



POLICY ON THE APPOINTMENT OF DBSA NOMINEE DIRECTORS

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1. PURPOSE

The purpose of this policy is to set out the requirements in respect of nomination, appointment, induction, qualification, tenure and reporting of DBSA Nominee Directors.

This policy further provides guidelines and procedures for the management and monitoring of DBSA Nominee Directors in direct equity investments.

2. SCOPE

The DBSA appoints Nominee Directors to protect its investments, and therefore appoints a nominee director that possesses the appropriate skill set to make effective and relevant contributions to considerations of the Board as well as to ensure that the Nominee Director discharges his / her fiduciary duties with due care, skill and diligence.

The DBSA may also be required to appoint a nominee director(s) purely for strategic purposes.

3. GOVERNANCE AND MANAGEMENT

The following are factors which should be considered by the Chief Executive when determining a nomination for the position of Nominee Director:

- Nature and size of the DBSA investment;
- Nature and size of the business;
- Complexity of instruments and investment guidelines;
- Performance of the investment;
- Strategic requirements;
- Required knowledge, expertise, experience and personal skills;
- Apparent integrity of the individual;
- Governance, Risk and Compliance expertise / experience;
- The skills and capacity required to discharge the duties of the Board;
- Number of directorships already held by a particular employee;
- Remuneration

The following aspects regarding the appointment of nominee directors should be closely monitored by the Corporate Secretariat:

- The number of DBSA employees that serve as nominee directors;
- The communication regarding the appointments / removals of the nominees to the appropriate person / unit;
- Remuneration of nominees;
- Induction of newly appointed DBSA nominees;
- Reporting of meetings attended by DBSA nominees;
- Rotation of DBSA nominees

4. POLICY STATEMENTS

4.1. Nomination of a Nominee Director

The Group Executives may submit proposals for nominee directors to the Company Secretary for consideration and alignment from a governance perspective before submission of the nomination to the Chief Executive for approval.

4.2. Eligibility Criteria for the Appointment of Nominee Directors

A person with the appropriate skills, knowledge and experience in the economic environment of the particular investment should act as Nominee Director.

The nominated person should also have the apparent integrity and capacity to effectively discharge his duties and should not be a disqualified person in any respect from being a Director of a Company.

There must be a segregation in duties which precludes a Frontline staff members to act as a Nominee Director in respect of his / her own project.

The DBSA must follow the accepted practice in commerce, namely that where the same company is both lender and shareholder, a 'Chinese wall' is created between the lender and the shareholder.

An independent third party must be nominated to act as a Director. Such a person must:

- Be a DBSA employee outside the unit responsible for the originating and appraisal of the transaction;
- Have a broad understanding of the business concerned; and
- Have adequate corporate governance skills.

In the further alternative and only where there are no internal skills, expertise or capacity, consideration can also be given to DBSA directors, DBSA alumni, and non-DBSA employees provided such person/s have a broad understanding of the business concerned and possess the requisite expertise.

4.3. Duties and Responsibilities of Nominee Directors

King IV and the Companies Act 71 of 2008 stipulate that each director of a company has:

- A duty to exercise the degree of care, skill and experience that may reasonably be expected of an individual carrying out the same functions as are carried out by a director in relation to the company; and
- The general knowledge, skill and experience of that director; and
- A fiduciary duty to act in good faith and in a manner that the director reasonably believes to be in the best interests of the company.

The DBSA must recognise the fiduciary duties of its Nominee Directors, particularly their duty to act at all times in the best interests of the company to which they are appointed.

In the case of a conflict between the duties of a DBSA Nominee Director and the interests of the DBSA, the duties of the director to the company of which he is a director must prevail.

A detailed discussion of the duties and responsibilities prescribed by King IV and the Companies Act 71 of 2008 should be provided during Induction.

4.4. Disqualification to act as a Nominee Director

The appointment of a Nominee Director is subject to the provisions contained in Section 69 of the Companies Act 71 of 2008.

4.5. Limitation on the Number of Directorships

King IV provides that non-executive directors should ensure that they have (and take) the time required to attend properly to their duties. It is expected from them to:

- Attend Board and Board Committee meetings; and
- Acquire and maintain a broad knowledge of the economic environment, industry and business of the company.

In view of the time and dedication required by a director to fulfil his or her duties properly, it is important that non-executive directors do not hold any more directorships than is reasonable for them to exercise due care, skill and diligence. They should, therefore, honestly apply their minds to their workloads and abilities to discharge their duties.

4.5.1. *DBSA Employees*

The DBSA applies the following:

- The number of nominee directorships held by DBSA employees at any point in time shall be limited to a maximum of three.

4.5.2. *Non DBSA Employees*

Appointment of a non DBSA employee (External Nominee Director) to serve as a DBSA Nominee Director will not be subject to the limitation of three nominee directorships provided for in paragraph 6.5.1. above.

