

# DBSA BOARD OF DIRECTORS CONFLICT OF INTEREST POLICY

## DOCUMENT DETAILS

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## KEY REVIEW AMENDMENTS

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- Cosmetic, including numbering, changes to align to internal branding and policy framework.
- Glossary and Acronyms - Additions to the Abbreviations and terms, providing more clarity on the Bank's expectations of directors.
- Infused materiality and significance throughout the policy document.
- 6.1 Included guidance on Actual, Perceived and Potential conflict of interest.
- 6.2.7 Amended restrictions on Sector and Geographic locations as the terms are broad, possibly restricting directors from engaging where a conflict does not exist and will not be perceived to be so.
- 6.2.12 Clarity provided for the expectation to disclose "all known" interests from related parties.
- Directors Responsibility was moved to section 6.4 of the policy.
- 6.4.1 Expounded on instances where directors must and/or can recuse themselves.
- 6.4.3 Excluded cash/money gifts to align to the Bank's Gifts, Entertainment and Hospitality policy.
- 6.4.6 Explicit inclusion of an expectation for directors to recuse themselves where indirect interests from related party arise. Retaining the prohibition of directors entering into business with DBSA stakeholders.
- 6.5.4 Inclusion of a one-year cooling-off period for non-executive directors who resign from their role and included a requirement for an enhanced due diligence process after the cooling off period, ensuring the adequate management of actual and perception conflict of interest related risks.
- Declaration of Interest procedure was moved from section 8 to section 7, whereby the Issuer has deleted the minority interest. Materiality and significance were addressed in the glossary and infused in the content of the policy.



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## 1. GLOSSARY AND ACRONYMS

<b>Abbreviation / Term</b>	<b>Definition / Full Terminology</b>
<b>DBSA</b>	Development Bank of Southern Africa, alternatively referred to as the DBSA or the Bank.
<b>Board</b>	Executive and non-executive members of the Board of Directors of the DBSA.
<b>Directors</b>	<p>Individuals appointed by the DBSA shareholder in terms of the provisions of section 7 of the DBSA Act, No. 13 of 1997 (herewith referred to as the DBSA Act).</p> <p>An <b>executive director</b> is a full-time salaried employee of the DBSA who is involved in the daily operations and management of the Bank. A <b>non-executive director</b> is an individual not involved in the daily operations and management of the DBSA and is not full-time salaried employment of the DBSA.</p>
<b>Beneficial Interest</b>	A financial or non-financial interest derived by a director from a business, property, relationship or other activity.
<b>Financial Interest</b>	Any direct or indirect personal gain or loss interest of a financial, monetary or economic nature, or to which a monetary value (for example, cash, cash equivalent, discounts, gifts, entertainment, hospitality, travel, accommodation, sponsorships, donations, incentives, or valuable considerations) may be attributed, which a director or their related party may have in any matter before or of interest to the DBSA.
<b>Non-financial Interest</b>	A direct or indirect gain (advantage) or loss of a director or their related party, of a non-financial nature, such as favouritism, prejudice, concession, or other personal advantage derived from interacting with a source related to the Bank.
<b>Material or significant Interest</b>	<p>A direct, indirect and/or potential personal beneficial interest which can be judged, prudently and through professional ethics to be significant in that it might reasonably affect a director's independent and objective judgement.</p> <p>Materiality of the director's interest will have to be determined from a quantitative and qualitative perspectives as well the DBSA's perspective. Qualitative factors which may influence whether a relationship is considered material include its strategic importance, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the DBSA's loyalty.</p>

