BOARD OF DIRECTOR’S POLICY ON CONFLICT OF INTEREST

STRIVING FOR AN ETHICAL WORKING ENVIRONMENT
<table>
<thead>
<tr>
<th>CONTENT</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. DEFINITIONS</td>
<td>2</td>
</tr>
<tr>
<td>2. POLICY STATEMENT</td>
<td>2</td>
</tr>
<tr>
<td>3. SCOPE OF THE POLICY</td>
<td>3</td>
</tr>
<tr>
<td>4. WHAT IS A CONFLICT OF INTEREST</td>
<td>3</td>
</tr>
<tr>
<td>5. BOARD INVOLVEMENT</td>
<td>4</td>
</tr>
<tr>
<td>6. DIRECTORS’ DECLARATIONS</td>
<td>4</td>
</tr>
<tr>
<td>7. DECLARATION PROCEDURE</td>
<td>5</td>
</tr>
<tr>
<td>8. COMPENSATION</td>
<td>6</td>
</tr>
<tr>
<td>9. NON COMPLIANCE TO THIS POLICY</td>
<td>7</td>
</tr>
<tr>
<td>10. MONITORING AND POLICY REVIEW</td>
<td>7</td>
</tr>
</tbody>
</table>
1. Definitions

1.1 **Board:** refers to the Board of Directors of the DBSA from time to time.

1.2 **Directors:** refers to individuals appointed by the DBSA shareholder to oversee the management of the Bank from time to time.

1.3 **Non-executive director:** refers to a board member that is not involved in the day to day management of the DBSA and is not in the full time salaried employment of the DBSA.

1.4 **Executive Director:** refers to a board member who is involved in the day to day running and management of the DBSA and is a full time salaried employee of the DBSA.

1.5 **Family Members:** in relation to any person, means his or her parents, adoptive parents, spouse, life partner, including a person living with that person as if they were married to each other, own child, adopted child and siblings.

1.6 **Personal financial interest:** means a direct material interest of a director, of a financial, monetary or economic nature, or to which a monetary value may be attributed.

1.7 **Related Person:** includes family members and companies controlled by directors.

1.8 **King 111:** refers to the King Report on Governance for South Africa 2009.

2. Policy Statement

2.1 **Overview**

2.1.1 Directors both executive and non-executive are bound by fiduciary duties to act in good faith, duty of care and skill, and to act in the best interest of the Bank. It is in the interest of good governance that directors maintain the highest standard of professional ethics.

2.1.2 Directors of the Bank are expected at all times 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 possible or perceived conflict of interest between the individual and the organisation.

2.1.3 The personal interests of a director or of people closely related or associated with that director should not take precedence over the interests of the organization.

2.2 **Purpose**

2.2.1 This policy intends to provide guidelines on managing the DBSA director’s engagement in interests that may conflict with the Bank’s interests and to further assist them on the process to follow when dealing with actual or perceived conflicts of interest.
2.2.2 The aim of the policy is to protect both the organization and the individuals involved from any appearance of impropriety and to ensure compliance to statutory and best practice requirements.

3. SCOPE OF THE POLICY

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

4. WHAT IS A CONFLICT OF INTEREST?

4.1 Definition:

4.1.1 Conflicts are defined in many ways, however the basic elements of any of these definitions are the tensions between multiple competing interests, be these personal or financial. A conflict of interest arises when a director’s private interest interferes or is perceived to interfere in any way with the interest of DBSA. It could therefore be perceived to affect or has the potential to affect a directors’ objectivity and discretion or the objectivity in making decisions on behalf of the DBSA.

4.1.2 The perception of a conflict is influenced by whether an independent observer might question whether a director’s professional actions were motivated or influenced by a potential personal financial gain.

4.1.3 A personal interest of a director maybe actual or potential, direct or indirect interest of a close family member or other associate of the director, in any business entity, undertaking or investor as a shareholder, director, associate, member, advisor/consultant, or in any other capacity.

4.2 Types of conflict of interest

It is important to note that conflicts of interest can arise in various forms and situations. It may be financial or non-financial. It may be direct or indirect. It may be professional or family related. It is therefore impossible to provide an exhaustive list of conflict of interests and a director is best placed to identify a conflict of interest. If there is any uncertainty, the Director should contact the Chairperson or the Company Secretary. A conflict of interest may arise from:

- Directorships or other employment (e.g. having private, professional, political, academic or other interests that may conflict with DBSA’s interests);
- Interests in business enterprises or professional practices (e.g. directors having an interest in a sector or geographic location that DBSA is involved in or planning to be involved in);
• Share ownership (which is significant in businesses that do business with the DBSA);
• Beneficial interests in trusts;
• Professional associations or relationships with other organizations;
• Personal associations with other groups or organizations (e.g. directors having affiliations with organizations that receive aid or funding from the DBSA, directors accepting business courtesies from any person or business who has dealings with the DBSA);
• Family relationships.

5. BOARD INVOLVEMENT

5.1 Board members are invited to participate on the Board by virtue of their knowledge, expertise, and their capacity to network with a wide range of organizations 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.

