally) friendly to one specific person.
3. On the test of fairness, we have strong misgivings as well. Even if it is accepted that Mr Cooper may be eminently capable at his function and extremely loyal over many years, these compliments must equally well apply to hundreds of Standard Bank retirees. We see none of them receiving ex gratia payments amounting to some double the average remuneration over the last three years.
4. In South Africa there is another, albeit very new and unproven, test. Because of the earnings imbalance in the country (and its non-sustainability over the long term) Ratings Afrika publishes the ratio of top remuneration to lowest-paid remuneration. We apply a notional R5 000 per month for the latter. On this basis Mr Cooper earned remuneration of 70 times this notional lowest-paid person for 2009. The proposed action would bring his remuneration ratio to 195 times.
5. In making the proposal to shareholders, the board is stated to have been unanimous. We assume that in this case all directors (other than Mr Cooper) voted,

and voted in favour. Although we acknowledge that our views often are not initially shared by the majority of the business community, it would thus seem that none of the members of the current board share our concerns either.

Overall:

Ratings Afrika views the proposed action to be unsound corporate governance on principle. We have little doubt that Mr Cooper was and remains an eminent colleague of his directors, and we accept that his leadership in fighting off the Nedbank bid for Standard Bank may have been exceptional. This does not sway us in disagreeing with the appropriateness of the proposed action. It is in our view seriously flawed and sets a precedent that is dangerous for many other companies as well. It is even more dangerous given that Standard Bank is considered by some to be a shining example of sound corporate governance.

Johannesburg

23 April 2010

--oOo--