<b>Abbreviation / Term</b>	<b>Definition / Full Terminology</b>
<b>Related Party</b>	Refers to (i) family members in relation to any person, means his or her spouse or life partner (includes a person living with the director as though they were married), natural or adopted consanguinity grandparents, parents/guardian, sibling, child, grandchildren, aunts, uncles, nephews, nieces, and with affinity including the in-laws (mother and father, sisters and brothers). (ii) an individual other than a family member who has a relationship or acquaintance with a director (for example; friends, business partners or associates, fellow professional associates and fellow directors) who controls a juristic person directly or indirectly, (iii) any company, close corporation or other business entity of which the director, family member or other associated individual is also a director, member or member of senior management and/or where they have control, joint control, and/or position of influence.
<b>Personal Investment</b>	Disbursement of funds or other assets for the purpose of securing an ownership interest in an enterprise intended to affect a person or their related party's financial interest.
<b>Stakeholder</b>	Any employee, contractor, sub-contractor, client, service and/or product provider, and any other third parties of the Bank.
<b>Third Party</b>	A third-party is any associate of the Bank who carries out business activities for or on behalf of the Bank.
<b>Nepotism</b>	Unequitable influencing the appointment of a related party for a position, recommending them for a tender, or other business relationship, without the proper recruitment or appointment processes.
<b>Cronyism</b>	Unequitable influencing the appointment of a friend, acquaintance, associate, business associate, or those of a related party, for a position, recommending them for a tender, or other business relationship, without the proper recruitment or appointment processes.
<b>Gift, entertainment and hospitality</b>	Gift is any item of value that is given or received to express gratitude or build business relationships, it may be an item, tickets to an event, vouchers, and others. Entertainment and hospitality gifts involve a considerate care of a guest, which may include refreshments, accommodation, and entertainment.
<b>Position of Influence</b>	Position or role in which individual can exercise authority, influence business decisions and/or actions, influence opinions through authority, expertise, or relationship.
<b>PFMA</b>	The Public Finance Management Act, 1 of 1999 as amended.

## 2. INTRODUCTION

This policy seeks to decisively manage the conflicts of interests which might exist among the DBSA Board of directors. It seeks to address the reputational risk and financial loss risk that might be experienced by the DBSA in the absence of such a policy.

## 3. POLICY OBJECTIVE / PURPOSE

This policy intends to provide guidelines on managing the DBSA director's engagement in interests that may conflict with the DBSA's interests and to further assist them on the process to follow when dealing with actual, potential or perceived conflicts of interest.

The aim of the policy is to protect both the Bank and its directors from any appearance of impropriety and to ensure compliance to statutory and best practice requirements.

## 4. POLICY SCOPE

This policy is applicable to both executive and non-executive directors, including any subsidiaries of the DBSA that may be created in due course.

## 5. POLICY STATEMENT

The PFMA and the Companies Act set out the fiduciary duties which directors are required to fulfil; to act in good faith, duty of care, skill, diligence, and to act in the best interest of the DBSA. It is in the interest of good governance that directors maintain the highest standard of professional ethics.

The DBSA directors are expected to act with fidelity, honesty, integrity and in the best interest of the DBSA in managing the financial and non-financial affairs of the DBSA. In so doing, the DBSA directors are expected to conduct themselves in a manner that enhances the reputation of the organisation and shall not put themselves in a position that could lead to actual, potential or perceived conflict of interest between their interests and those of the DBSA.

A DBSA director may not use their position or privileges, or knowledge or access to non-public confidential information of the DBSA or its stakeholders, obtained in their position as a DBSA director, for personal gain or to improperly benefit a related party or any another person.

The personal interests of a director or their related parties should not take precedence over the interests of the Bank.

## 6. POLICY PRINCIPLES

### 6.1. CONFLICTS OF INTEREST

A conflict of interest arises when a director's beneficial interests, relationship (reference to nepotism and cronyism) and obligations and/or those of their related party interfere or are perceived to interfere with the interests of the DBSA. It is therefore perceived to affect or has the potential to affect a directors' objective and independent judgement when making decisions on behalf of the DBSA, thus compromising fair and equitable processes.

Both the Bank and its directors share the responsibility for maintaining the organisation free of harm arising from actual, perceived and/or potential conflict of interest.

**Table 1. Conflict of interest**

<b>Actual</b>	<b>Perceived</b>	<b>Potential</b>
Where a conflict arises between a director's private interests, or that of their related party, and their Bank related role and responsibilities and/or the business of the Bank.	Where a conflict arises where a director's interest, or that of their related party, is or could be reasonably perceived, by an independent observer, to conflict with those of the Bank and/or its processes.	Where a conflict <b>may in future</b> arise between a director's interests, or that of their related party, and those of the Bank,

The existence of a conflicting interest is, however, not necessarily an indication that an impropriety has occurred. It is the responsibility of the individual director to identify, ensure adequate disclosure and management thereof of arising conflicting interests. This is a crucial step in addressing any arising concerns.

