



BOARD OF DIRECTORS CHARTER

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1 INTRODUCTION

The Board of Directors ('the Board') of the Development Bank of Southern Africa ('the Bank') acknowledges the need for a Board Charter ('Charter') as recommended in the Code of Governance Principles for South Africa King IV. This Board Charter shall be subject to the DBSA Act, the applicable provisions of the Companies Act, and any other applicable law or regulatory provisions. The Board adopts the King IV Code as guidelines for best practice. The Bank is committed to good governance as espoused in King IV as ethical and effective leadership in order to achieve the core governance outcomes of an ethical culture, good performance, effective control and legitimacy.

2 AUTHORITY

The Development Bank of Southern Africa Act, Act 13 of 1997, (the DBSA Act) and the regulations made in terms thereof, set out the objects and powers of the DBSA and contains specific provisions relating to the composition, powers and functioning of the Board of Directors.

The Companies Act 71 of 2008 codifies standards of directors' conduct that were previously set out in common law, which directors can be held liable for. Directors can be held personally liable for their actions; they must therefore know and understand what their duties and responsibilities are within the DBSA and also in terms of Section 77 of the Companies Act 71 of 2008.

The governance framework of the DBSA shall also be applicable to the Bank's subsidiaries.

3 PURPOSE OF CHARTER

The purpose of this Charter is intended to provide a concise overview of the following:

- The delineation of the roles, responsibilities, functions and power of the Board, and the Committees of the DBSA Board;
- The power delegated to various Board Committees of the Bank;
- The policies and practices of the Board in respect of matters such as corporate governance, declarations and conflicts of interest, Board meetings documentation and procedures, and the nomination, remuneration, appointment, induction, training and evaluation of the Board and the Committees.

4 COMPOSITION OF THE BOARD

- 4.1 The Bank shall have a unitary Board structure consisting of non-executive and executive directors.
- 4.2 To maintain the balance of power, the Board shall comprise of both executive and non-executive directors with a majority of non-executive directors being independent.

Independence is determined if the Board concludes that there is no interest, position, association or relationship which when judged from a perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making in the best interest of the Bank. The demographics of South Africa and gender equity shall be considered in relation to the composition of the Board.

- 4.3 The composition of the Board shall reflect the responsibilities that it is vested with and the duty that it has to discharge and perform as representative of the interest of the Bank's Shareholder (Government of the Republic of South Africa, represented by the Minister of Finance) and all other stakeholders.
- 4.4 This Board Charter shall be considered to be an integral part of the conditions of appointment of all Board members and individuals co-opted to Board Committees.

5 MEMBERSHIP OF THE BOARD

- 5.1 The offices of the Chairman of the Board and the Chief Executive Officer (CEO) shall be separate. There shall at all times be a clearly defined division of responsibilities in both offices to ensure a balance of authority and power.
- 5.2 The members of the Board shall be expected to:
- acquire a working knowledge and understanding of the Bank's business, the laws, regulations and customs that govern the activities of the business;
 - have the ability to make sound business decisions and recommendations;
 - exercise judgment independently;
 - exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct.
- 5.3 The Board shall consist of a minimum of ten and a maximum of fifteen members, inclusive of the executive directors (CEO and at least one other executive), to ensure that a wide range of skills, knowledge, views and experience is brought to the fore in the deliberations of the Board to meet the Bank's strategic objectives. Should the number of directors holding office at any time fall below ten, the remaining Directors shall manage the affairs of the Bank until the vacancies are filled by the Shareholder.
- 5.4 New non-executive Directors shall hold office for a period of three years, but shall be eligible for re-appointment for a second term of three years. Re-appointment of a director is subject to approval by the Minister. Any term beyond nine years (three three-year terms) for an independent non-executive director should be subject to a particularly rigorous review by the Board, of not only the performance of the Director but also the factors that may impair his independence.
- 5.5 Non-executive directors are appointed through a formal and transparent process, and the Human Capital, Remuneration, and Nominations Committee (HRNC) assists the Board with the process of identifying suitable candidates to be proposed. The HRNC has the responsibility, *inter alia*, of ensuring directorship continuity and shall undertake succession planning of executive directors, nomination of new non-executive directors and make proposals to the Shareholder, under the directorship of

the Chairman of the Board who is the Board appointed representative to the Shareholder. Notwithstanding the recommendations of the HRNC, it remains the prerogative of the Shareholder to make such appointments as is deemed necessary as directed by the DBSA Act.

