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## **HUMAN RESOURCES, REMUNERATION AND NOMINATIONS COMMITTEE (“HRNC”) TERMS OF REFERENCE**

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## **1. INTRODUCTION**

The Board of Directors has established the Human Resources, Nominations, (HRNC) to support it in the execution of its duties with respect to the implementation of the human capital strategy, nomination of directors, executive remuneration for the DBSA, board/directors' affairs and governance issues. The Board of Directors is the focal point of the corporate governance system in the DBSA. It is ultimately accountable and responsible for the performance, affairs and behavior of the Bank. It, therefore, has the responsibility to ensure that there are adequate processes, policies systems and procedures to ensure sound corporate governance.

The HRNC is a subcommittee of the Board of Directors and is hereby constituted pursuant to the provision of section 10 of the DBSA Act (No 13 of 1997) as read with the Regulations issued in terms of the Act. The Committee is accountable to the full Board of Directors to properly consider and evaluate any matter that it has been mandated to deal with.

## **2. PURPOSE OF TERMS OF REFERENCE**

These terms of reference set out the authority and specific responsibilities of the HRNC and detail the manner in which the HRNC will operate.

## **3. AUTHORITY**

The Board delegates such authority to the Committee, in light of its responsibilities and functions, set out herein under, to recommend remuneration, nomination, governance and related matters for the DBSA.

The Committee and its individual members shall have access to all information required to execute their responsibilities.

## **4. COMPOSITION OF THE COMMITTEE AND APPOINTMENT**

### **4.1 Members**

The Board shall appoint the members of the HRNC, the majority of whom shall be independent non-executive directors. The Committee will, however, be constituted of only non-executive members. The Board shall, from time to time, review and revise (when appropriate) the composition of the Committee. The HRNC shall as a minimum comprise of at least three members.

### **4.2 Chair**

An independent non-executive member of the Board of Directors will be appointed as the Chairman of the Human Resource, Remuneration, and Nominations Committee. In the event that the Chairman is not present at a meeting, the HRNC shall elect an acting chairman.

#### **4.3 Attendance**

The Chief Executive Officer and the Group Executive: Human Capital may on invitation attend meetings of the Committee unless otherwise determined by the Chairperson of the Committee and they may not vote.

#### **4.4 Secretary**

The DBSA Corporate Secretary shall serve as the secretary to the HRNC.

### **5. QUORUM FOR MEETINGS**

The quorum for the meeting shall be a simple majority of members of the Committee.

### **6. RESPONSIBILITIES AND FUNCTIONS OF THE COMMITTEE**

The primary function of the Committee shall be to consider, monitor and report to the Board on key issues such as remuneration, nomination and related matters, compliance with King IV, the DBSA Act and Regulations and any additional corporate governance requirements of DBSA. Specific responsibilities of the Committee shall be to:

#### **6.1 Governance, Nominations & Directors Affairs**

- Assist the Board in its determination and evaluation of the adequacy, efficiency and appropriateness of the governance structure and practices of the Bank;
- Advise, evaluate and assist the Board on any issues of a fundamental strategic importance to the Bank that are beyond the scope of the specific authorities mandated to the other Board committees;
- Establish and review a Board continuity plan for approval by the board entailing;
  - a review of the performance of and planning for successors to the executive and non-executive directors;
  - measures to ensure Board continuity;
  - a regular review of the composition of skills, experience and other qualities including conduct of directors required for the effectiveness of the Board Committees and Board and report thereon to the Board;
- Conduct an independent assessment of the governance of the institution after every two years coordinated by the Chairperson of the Board assisted by the Company Secretary;

- Recommend to Board potential candidates for membership into the DBSA Board for the Shareholders consideration and approval;
- Oversee the development of a plan for identifying, assessing and enhancing director competencies;
- Review the performance of the CEO;
- Nominate to Board candidates for CEO position as and when it becomes necessary for Board to further recommend to the Shareholder for consideration and approval.

