

The DBSA upholds the highest possible corporate governance standards by ensuring adherence to all relevant legislative requirements. The Bank benchmarks its practices against the principles of the King IV™ Report on Corporate Governance for South Africa, 2016. These principles include discipline, independence, responsibility, fairness, transparency and good corporate citizenship.

The Human Resources, Remuneration and Nominations Committee (HRNC) supports the Board of Directors in the execution of its duties with respect to compliance with King IV™. The Board is satisfied that every effort has been made during the reporting period to comply in all material aspects of King IV™.

The table below sets out the 16 principles applicable to the DBSA, with comments on our application.

PRINCIPLES	PRACTICES IMPLEMENTED AND PROGRESS MADE
GOVERNANCE OUTCOME: ETHICAL CULTURE	
1. The accounting authority should lead ethically and effectively	<p>The DBSA's Directors hold one another accountable for decision-making and acting in a way that displays the ethical characteristics stated in King IV. During the year under review a Board evaluation assessment outcome was received, which encompassed an assessment of the performance of individual members of the Board, and peer evaluation of the Directors was conducted. The Board has invested in the development of directors in key business areas, covering trends in development finance, economics, credit skills, remuneration trends and corporate governance amongst others. The DBSA Board members are held to account for ethical and effective leadership amongst others, through the principle embedded on the DBSA's Code of Ethics Policy.</p>
2. The accounting authority should govern the ethics of the SOE in a way that supports the establishment of an ethical culture	<p>The DBSA has adopted shared values of integrity, high performance, service orientation, customer and innovation. These values form the basis of our Code of Ethics. The DBSA has a Code of Ethics in place which is applicable to employees Board and suppliers. The Bank has an Ethics Officer who is responsible looking for at the Bank procedures to ensure that are consistent with the Code of Ethics of the Bank. There is ongoing ethics awareness training for all employees and every employee is expected to have at least attended a training session in the year. Performance evaluations of employees include ethical conduct. The Social and Ethics Committee of the Board exercises oversight over the ethics management of the Bank.</p> <p>As part of establishment of an ethical culture, during the year under review the Bank conducted an ethics risk assessment facilitated by the Ethics Institute. Future focus will be on the management of the ethical culture of the Bank, including the development of an Ethics Management Strategy.</p> <p>The Code of Ethics is available on our website, www.dbsa.org.</p>
3. The accounting authority should ensure that the SOE is and is seen to be a responsible corporate citizen	<p>The DBSA strives to integrate responsible corporate citizenship as part of the way it does business and performance measures in respect thereof are shared across functions and business units. The Board has delegated to the Social and Ethics Committee and Board Credit and Investment Committee, amongst others, the responsibility for monitoring the overall responsible corporate citizenship performance of the DBSA. In this regard, the committee is working closely with the Chief Executive Officer, Ethics Officer and the Executives responsible for risk, human resources and stakeholder relationships.</p> <p>For more detail on how the DBSA addressed responsible citizenship, refer to the Human Resources, Remuneration and Nomination Committee report on pages 126 to 127 and the Social and Ethics Committee report on page 115.</p>

PRINCIPLES

PRACTICES IMPLEMENTED AND PROGRESS MADE

GOVERNANCE OUTCOME: ETHICAL CULTURE

<p>4. The accounting authority should appreciate that the SOE's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process</p>	<p>The Integrated Annual Report demonstrates that organisational performance is understood as both the achievement of objectives and the enhancement of the capitals and relationships that the DBSA uses and affects, i.e. value-creation. Sustainable development is seen to be a source of opportunity and the DBSA defines its core purpose, sets and achieves its strategic objectives with reference to risk and opportunity. The Board assesses on a continual basis the positive and negative outcomes resulting from its business model and responds to it as highlighted in the Integrated Annual Report.</p> <p>To view the DBSA's core purpose, risks and opportunities, strategy and business model, as well as the performance in terms thereof, refer to the OVERVIEW section which commences on pages 22 to 31.</p>
<p>5. The accounting authority should ensure that reports issued by the SOE enable stakeholders to make informed assessments of the SOE's performance and its short, medium and long-term prospects</p>	<p>The Integrated Annual Report presents material information in an integrated manner and provides users with a holistic, clear, concise and understandable presentation of the DBSA's performance in terms of sustainable value creation in the economic, social and environmental context within which it operates. The DBSA is striving to fully achieve this principle by actively soliciting input from key users of our reports to create a learning cycle that will result in continual improvement of the way that we communicate with our stakeholders amongst other, through our reports, website and Stock Exchange News Service (SENS).</p> <p>The DBSA's Integrated Annual Report, Annual Financial Statements, Sustainability Review and Corporate governance disclosures required can be downloaded from our website, www.dbsa.org.</p>

GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>6. The accounting authority should serve as the focal point and custodian of corporate governance in the SOE</p>	<p>The role and responsibilities of the Board are as set out under principle 6 of King IV. These roles and responsibilities are articulated in the Board Charter and reflected in the board work plan. The Board serves as the focal point and custodian of corporate governance of the DBSA both in terms of how its role and responsibilities are documented and the way that it executes its duties and decision-making. The Board in carrying out its responsibility met eight times during the year under review and attendance was satisfactory at all times. The Board provided strategic direction to the Bank and monitored implementation and execution of the strategy by executives. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the period under review. The Board has embarked on an independent corporate governance assessment of the Bank. The outcomes of the assessment and the consequent actions will be implemented and monitored in the next financial year</p> <p>The Board Charter is available on our website, www.dbsa.org.</p>
<p>7. The accounting authority should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively</p>	<p>The Board, with the assistance of the HRNC, considers its composition in terms of balance of skills, experience, diversity, independence and knowledge and whether this enables it to effectively discharge its role and responsibilities. During the year under review, the Board was satisfied that there was a balance of skills, experience, diversity, independence and knowledge needed to discharge its role. In the coming financial year, the Board skills assessment review will be conducted to assess whether the skills on Board are still relevant and fit for purpose. This is to ensure that there is an informed assessment of board skills which will inform the Board succession plan and enable board to identify gaps if any.</p> <p>Board members disclose their interests through the annual disclosure process but also as and when there is a change. At every meeting there is an item on the agenda on disclosure of interest for members with respect to items on the agenda. Should the disclosure be material the member recuses himself from the deliberations and this is noted and recorded in the Board and/or committee's minutes.</p> <p>The list of disclosures by members for the period is available on the website.</p> <p>For more detail on the composition of the Board of Directors, refer to pages 52 to 56.</p>

GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>8. The accounting authority should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>	<p>There is clear delegation of authority from the Board to its Committees and subsequently to the Chief Executive Officer.</p> <p>The composition of the committees of the Board and the distribution of authority between the Chairman and other directors is balanced and does not lead to instances where individual(s) dominate decision-making within governance structures or where undue dependence is caused. There are terms of references for all the committees.</p> <p>For more detail on the composition of the Board's committees, refer to page 47.</p> <p>The Audit and Risk Committee is satisfied that the auditor is independent, the current auditors of the Bank are the Auditor General SA (AGSA) there is an a designated partner having oversight of the audit and AGSA has partnered with PWC to ensure that there is adequate expertise to conduct the audit.</p> <p>The Chief Financial Officer is the head of the finance function. Internal Audit is an independent function that reports to the Audit and Risk Committee of the Board and the Chief Risk Officer is responsible for the day-to-day administration of the function.</p> <p>An assessment of the effectiveness of the Chief Financial Officer and the finance function as well as the Chief Internal Auditor is performed annually by the Audit and Risk Committee.</p> <p>The Audit and Risk Committee's report can be found on pages 94 to 97.</p>
<p>9. The accounting authority should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>	<p>The performance of the Board structures and its members are evaluated every two years. The two-year interval allows the opportunity for remedial interventions to be implement. It is the opinion of the Board that the Board and its structures should function in an integrated manner and an assessment of the Board would highlight issues that affect the whole structure. The Board evaluation assesment outcome was received during the year and amongst other the evaluation highlighted that there should be improved oversight of stakeholder engagement and that succession planning requires improvement. For remedial action taken see future focus highlighted in principle 7 above.</p> <p>The particular development needs of the Board and individual members have been identified and the DBSA Company Secretary has assisted the Board designing a training. The training plan is adopted and monitored by HRNC.</p> <p>The Board, has undertaken a review of its Board Charter and the terms of reference to achieve better integration and coordination amongst the Board and all its committees.</p>