### 6.2. TYPES OF CONFLICT OF INTERESTS

Conflicts of interest can arise in various forms and situations. It may be financial or non-financial, direct or indirect, professional or for the benefit of a related party. It is therefore impossible to provide an exhaustive list of conflict of interests, however, a director must be adequately equipped to identify where a conflict of interest may arise. If there is any uncertainty, the Director must consult with the Chairperson of the Board or the Company Secretary to decipher whether there are material conflicting interest to address. The following may constitute a conflict of interest:

- 6.2.1 Ownership of or an interest (which includes shareholding or directorships) in a business with which the DBSA has a relationship.
- 6.2.2 Profiting, or assisting others to profit, from confidential information or business opportunities that are available, because of the director association with the DBSA.

- 6.2.3 Soliciting or accepting a gift, hospitality, entertainment, discount, payment, loan, service or any form of compensation from others seeking to do business with the DBSA.
- 6.2.4 Influencing or attempting to influence any business transactions between the DBSA and another entity in which a director has a direct or indirect financial or non-financial interest or acts as a director, officer, employee, partner, agent or consultant.
- 6.2.5 Representing another entity, which is involved in the same transaction or project as a matter which is before the DBSA (i.e. institutions which may have competing interests to those of the DBSA).
- 6.2.6 Employment (e.g. having private, professional, political, academic, or other interests that may conflict with the DBSA's interests).
- 6.2.7 Interests in business enterprises or professional that the DBSA is involved in.
- 6.2.8 Significant share ownership, in businesses that do business or are in competition with the DBSA.
- 6.2.9 Beneficial interests in trusts whose interests' conflict with those of the DBSA.
- 6.2.10 Professional associations or relationships with other entities whose interests' conflict with those of the DBSA.
- 6.2.11 Personal associations with other groups or entities (e.g. directors having affiliations with organisations that receive aid or funding from the DBSA, directors accepting business courtesies from any person or business who has dealings with the DBSA).
- 6.2.12 All known related party relationships (including friends, associates, business partners, and other such relationship) whose interest conflict or may be perceived to conflict with those of the DBSA.

### 6.3. BOARD INVOLVEMENT

- 6.3.1 Directors are invited to participate on the Board by virtue of their knowledge, expertise, and their capacity to network with a wide range of organisations thereby enabling them to tap into a wide network of relevant expertise. It is therefore, acknowledged that Directors will be involved with companies that inadvertently provide services to both the public and the private sector.
- 6.3.2 Directors, however, have a fiduciary duty to act in the best interests of the DBSA and therefore have a responsibility to manage conflict of interests that arise between their personal interest and those known of their related parties. The personal interests of a director should not take precedence over those of the DBSA. It is also recognised that an additional burden is placed on the DBSA as a state-owned enterprise; thus, requires



that Directors are aware that by virtue of their engagement, their conduct is subject to greater scrutiny and results in perceptions of conflict more readily.

- 6.3.3 It is on that basis that management of conflict should be on an informed basis and implemented appropriately. Certain conflicts of interests are obvious, or ought to be when considered prudently, and should be avoided. Other conflicts whether real or perceptive, direct, or indirect should be disclosed timeously in sufficient detail and to the Board. The Board must then exercise its judgement in assessing, on a case-by-case basis, the materiality of the interest and resulting conflict prior to the execution of any transaction or discussion. The onus of disclosing and ensuring the management of an interest vests with the individual director, thus making the management of conflict primarily based on self-regulation, self-restraint and good governance.