- 5.6 In the absence of any other committee assigned for this purpose, the HRNC shall be responsible for the co-ordination of the process for review of the performance of the Board and other committees established by the Board.
- 5.7 Non-executive directors are remunerated for their services on the Board as per the remuneration approved by the Shareholder at the AGM.

6 ROLE OF THE BOARD

- 6.1 The Board shall ensure that the Bank achieves the mandate of the organisation as defined by the Shareholder through the Bank's founding statute (the DBSA Act). In this regard the Board shall assume ultimate accountability for governance and oversight in respect of the affairs of the Bank and shall in doing so effectively represent and promote the interest of the Shareholder. Management, led by the Chief Executive Officer, shall retain the responsibility for execution of the Board approved strategy within the confines of the mandate and directions.
- 6.2 The Board is the focal point and custodian of corporate governance in the Bank. It is ultimately accountable for the performance and the affairs of the Bank and is responsible for managing its relationship with management, the Shareholder and other stakeholders of the Bank along sound corporate governance principles. The Board shall be responsible for ensuring that an adequate and effective process of corporate governance is established and maintained, and that compliance is met with the Code of Corporate Practice and Conduct (King IV), and any other latest and pertinent legislative framework whose provisions have significant bearing on the DBSA. In this regard, the Board shall ensure that an appropriate governance framework is developed for the Bank.
- 6.3 The Board has a responsibility to the broader stakeholders, which includes the present and potential beneficiaries of DBSA products and services, clients, lenders and employees, to achieve continuing prosperity for the Bank.
- 6.4 The Board members must exercise leadership, enterprise, integrity and good judgment in directing the Board to achieve continuing prosperity and to act in the best interest of the Bank while respecting the principles of transparency.
- 6.5 The Board shall provide strategic guidance to management in the formulation and review of corporate strategy and shall be responsible for the approval of all governance policies.
- 6.6 The Board shall ensure that the technology and systems used in the Bank are adequate to run the business properly for it to compete through the efficient use of its assets, process and human resources.

- 6.7 The Board shall ensure that the Shareholder's performance objectives are achieved and that the same can be measured in terms of performance of the DBSA Board. In this regard, the Board shall annually conclude a Shareholder Compact as required in terms of the Public Finance Management Act (PFMA) to document key performance areas.
- 6.8 The Board shall serve the legitimate interests of the Shareholder and account to the Shareholder fully.
- 6.9 The Board shall establish formal and transparent arrangements for maintaining a relationship with external and internal auditors and ensure that timely and accurate disclosure to the Shareholder of any information that would be of material importance.
- 6.10 The Board shall develop a clear definition of the levels of materiality or sensitivity in order to determine the scope and delegation of authority and ensure that it reserves specific powers and authority for itself. Delegated authority must be in writing and be evaluated regularly.
- 6.11 The Board shall manage potential conflicts of interest of management and Board members.
- 6.12 The Board is the guardian of the values and ethics of the DBSA, and shall approve and proactively promote the Code of Ethics and ethics policies. The Board shall exercise ongoing oversight of the management of ethics in order to promote the establishment and maintenance of an ethical culture in the Bank.
- 6.13 Directors, both executives and non-executives, carry full fiduciary responsibility and owe a duty of care and skill to DBSA. They shall lead ethically and effectively by cultivating and demonstrating the characteristics of integrity, competence, fairness, transparency, accountability and responsibility in their conduct.
- 6.14 The Board shall ensure that the Bank is and is seen to be a responsible corporate citizen, by setting the direction and approach for corporate citizenship through measuring development impact on the environment and society in which it operates.
- 6.15 The Board shall on an annual basis undertake performance/effective assessment of the CEO and after every two years conduct an effectiveness assessment of the Board and its Committees. The Board shall after every two years or as and when it deems necessary conduct an independent governance assessment.
- 6.16 The Board shall be responsible for ensuring that succession plans, which provide for the identification, mentorship and development of future candidates, are in place for the:
- Board as a whole (where practical);
 - Chairman;
 - Chief Executive Officer;
 - Chief Financial Officer;