The performance of an External Nominee Director shall be evaluated on an annual basis.

The evaluation of a nominated Nominee Director must consider any other directorships which such a person may already be holding in his or her personal capacity.

4.6. Approval of Nomination

The Chief Executive shall approve the appointment of a person as a Nominee Director.

Once the appointment has been approved by the Chief Executive, the Corporate Secretariat must prepare the appointment letter for signature by the Chief Executive and acceptance by the appointed Nominee Director. The signed appointment letter must be filed by the Corporate Secretariat for filing, and the DBSA Nominee Director Register updated.

4.7. Termination of Nominee Directorship

4.7.1. *Rotation of Nominee Director*

An individual serving as a nominee director on a particular board on behalf of the DBSA shall do so for a maximum period of three years, after which DBSA shall appoint a new Nominee Director to serve on the particular Board.

Nominee Directors shall be eligible for re-appointment for a second term of three years. Re-appointment of a Nominee Director shall be subject to approval by the Chief Executive.

4.7.2. *Resignation*

When a DBSA Nominee Director resigns from the DBSA, the Chief Executive must appoint a new DBSA staff member to act as its Nominee Director.

4.7.3. *Removal*

The DBSA reserves the right to recommend the removal of a Nominee Director to the Shareholder at its sole discretion.

Removal of a Nominee Director shall be conducted in line with the requirements set out in Section 71 of the Companies Act 71 of 2008.

4.8. Director Liability Insurance

Due to this potential liability arising from negligence, default, breach of trust or duty, it is recommended that the company or fund, on which DBSA's Nominee Director serves, should as a matter of course, take out such indemnity insurance in favour of its directors.

The DBSA shall ensure that the appropriate professional indemnity insurance is obtained (if not covered by the existing one already) for its Nominee Directors.

It is important to note, however that the taking out of such professional indemnity insurance does not relieve the directors of any of their duties in terms of the law.

The DBSA indemnifies its Nominee Directors against any legal or civil action, excluding criminal offences, resulting from such nomination.

4.9. Induction of Nominee Directors

King IV provides that the Board should establish a formal induction programme to familiarise incoming directors with the company's operations, its business environment, and the sustainability issues relevant to its business. It should also introduce them to members of senior management and their respective duties and responsibilities.

4.9.1. *Company Induction*

The company to which the Nominee Director is appointed should provide an appropriate induction programme to enable the DBSA Nominee Director.

The induction of directors in respect of the company structure and strategy should be conducted by the company concerned.

It is, however the Nominee Directors' own responsibility to familiarise himself/herself with the business operations and working environment of the company.

4.9.2. *General Induction*

In the event the company to whom the director serves has not provided induction, the DBSA Corporate Secretariat shall provide such induction training for all new Nominee Directors. The objective of such an induction programme should be to familiarise the directors with their rights, powers, duties and responsibilities as directors in terms of the law.

4.10. Reporting to DBSA

Any DBSA Nominee Director shall provide regular progress reports or updates on a particular project to the DBSA.

The Nominee Director's disclosure of information may not compromise the confidentiality or the Nominee Director's fiduciary duty towards the company.

It is compulsory for Nominee Directors to provide the following information on DBSA's request:

- S & T Trip reports;
- Details of meetings attended;
- Details of remuneration received;
- Information secured in terms of the agreement and / or Memorandum of Understanding concluded between the DBSA and the company concerned.

It is the Nominee Director's responsibility to ensure that information due to the DBSA is provided to the DBSA accurately and timeously.

4.11. Remuneration Payable to Nominee Directors

Any remuneration and / or fees earned will accrue in favour of the DBSA. If such payments are received by the Nominee Director in his personal capacity, the Nominee Director will reimburse the DBSA within 30 days of receipt of such payment.

Any remuneration that has been paid or is due to be paid to any DBSA Nominee Director, shall be dealt with in terms of the existing DBSA Declaration of Outside Interests Policy.

With regard to non-DBSA employees, it is proposed that such remuneration and / or fees, should be for their own account.

4.12. Monitoring of the Policy

The DBSA Corporate Secretariat must compile, keep custody of, maintain, monitor and update, on a regular basis, a register of all persons acting as Nominee Directors for the DBSA.

4.13. Review of the Policy

The DBSA Corporate Secretariat shall review the provisions of this policy to align with applicable codes, legislation and best practice every two years.

4.14. Applicability of Policy

Notwithstanding the use of the term 'directors and / or Nominee Directors' throughout this document, this policy applies to any person acting as a director and / or trustee on behalf of the DBSA.

5. **POLICY ENFORCEMENT AND SANCTIONS**

5.1. **Enforcement**

All DBSA's Nominee Directors are required to comply with this policy. The Corporate Secretariat is responsible for enforcing the policy.

This policy was approved by EXCO on **25 March 2019**.

Patrick Dlamini
Chief Executive

Date