## 6.4. DIRECTORS' RESPONSIBILITIES

- 6.4.1 Directors have a fiduciary duty to disclose the nature of their interests at the beginning of every meeting and recuse themselves when an item in which they, and/or their related party, have an interest in is discussed. Where the materiality of the interest is perceived to be within acceptable limits, however, the director at their own discretion perceives or foresees a potential conflict of interest risk, the director may similarly recuse themselves from the meeting and/or all related discussions.
- 6.4.2 A register of declaration of interests shall be kept and updated at every Board and Board subcommittees meeting. On first appointment and annually, or at any time when circumstances change during the reporting period. All Directors must in good faith, disclose to the Board for recording any business or other interest that is likely to create a potential conflict of interest, including but not limited to:
- 6.4.2.1 All business interest, direct or indirect in any other entity, partnership or business venture;
  - 6.4.2.2 Membership to trade, business or other economic activities;
  - 6.4.2.3 Material shareholding, shares options and/or other interests in entities in business with the DBSA;
  - 6.4.2.4 Any direct or indirect interest in any transactions within the DBSA;
- 6.4.3 Any gifts given or received, from any party in respect of or in relation to any business dealings with the DBSA.
- 6.4.2.1 Directors may not offer or accept gifts in the form of cash or cash equivalent (for example, discounts, cash convertible vouchers)
- 6.4.4 The fact that a conflict of interest has been declared does not mean it has been addressed. Such conflict must still be managed as set out in section 7 below.
- 6.4.5 Directors (executive and non-executive) and their related party are prohibited from having commercial dealings with the DBSA, namely lending and providing services to

the DBSA. No loans shall be provided by the DBSA to directors or their related parties to further their private interests.

- 6.4.6 It is possible for relationships with clients, intermediaries, and suppliers to give rise to situations where there might be a conflict of interests. However, the DBSA directors are prohibited from developing business interests with DBSA's clients, intermediaries, and suppliers. Where such indirect interests from related parties arise during the course of business, the director must recuse themselves from activities of the DBSA relating to that particular interest.
- 6.4.7 DBSA directors shall not divulge information that could benefit their own or related party's interests. This includes information on how to package a proposal for the DBSA's tender or transaction.
- 6.4.8 The DBSA's directors must refrain from influencing decisions that benefit their own company, a friend or family member's company, or gaining financially by way of normal business profits by decisions taken.
- 6.4.9 DBSA's directors must refrain from contacting employees, clients, suppliers, and intermediaries of the DBSA in an attempt to lobby them or influence them in making decisions for their own benefit, benefit of a related party.
- 6.4.10 Therefore, the director should ensure that s/he is independent and seen as being independent of any business organisation or person with whom the DBSA has a service relationship.

## **6.5. COOLING-OFF PERIOD / DOING BUSINESS WITH THE DBSA**

- 6.5.1 Both executive and non-executive directors are prohibited from using their position and information for personal financial and non-financial gain. All DBSA directors are disqualified from contracting with the DBSA as either a vendor, purchaser, borrower or otherwise.
- 6.5.2 A cooling off period exists to ensure that there is a clear separation period of the former director from the business of the organisation for which they served. There should be a clear cessation of responsibilities and relationships with the DBSA.
- 6.5.3 Executive Directors or any related party of the Executive Director are prohibited within a period of twelve months (1 year) from transacting with the DBSA or conducting any business with the DBSA.
- 6.5.4 Non-Executive Directors may similarly not enter into contracts with the DBSA be it on service provision or lending activities immediately upon resignation from the Board. However, they will be subjected to a twelve months cooling off period following their

resignation. An enhanced due diligence approval process for a period of twelve months (1 year) thereafter which will include (but not limited to):

- 6.4.2.1 Referral must be sent to the Company Secretary prior to consideration of the matter to determine whether (i) the matter which is tendered for or the lending being requested for was not considered during the tenure of the director, (ii) the director would have been privy to any information relating to the transaction or the tender for provision of services, (iii) the director has inside information on the broad strategic focus of a project that will give them an added advantage over their competitors consequent to their previous position of being a Board director, (iv) there maybe any direct or indirect actual, perceived or potential conflict of interest.
- 6.4.2.2 The matter will then be referred to the Board Credit and Investment Committee (BCIC) in the event that it is a project proposal, irrespective of the monetary value and significance of the transaction (after the internal credit processes have been followed). The BCIC may recommend that it be submitted to the Sustainability and Ethics Committee (SEC) of the Board for approval, in reference with its Terms of Reference. Where applicable, the SEC may then recommend the transaction to the full Board of the DBSA.
- 6.5.5 As a rule, any director who is conflicted may not have sight of the report/documentation on the transaction, tender or matter in respect of which the director is conflicted; and the principles set out in section 7 below shall apply.
- 6.5.6 This provision is not applicable to cases where the director has no personal or private business interests in a matter, however, is considered to be conflicted by virtue of them being a representative of an institution which may have competing interests to those of the DBSA.