- Chairmen of Board Committees

6.17 The Board shall retain full and effective control over the Bank and shall direct and supervise the business and affairs of the Bank, including:

- ensuring that goals are established and that short, medium and long-term strategies to achieve the goals are formulated and approved by the Board;
- approve policies and operational plans to give effect to the approved strategy and to strengthen the performance of the Bank;
- exercising ongoing oversight and monitoring of the Bank's performance and implementation of its plans and strategies;
- protecting the Bank's financial position;
- ensuring the integrity of reports such as the financial statements are true and fair and contain proper disclosures and comply with legal requirements and applicable accounting standards;
- ensuring that the Bank adheres to high standards of ethics and corporate behaviour and that a corporate Code of Ethics is in place which satisfies in substance and form the requirements of King IV;
- ensuring that the Bank has appropriate risk management, internal controls and regulatory compliance policies and processes in place;
- being responsible for the Banks' IT governance;
- ensuring that the Bank complies with all relevant laws, regulations and codes of business practice;
- endeavour to ensure the integrity of the Bank's integrated report in the annual report which focuses on the impact of the institution in the economic, environmental and social spheres;
- ensuring that non-financial aspects relevant to the business of the Bank are identified and monitored;
- ensuring that a framework is developed for the approval of strategic mandates and programmes, and that there is monitoring of compliance of the framework;
- reviewing and recording the facts and assumptions on which the Board relies to conclude that the Bank will continue as a going concern in the financial year ahead or why it will not and what steps are being taken to remedy the situation;
- approve a stakeholder management policy which articulates the inclusive approach that balances the needs, interests and expectations of material stakeholders.

6.16 The responsibility for execution of the Bank's mandate and Board's approved strategy shall vest with the Chief Executive Officer who may delegate such responsibilities as deemed appropriate to the executive and staff.

6.17 In the execution of its duties and responsibilities, the Board and/or its members are permitted to have unrestricted access to the executive management and all Bank information, records, documents and property. The Corporate Secretary shall assist the Board or any member thereof in providing any information or documents that may be required.

7 BOARD PROCEDURES

- 7.1 The conduct of directors shall be consistent with their fiduciary duties and responsibilities to the Bank and consequently to the Shareholder.
- 7.2 Board members act jointly when discharging their duties and no Board member has the authority to act on behalf of the Bank unless specifically authorised or requested by the Board. Board members are jointly and severally accountable for Board decisions and actions.
- 7.3 Board members are obliged to act in the best interest of DBSA, to act with due care in discharging their duties as Board members, and in this regard should ensure that there are guiding principles pertaining to the management of conflict of interests. These should be contained in a Conflict of Interest Policy approved by the Board.
- 7.4 The Board shall be disciplined in fulfilling its function, with the emphasis being placed on strategic issues and policy. Any misconduct by members shall be dealt with in a manner determined by the Chairman of the Board in line with the requirements of the Companies Act . Matters that involve a board member that pose as a significant risk to the Bank's reputation shall be dealt with on a case by case basis in consultation with the Shareholder.
- 7.5 The Board shall ensure that there are processes in place to deal with financial misconduct and report on it as required by the PFMA. Any misconduct by a Board member shall be dealt with by the Chairman of the Board in line with the requirements of the PFMA.
- 7.6 Non-executive directors may meet separately in committee, without the attendance of the CEO and executive management.
- 7.7 Directors shall comply with all relevant legislation and shall be required to maintain strict confidentiality of all information relating to the business of the Bank.
- 7.8 At any time when a Board member resigns from office before the expiry of his/her term, he/she shall disclose to the Chairman and the Board the reason(s) for his/her resignation.
- 7.9 The Board has the right to obtain outside independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and at the cost of the DBSA. Any such appointments should be made subject to the approval of the Board approved procedures.
- 7.10 The Board shall do everything necessary to ensure that the DBSA complies with the DBSA Act and any other applicable legislation.