5.2 Directors however, have a fiduciary duty to act in the best interests of the company and one of the key elements arising out of that responsibility is to manage conflict of interests. The personal interests of a Director should not take precedence over those of the company. It is also recognized that an additional burden is placed on the DBSA as a state-owned enterprise; this then 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.

5.3 It is on that basis that that management of conflict should be on an informed basis and implemented appropriately. Certain conflicts of interests are so fundamental that they should be avoided. Other conflicts whether real or perceptive, direct or indirect should be disclosed timeously and in full to the Board. The Board should then exercise its mind on the substance of every case and apply its mind to the materiality of the conflict prior to the execution of any transaction. The onus of disclosing an interest vests with the individual Director which is why the management of conflict in the main is on the basis of self-regulation, self-restraint and good governance.

6. DIRECTORS’ RESPONSIBILITIES

6.1 Directors have a fiduciary duty to disclose the nature of their interests at the start of every meeting and recuse themselves when an item in which they have an interest is discussed.

6.2 A register of declaration of interests shall be kept and updated regularly. On first appointment and once every year, or at any time when circumstances change, all Board members shall 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:
6.3 The fact that a conflict of interest has been declared does not mean it has been addressed. Such conflict still needs to be managed as set out in the process in paragraph 7.

6.4 It is possible for relationships with clients, intermediaries and suppliers to give rise to situations where there might be a conflict of interests.

6.5 However, the Bank directors should not develop business interests with Bank clients, intermediaries and suppliers. Where such business interests arise, the director shall recuse himself/herself from the decision making of the Bank or of the outside interest.

6.6 The Bank’s directors shall not divulge prior information that could benefit their own external interests. This includes information on how to package a proposal for the Bank’s tender.

6.7 The Bank’s directors shall also avoid influencing decisions that benefits their own company, a friend or family member’s company, or gaining financially by way of normal business profits by decisions taken. Directors should also avoid contacting employees of DBSA in an endeavor to lobby them and influence them in making decisions for their own benefit, benefit of a friend or family members or related party.

6.8 Therefore, the director should ensure that s/he is independent and seen as being independent of any business organization or person with whom the Bank has a service relationship.

7. **DECLARATION PROCEDURE**

7.1 The Company Secretary will provide Directors annually with a declaration of interest form which must be completed as per the guidance indicated in paragraph 6. 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 nil return. 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 effected timeously.

7.2 Directors must declare all conflicts of interest (direct or indirect, real or perceived, personal or of family members or business partners) as well as the details of the nature of the interest. It is recommended that all personal interest should be declared whether a conflict exists or not. If a director has a personal financial interest in respect of a matter to be
7.2.1 Must disclose the interest and its general nature before the matter is considered at
the meeting;
7.2.2 Must disclose to the meeting any material information relating to the matter, and
known to the director;
7.2.3 May disclose any observations or pertinent insights relating to the matter if
requested to do so by the other directors;
7.2.4 If present at the meeting, must leave the meeting immediately after making any
disclosure contemplated above;
7.2.5 Must not take part in the consideration of the matter, except to the extent
contemplated in paragraphs 7.2.1 and 7.2.3 above;
7.2.6 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 forum, but is not to be regarded as
being present at the meeting for the purpose of voting on the matter;
7.2.7 Must not execute any document on behalf of the Bank in relation to the matter
unless specifically requested or directed to do so by the Board.

7.3 There maybe instances however where the financial interest of a director is insignificant
e.g. (minority shareholder) to the extent that the directors interest would not materially
affect the deliberations on the matter. In than instance disclosing the interest would suffice
and the procedures outlined from 7.2.5 wouldn’t need to be applied.

7.3.1 Materiality of the Board member’s interest will have to be determined from a
quantitative and qualitative perspective as well as materiality from the Board
member’s and the DBSA’s perspective.

7.3.2 An item is presumed to be immaterial if it is equal to or less than 10% of the base
amount being discussed. It is presumed to be material (unless there is evidence to
the contrary) if is equal to or greater than 10% of the appropriate base amount.

7.3.3 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 Board member in question to shape the
direction of the DBSA’s loyalty.

7.4 Secretariat must record all declarations made under this paragraph and the decision in the
minutes of that meeting.

7.5 No contract where a board member or related party of the director is involved shall be
finalized without reference to the Company Secretary to establish that a declaration
disclosing the director’s interest has been filed and that the contract does not involve a
conflict of interest.
8. COMPENSATION

8.1 When a non-executive Director is appointed by the Bank to participate in outside organizations on behalf of the DBSA (where the Bank has an investment), any remuneration will accrue to the non-executive director.

9. NON COMPLIANCE TO THIS POLICY

9.1 In terms of the DBSA Act a Director will be removed from office for:

9.1.1 Failure to disclose an interest in which the Director is a party or is participating in the profits of any contract with the Bank.

9.2 Personal Liability- breach of director’s fiduciary duties including the duty to avoid conflict of interests may result in personal liability of members.

9.3 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.

10. MONITORING AND POLICY REVIEW

10.1 The Corporate Secretariat will monitor the implementation of this policy. The policy shall be reviewed on an annual basis.

This Policy on Conflict of Interest and Outside Involvement was approved by the Board of Directors on:

[Signature]

CHAIRMAN OF THE BOARD

24/3/2014

DATE