## 6.2 Remuneration

- Consider for approval by the Board remuneration policy and Bank employment practices in addition to any other strategic human resource issues referred to it by Management and the Board of Directors in line with market trends and prevailing legislation;
- Oversee the setting and administering of remuneration at all levels, the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance;
- Review performance against agreed strategic objectives as set out in the corporate plan and balanced scorecard in order to facilitate effective performance monitoring, evaluation and corrective action;
- Recommend to Board for approval any changes to the agreed key performance indicators and ensure that the Shareholders Compact is duly amended and submitted to the Minister of Finance and National Treasury;
- Review and recommend performance incentivisation policies applicable to the Executive Directors and Executive Managers to the Board of Directors to ensure that they are fairly rewarded for their individual and joint contribution to the DBSA performance;
- Advise on the remuneration of the Chairman and the non-executive directors;
- Make recommendations to the Board for approval of the annual staff salary increase;
- Recommend for approval percentage limits to which executive management may authorize remuneration for staff such as: the maximum bonus as a percentage of the total cost of the company, and how much may be discretionary;
- Ensure that the mix of fixed and variable pay meets the Bank's needs and strategic objectives;

- Determine remuneration, retention incentive and termination policies and procedures for executive management;
- Consider and recommend to board for approval the quantum of incentive pool for executives and staff of the DBSA;
- Determine and review superannuation arrangements;
- Ensure that all benefits including retirement benefits and other financial arrangements are justified and correctly valued;

### **6.3 Human Resources**

- Review and recommend the DBSA human capital strategy to be implemented;
- Monitor implementation and execution of the Bank's Human capital strategy and transformation as well as issue policy requirements for implementation by management;
- Review performance scorecards and succession plans for Executive Directors and DBSA Executive management;
- Oversee employment equity and other human capital statutory reports.
- Oversee the implementation of the bank's training & development plan.

## **7. MEETINGS**

### **7.1 Frequency and Attendance**

- 7.1.1 The Committee shall meet at least four times a year. The Committee may meet more frequently as determined by the Chairman in line with the requirements and availability of the business of the Committee.
- 7.1.2 Special meetings of the Committee shall be arranged by consultation between the Chairperson and the Corporate Secretary.
- 7.1.3 A schedule of meetings approved by the Committee will be issued to all members of the Committee at the beginning of the year. The Corporate Secretary shall in consultation with the Chairperson of the Committee develop an annual plan highlighting the theme and objectives of each meeting in accordance with the mandate of the Committee.
- 7.1.4 Attendance of members shall be in person or via teleconference or any other acceptable form of digital presence. Except under exceptional circumstances and or

emergencies, members who are unable to attend shall advise the Company Secretary, at least 48 hours prior to the meeting, in writing, of their inability to attend such meetings.

## **7.2 Meeting Procedure**

- 7.2.4 The HRNC's discussions shall be open and constructive. The Chairperson shall seek consensus in the HRNC and may, where necessary, call for a vote. In the event of a matter being called for a vote, the voting threshold shall be a two-thirds majority. Discussions and records shall remain confidential unless a specific directive is received from the Chairperson to the contrary.
- 7.2.5 Except under exceptional circumstances, at least 5 working days' notice shall be given of a meeting of the HRNC. Such notices shall, where possible, include the agenda and any supporting papers.
- 7.2.6 Minutes of the meeting shall be recorded by the Corporate Secretary and shall be circulated to members five working days after the meeting.
- 7.2.7 A record shall be kept of attendance of directors at HRNC meetings.
- 7.2.8 The CEO will generally handle press inquiries on remuneration matters and queries regarding executive and non-executive directors. The Chairman will generally handle board related queries.

## **8 ROUND ROBIN DECISIONS**

Decisions of the Committee shall be taken by the committee at a sitting, via a teleconference or any other acceptable form of digital presence. However, in exceptional circumstances, a decision of the committee may need to be refined and signed off outside the scheduled meeting, in those instances that decision can be signed off by way of round-robin.

All such decisions shall require approval/support of all the members of the HRNC and be subject to ratification at the subsequent meeting of the HRNC.

## **9 REPORTING TO THE BOARD OF DIRECTORS**

The Chairperson of the Committee shall report to the Board of Directors on all matters dealt with by the Committee by providing a report back to the Board of Directors at the Board meeting following the Committee meeting. Draft minutes of the Committee meetings and the resolutions thereof shall serve at the subsequent meeting of the Board of Directors for notification.

## **10 EVALUATION OF THE EFFECTIVENESS OF THE HRNC**

Although the effectiveness evaluation of the Board Committees is the responsibility of the Board of Directors, the HRNC may conduct a self-assessment on an annual basis prior to the last Board meeting of the calendar/financial year. Post that the results of the evaluation shall be made available to the Board at its next meeting.

## 11 GENERAL

The Committee shall on an annual basis review the provisions of the HRNC's TOR herein to align with the legal and business environment, the mandate of the Bank and overall responsibilities of the Committee as dictated by the Board from time to time. These terms of reference of the Human Resources, Remuneration and Nominations, Committee as set out above were approved by the Board of Directors on:

\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
CHAIRMAN OF THE COMMITTEE

\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
CHAIRMAN OF THE BOARD