7.11 Board Committees/Delegation

The Board is authorised to form committees to assist it in the execution of its duties, powers and authorities. Board committees consist of Board members or other person as it deems fit. Delegating authority to the Board committees does not absolve or abdicate the Board from its responsibilities or its ultimate accountability.

- Each committee shall establish formal terms of reference approved by the Board. The terms of reference shall amongst other matters deal with the committee's composition, role and purpose, functions, delegated authorities, tenure, meeting requirements, procedures and reporting mechanism to the Board;
- The committees' terms of reference are reviewed annually;
- The committees are appropriately constituted to promote diversity in its membership with due regard to the skills experience, age, culture, race and gender required by each committee;
- The Committees should be comprised of a majority of non-executive and preferably independent directors;
- Committees can co-opt members with the necessary expertise to assist in the discharge of the roles of the Committee. The approval of such co-opted members shall vest with the Board. Co-opted members shall be appointed for a term of three years which may be renewed for another term at the discretion of the Board. Remuneration for these members will be as determined by the HRNC and approved by the Shareholder from time to time;
- The Chairperson of each Committee is elected and appointed by the Board and shall report to the Board at least on a quarterly basis (at every Board meeting following a committee meeting) on the resolutions of the Committee for them to be formally adopted by Board and for full disclosure;
- Board Committees are authorised to obtain independent external professional advice as and when considered necessary at the cost of the DBSA in accordance with the approved protocol for obtaining independent professional advice;
- The Board can impose regulations by which such committees operate and can also revoke any delegation of authority whether to a committee or an individual at any time by recording its decision in Board minutes;
- Board Committees shall be subject to regular evaluation by the Board to ascertain their performance and effectiveness;
- The Board shall establish a framework for the delegation of authority to the Chief Executive Officer.

7.12 Committee Duties and Responsibilities

The Board is currently served by six standing Committees namely Audit & Risk, Board Credit and Investments, Investment Valuations, Infrastructure Delivery and Knowledge Management, the Human Capital, Remuneration & Nominations and the Social & Ethics Committees. Their specific roles and responsibilities are governed by the different charters which are approved by the Board.

7.13 Matters reserved for Board decision

The Board shall in the execution of its responsibilities exercise such rights as delegated by the DBSA Act.