GOVERNANCE OUTCOME: ADEQUATE AND EFFECTIVE CONTROL

<p>10. The accounting authority should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>	<p>The Board has amongst other powers reserved the right to approve strategy, business plans, annual operational budgets and key policies. Although the DBSA Act gives the right to appoint the CEO to the shareholder, the DBSA in appointing the CEO follows a transparent process that involves the Board, i.e. the Board initiates the recruitment process and makes recommendations to the shareholder for final appointment. In terms of the Delegation of Authority, the CEO is accountable to the DBSA's Board. The Board agrees performance measures and targets with the CEO and assesses the performance of the CEO accordingly.</p> <p>The Board Charter is available on our website, www.dbsa.org. For the executive and senior management structure, refer page 57. For the qualifications and other information about members of the Executive Committee, refer page 58 to 60.</p> <p>The DBSA has a full-time Company Secretary with the requisite knowledge, experience and stature who provides professional guidance on corporate governance matters and coordinates the functioning of the Board and its Committees. No major issues or concerns have been identified and the Board is satisfied that the DBSA Company Secretary and the function that she oversees is performing well.</p> <p>For an abbreviated curriculum vitae of the Company Secretary, refer page 61.</p> <p>The Board is satisfied that the DBSA is appropriately resourced and that its delegation to management contributes to an effective arrangement by which authority and responsibilities are exercised.</p>
<p>11. The accounting authority should govern risk in a way that supports the SOE in setting and achieving its strategic objectives</p>	<p>At the DBSA, anticipating and responding to risk is a fundamental part of delivering on our mandate and ensuring that we deliver on a sustainable basis. The DBSA Board is ultimately accountable for the effective management of risks and opportunities. The Bank has adopted an enterprise-wide risk management (ERM) framework and approach to managing risk exposures. This approach ensures that the DBSA takes a holistic view of the risks and opportunities inherent in its strategy, operations and business, and that the management of risks and opportunities is embedded in the planning, business and decision-making processes. The Audit and Risk Committee assists the Board with the governance of risk.</p> <p>For a more detail on the DBSA's risks and the management thereof, refer to the section MANAGING OUR RISKS AND OPPORTUNITIES on page 37 to 45.</p>
<p>12. The accounting authority should govern technology and information in a way that supports the SOE setting and achieving its strategic objectives</p>	<p>The Board is aware of the importance of technology and information as it is interrelated with the strategy, performance and sustainability of the DBSA.</p> <p>The Audit and Risk Committee exercises oversight over the governance of information and technology. The Bank's ICT Strategic Plan, ICT Governance Framework and ICT Governance Strategy are in place and incorporate the relevant legislative requirements and frameworks. The implementation of ICT governance has been delegated to management. Management has implemented structures which deal with IT Governance, risk management, IT infrastructure and architecture, implementation of IT projects and reviews with regards to benefits realisation. The Internal Audit function annually issues a written assessment to the Audit and Risk Committee, providing assurance by Internal Audit on the overall control environment, taking into account the governance, information technology, risk management and operational/financial risk areas. The assurance provided is informed by the outcome of the audits/ reviews conducted based on an approved risk-based audit plan.</p> <p>For a more detail on the governance of information and technology, refer to Audit and Risk Committee report on page 96.</p>

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<p>13. The accounting authority should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the SOE being ethical and a good corporate citizen</p>	<p>Regulatory and best practice requirements, as well as on-going changes to the regulatory environment within which the DBSA operates, require an increased focus on compliance. This includes the need to ensure compliance with not only the applicable legislation, but also supervisory requirements and industry guidelines.</p> <p>The DBSA's compliance risk management programme is aligned to King IV's principle 13, as well as the Generally Accepted Compliance Practice Framework of the Compliance Institute of South Africa. A compliance framework has been implemented to ensure effective compliance management. The compliance framework supports the active management of compliance risk, which entails a four-phase cyclical approach to identify, assess, manage and monitor compliance risk.</p> <p>Compliance risk is the risk that processes procedures and controls implemented by the DBSA to comply with applicable laws and regulations are not followed and/or are inadequate and ineffective. The failure to manage compliance risks can result in financial penalties, criminal prosecution, reputational damage and greater regulatory scrutiny and intervention. Compliance Risk Management Plans address and manage compliance risk by outlining compliance risks applicable to the DBSA and its business units and relevant controls implemented to manage and mitigate those risks. The Compliance Unit provides oversight to management and the Board through, inter alia, quarterly reports as well as emerging compliance risks reports.</p> <p>The DBSA Board and executive management formally endorse the establishment of the compliance function and are committed to ensuring that business within the DBSA is run with integrity, complies with all regulatory and best practice requirements and is conducted in accordance with the highest ethical standards.</p> <p>For a more detail on the fruitless and wasteful expenditure please refer to note 50 to the Annual Financial Statements.</p>
<p>14. The accounting authority should ensure that the SOE remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term</p>	<p>The Board has approved a remuneration policy which clearly articulates the direction and approach on the company's remuneration.</p> <p>The DBSA remunerates fairly, responsibly and transparently so as to deliver on its strategic initiatives and to promote the creation of value in a sustainable manner. The Shareholder has also approved the remuneration policy.</p> <p>For more information, refer to the remuneration report on pages 128 to 131.</p>
<p>15. The accounting authority should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the SOE's external reports</p>	<p>The DBSA has implemented a combined assurance model, which is coordinated and managed by the Internal Audit function. A combined assurance includes the formation of a formal Combined Assurance Working Committee comprising representatives from business, risk management, compliance, as well as internal and external audit. This ensures that all levels of assurance can be provided by the various assurance providers, supporting the independent assurance provided by both internal and external audit. Quarterly assurance reporting is done by the Combined Assurance Working Committee to the Audit and Risk Committee.</p> <p>The Board is satisfied that assurance results in an adequate and effective control environment and integrity of reports for better decision-making.</p> <p>For more information on the DBSA's combined assurance model, refer to pages 44 and 45.</p>

16. In the execution of its governance role and responsibilities, the accounting authority should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the SOE over time

The DBSA has identified key stakeholder groupings and their legitimate and reasonable needs, interests and expectations. Stakeholder relationship programmes have been developed to ensure continuous engagement and keeping abreast with stakeholder needs, interests and expectations. The DBSA has also introduced systems to gather and analyse information that could provide useful intelligence on stakeholder perceptions that could adversely affect the DBSA's reputation. Future focus of the Board is to ensure improved oversight of stakeholder engagement including engagements with the shareholder.

For a more detail on the DBSA's interaction with its stakeholders, refer to the section **ENGAGING WITH OUR STAKEHOLDERS** on pages 32 to 34.