## 6.6. COMPENSATION

When a non-executive director is appointed by the DBSA as its Nominee Director in an outside organisation (where the DBSA has an investment/shareholding), any remuneration will accrue to the non-executive director.

## 7. DECLARATION PROCEDURE

- 7.1 The declaration procedure is retained in this policy in spite of the prohibition on directors doing business with the DBSA set out in section 6.5 above, as there may be other cases where a director, even though they are not doing business with the DBSA, may still be perceived to be conflicted. For example, where a director who has no personal or private business interest in a transaction is an associate (personal acquaintance) of a director of

an entity which applies to the DBSA for funding, or where such a director represents another institution.

- 7.2 A DBSA Director who is the subject of the conflict of interest and who is in attendance at the meeting must disclose all material facts of the conflicting interest contract or transaction in question before it is considered by the Board or Committee. Such disclosure shall be recorded in the minutes of the meeting.
- 7.3 In compliance with the provisions of section 50(3) of the PFMA read with section 75 of the Companies Act, the DBSA director who is the subject of the conflict of interest must:
  - 7.3.1 disclose the interest and its general nature before the matter is considered at the meeting;
  - 7.3.2 disclose to the meeting any material information relating to the conflict, and known to the director;
  - 7.3.3 disclose any observations or pertinent insights relating to the matter if requested to do so by the other directors;
  - 7.3.4 if present at the meeting, must leave the meeting immediately after making any disclosure contemplated above;
  - 7.3.5 not take part in the consideration of the matter, except to the extent contemplated in paragraphs 7.3.2 and 7.3.3 above;
  - 7.3.6 while absent from the meeting in terms of these provisions, the director is to be regarded as being present at the meeting for the purpose of determining whether sufficient directors are present to constituting the quorum, but is not to be regarded as being present at the meeting for the purpose of voting on the matter;
  - 7.3.7 not execute any document on behalf of the DBSA in relation to the matter unless specifically requested or directed to do so by the Board.
- 7.4 In support of the above process, the Chairpersons of the Board and of each Committee will be requested to approve the agendas of their respective meetings prior to finalisation of the meeting packs. Thereafter, the agendas will be circulated to the members of the Board and Committees with a request for each member to provide an indication of any matters in which they may have a close and material connection or conflicting interest; whether in the form of personal or private business interest, or in their capacities as representatives of institutions which may have competing interest to those of the DBSA.
- 7.5 Members who are regarded as being conflicted may not have sight of the documentation in the related transaction(s). Conflicted members who receive documentation in connection

with the related transaction(s) should refrain from perusing such documentation, notify the Company Secretary thereof immediately, delete electronic documents and return paper documents to the Company Secretary at the soonest possible opportunity.

- 7.6 The Company Secretary shall provide directors annually with a declaration of interest form (manual or system), which must be completed as per the guidance indicated in section 6.4 above. The completed form will be returned to the Company Secretary for purposes of maintaining the director's declaration register. All directors must complete and sign the form including a "Nothing to declare" (declaration). The director should inform the Company Secretary of any change as soon as it arises, to ensure that the amendment of the annual declaration is made timeously.
- 7.7 Directors must declare all conflicts of interest (direct or indirect, actual or perceived, personal or of a related party) as well as the details of the nature of the interest. It is recommended that all personal interests should be declared whether a conflict exists or not.
- 7.8 Such declaration must be declared on the system, and the decision in the minutes of that meeting.

## **8. POLICY ENFORCEMENT AND SANCTIONS**

In terms of the DBSA Act, a director may be removed from office for:

- 8.1 failure to disclose an interest in which the director is a party to or is participating in the profits of any contract with the DBSA;
- 8.2 personal liability - breach of Director's fiduciary duties including the duty to disclose an interest and avoid conflict of interests may result in personal liability of a director(s);
- 8.3 any violation of this policy by Directors will be referred to the Chairperson of the Board for consideration and action in line with the DBSA Act.

## **9. POLICY MONITORING AND REVIEW**

The Corporate Secretariat will monitor the implementation of this policy. The policy shall be reviewed after every two years, and as and when there is a material change that is required, in line with the DBSA's Policy Development Framework.