8 ROLE OF THE CHAIRMAN

- 8.1 The Board shall, with the consent of the Shareholder elect the Chairman of the Board from the membership of the Board. The Chairman is primarily responsible for providing direction for the effective functioning of the Board.
- 8.2 The Chairman is responsible for providing leadership by ensuring the integrity and effectiveness of the Board and its Committees; and the organisational success.
- 8.3 The Chairman is required to:
- Provide overall leadership to the Board, without limiting the principles of collective responsibility for Board decisions.
 - Work with fellow members of the Board in setting the direction and priorities for the execution of the duties of the Board and acting as a communication channel for Board's decisions where appropriate.
 - Ensure that all the Board members are fully involved and informed of any business issue on which a decision has to be taken.
 - Ensure that executive members play an effective management role and participate fully in the operation and governance of the Bank.
 - Exercise independent judgment, act objectively and ensure that relevant matters are placed on the agenda and prioritised appropriately.
 - Work closely with the Corporate Secretary in ensuring that at all times all the Board members fully understand the nature and extent of their responsibilities as the Board in order to ensure the effective governance of the Bank.
 - With the assistance of the Corporate Secretary arrange for new members appointed to the Board to be properly inducted and oriented, and monitor Board appraisals.
 - Actively engage with Board members and building upon their strengths and addressing/developing any weaknesses.
 - Avail himself/herself to the CEO between Board meetings to provide counsel and advice.
 - Ensure that he/she evaluate the performance of the Chief Executive Officer periodically.
 - Act as the main informal link between the Board and management, particularly the Chief Executive Officer.
 - Act as the Board representative and to the Shareholder and accountable to the Board.
 - Shall act as a focal point and spokesperson for all Board related media queries and/or other matters.

9 ROLE OF THE DEPUTY CHAIRMAN

- 9.1 The Board shall appoint the Deputy Chairman of the Board.
- 9.2 The Deputy Chairman of the Board is the Lead Independent and is responsible to fulfil the following functions:
- To lead the Board in the absence of the Chairman of the Board.
 - To serve as a sounding board for the Chairman of the Board.
 - To act as an intermediary between the Chairman and other members of the Board, if necessary.
 - To deal with Shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where such contact would not be inappropriate.
 - To strengthen independence on the Board if the Chairman is not an independent non-executive member of the Board.
 - To chair discussions and decision-making by the Board on matters where the Chairman has conflict of interest.
 - To lead the annual performance appraisal of the Chairman and meeting their duties and responsibilities.

10 ROLE OF THE CHIEF EXECUTIVE OFFICER

The Board initiates the process for the appointment of the Chief Executive Officer and makes a recommendation to the Shareholder for approval. The Chief Executive Officer shall be appointed by the Shareholder. The Chief Executive's responsibility is to ensure execution of the Bank's mandate and approved strategy and shall ensure that the Bank is run efficiently and effectively and in accordance with the strategic decisions of the Board.

11 THE CORPORATE SECRETARY

The Corporate Secretary is appointed by and accountable to the Board to provide professional corporate governance services for, *inter alia*:

- Ensuring that Board procedures are followed and reviewed regularly;
- Ensuring that applicable rules and regulations for the conduct of the affairs of the Board are complied with;
- Maintaining statutory records in accordance with legal requirements;
- Guiding the Board as to how their responsibilities should be properly discharged in the best interest of the Bank;

- Keeping abreast of, and informing, the Board of current and new developments regarding corporate governance legislative framework, thinking and practice.

12 PERFORMANCE ASSESSMENT

- Performance of the Board, Board committees and individual Board members is assessed every two years by an independent person.
- Informal monitoring of Board members' preparation, attendance of meetings and participation and contribution in meetings shall be monitored and if considered insufficient, the Chairman shall address same with the relevant member.

13 QUORUM FOR MEETINGS

- 13.1 The quorum for any meeting of the Board shall be a simple majority (50% plus 1) in person, via teleconference or any other form of digital presence. It is however preferred that meetings of the Board should be in person. The decision of the majority of the directors present at the meeting of the Board shall be the decision of the Board.
- 13.2 It is generally desirable for the Chairman, assisted by the Corporate Secretary, to draw up an annual calendar of meetings, with an outline of the cyclical business to be considered at each meeting and to present this for advance agreement by the full Board.

14 MEETINGS

14.1 Frequency and attendance

- 14.1.1 Meetings of the Board shall be held at such venues and at such time as the Board deems appropriate. The Board shall meet at least five times a year (inclusive of a board strategy meeting). Board meetings in addition to those scheduled shall be convened with the approval of the Chairperson of the Board.
- 14.1.2 Directors shall use their best endeavours to attend Board meetings and to prepare thoroughly therefore. Directors are expected to participate fully, frankly and constructively in the Board discussions and other activities and to bring the benefit of their particular knowledge, skills and abilities to the Board.
- 14.1.3 Directors who are unable to attend shall advise the Corporate Secretary timeously.
- 14.1.4 Executive management may, at the invitation of the Chairman attend Board meetings to facilitate communication between executive management and the Board.
- 14.1.5 No invitee shall have a vote at meetings of the Board.

14.2 Meeting Procedure

- 14.2.1 Unless varied by these terms of reference, meetings and proceedings of the Board shall be governed by the DBSA Act.
- 14.2.2 The quorum for any meeting of the Board shall be a simple majority (50% plus 1) in person, via teleconference or any other form of digital presence. It is however preferred that meetings of the Board should be in person. The decision of the majority of the directors present at the meeting of the Board shall be the decision of the Board.
- 14.2.3 At the commencement of each meeting, all Board members shall declare whether they have any conflict of interests in respect of a matter on the agenda. Members with personal financial interests and/or conflict of interests shall not be allowed to vote or participate in the consideration of the matter and must follow the provisions of section 75 of the Companies Act and the DBSA Act in this regard.
- 14.2.4 Except under exceptional circumstances, at least 5 working days' notice shall be given of a meeting of the Board. Such notices shall, where possible, include the agenda and any supporting papers.
- 14.2.5 Each Board member is responsible for being satisfied that, objectively, he/she has been furnished with all the relevant information and facts before making a decision.
- 14.2.6 At each meeting, the Board shall, at a minimum, consider those matters laid out in the meeting agenda.
- 14.2.7 Minutes of all Board meetings shall record the proceedings and decisions taken, the details of which shall remain confidential.
- 14.2.8 A record shall be kept of the attendance of directors at Board meetings.

14.3 Agenda, Meeting Papers and Minutes

- 14.3.1 The Chairman must ensure, with the assistance of the Corporate Secretary that an agenda raising all relevant issues requiring attention, is prepared prior to the meeting in such a manner and sequence that effective proceedings are facilitated.
- 14.3.2 The Board shall have sole authority over its agenda. Any director may request the Corporate Secretary to include an item on the agenda for discussion and decision of the Board, after approval by the Chairman of the Board.
- 14.3.3 The Corporate Secretary must ensure that the agenda and meetings papers are circulated to Board members at least five working days before the date set down for the meeting. The Corporate Secretary shall maintain a record of Board submission and the Board members will arrange with him/her to obtain access to record of Board

documentation and minutes if required by them in the course of discharging their duties as Board members of the Bank.

- 14.4.4 Minutes of meeting shall be recorded by the Corporate Secretary and shall be circulated to the Chairman and then to all directors of the Board within seven days after the relevant Board meeting, for review thereof the minutes must be formally approved by the Board at its next scheduled meeting.

15 INDUCTION OF NEW DIRECTORS AND CO-OPTED MEMBERS & TRAINING

- 15.1 A formal induction programme aimed at an understanding of the Bank, the business, environment, markets and risks in which the Bank operates shall be conducted for all newly appointed directors and co-opted members;
- 15.2 Directors shall all receive all essential Board and Bank information timeously;
- 15.3 Directors shall keep themselves abreast of changes and trends in the business, economic, political, social and legal climate in general.
- 15.4 A continuing professional development programme is implemented, which ensures that the Board directors receive regular briefings on changes in risks, laws and the business environment.

16 GENERAL

The Board shall on a periodic basis review the provisions of the Board charter herein to align with the legal and business environment, mandate of the Bank and overall responsibilities of the Board as dictated from time to time by the Shareholder.

The Board Charter shall be due for review annually.

17 APPROVAL OF THE BOARD CHARTER

This Board Charter as set out above was approved by the Board of Directors on:



CHAIRMAN OF THE BOARD

16.5.2019

DATE