
HUMAN RESOURCES AND REMUNERATION COMMITTEE (“HRC”) TERMS OF REFERENCE

Index

- 1. INTRODUCTION**
- 2. PURPOSE OF TERMS OF REFERENCE**
- 3. AUTHORITY**
- 4. COMPOSITION OF THE HRC & APPOINTMENT**
 - 4.1 Members**
 - 4.2 Chair**
 - 4.3 Secretary**
- 5. QUORUM FOR MEETINGS**
- 6. RESPONSIBILITIES AND FUNCTIONS**
 - 6.1 Governance**
 - 6.2 Remuneration**
 - 6.3 Human Resources**
- 7. MEETINGS**
 - 7.1 Frequency and Attendance**
 - 7.2 Meeting Procedure**
- 8. ROUND ROBIN DECISIONS**
- 9. REPORTING TO THE BOARD OF DIRECTORS**
- 10. EVALUATION OF THE EFFECTIVENESS OF THE HRC**
- 11. GENERAL**

1. INTRODUCTION

- 1.1 The Board of Directors has established the Human Resources and Remuneration Committee, (HRC) to support it in the execution of its duties with respect to the implementation of the human capital strategy and related matters, executive remuneration for the DBSA, and governance issues and or additional governance requirements outside the mandate of the Nomination Committee.
- 1.2 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.
- 1.3 The HRC 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 HRC and detail the manner in which the HRC will operate.

3. AUTHORITY

- 3.1 The Board delegates such authority to the Committee, in light of its responsibilities and functions, set out herein under, to recommend remuneration, governance and related matters for the DBSA.
- 3.2 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 HRC, 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 HRC shall as a minimum comprised at least three members.

The members of the Committee must collectively have sufficient knowledge, expert skills and experience to fulfil their duties, including an understanding of the following:

Operations and human capital experience of a banking or financial services business, Strategic oversight, Remuneration and Accounting Practices & General governance.

Suitably qualified persons may be co-opted onto the Committee to render such specialist services as may be necessary to assist the Committee in its deliberations on any particular matter.

The approval of such co-opted members shall vest with the Board. Co-opted members shall be appointed for an agreed period, not exceeding three years which may be renewed for another term at the discretion of the Board. Such persons shall have no voting rights. Remuneration for these members will be as determined by the NOMCO and approved by the Shareholder from time to time.

The Board may also co-opt its members onto the Committee to assist the Committee in its deliberations on any particular matter. In such instances, such members shall have voting rights.

The duration of appointments of Committee members shall be for a period not exceeding three years subject to annual review. The composition of the Committee will be reviewed annually to ensure that an appropriate combination of knowledge, expert skills and experience is maintained

4.2 Chair

An independent non-executive member of the Board of Directors will be appointed as the Chairman of the HRC. In the event that the Chairman is not present at a meeting, the HRC 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 Company Secretary shall serve as the secretary to the HRC.

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 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

- 6.1.1 Advise, evaluate and assist the Board on any issues of fundamental strategic importance to the Bank that are beyond the scope of the specific authorities mandated to the other Board committees.
- 6.1.2 Ensuring that appropriate succession plans are established, formalised and implemented at the executive and management levels.

6.2 Remuneration

- 6.2.1 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.
- 6.2.2 Oversee the setting and administering of remuneration at all levels, and the establishment of a remuneration policy that will promote the achievement of strategic objectives and encourage individual performance.
- 6.2.3 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.
- 6.2.4 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.
- 6.2.5 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.
- 6.2.6 Make recommendations to the Board for approval of the annual staff salary increase.
- 6.2.7 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.
- 6.2.8 Ensure that the mix of fixed and variable pay meets the Bank's needs and strategic objectives.
- 6.2.9 Determine remuneration, retention incentive and termination policies and procedures for executive management.

6.2.10 Consider and recommend to Board for approval the quantum of incentive pool for executives and staff of the DBSA.

6.2.11 Determine and review superannuation arrangements;

6.2.12 Ensure that all benefits including retirement benefits and other financial arrangements are justified and correctly valued.

6.3 Human Resources

6.3.1 Review and recommend the DBSA human capital strategy to be implemented.

6.3.2 Monitor implementation and execution of the Bank's Human capital strategy and transformation as well as issue policy requirements for implementation by management.

6.3.3 Review performance scorecards and succession plans for DBSA Executive management.

6.3.4 Oversee employment equity and other human capital statutory reports.

6.3.5 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 Company 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 Company 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

- 7.2.1 The HRC's discussions shall be open and constructive. The Chairperson shall seek consensus in the HRC 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. In the event of an unresolved deadlock in the vote, the matter will be presented to the Board for a decision. Discussions and records shall remain confidential unless a specific directive is received from the Chairperson to the contrary.
- 7.2.2 Except under exceptional circumstances, at least five working days' notice shall be given of a meeting of the HRC. Such notices shall, where possible, include the agenda and any supporting papers.
- 7.2.3 Minutes of the meeting shall be recorded by the Company Secretary and shall be circulated to members five working days after the meeting.
- 7.2.4 A record shall be kept of the attendance of directors at HRC meetings.
- 7.2.5 The CEO will generally handle press inquiries on remuneration matters and queries regarding executive and non-executive directors. The Board Chairman will generally handle board-related queries.

8 ROUND ROBIN DECISIONS

- 8.1 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 the round-robin.
- 8.2 All such decisions shall require approval/support from a majority of the HRC members provided that each member has received notice of the matter to be decided. Decisions should be subject to notification at the subsequent meeting of the HRC.

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 HRC

The effectiveness evaluation of the Board Committees is the responsibility of the Board of Directors and will be conducted after every two years.

11 GENERAL


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

13/02/2024
DATE



CHAIRMAN OF THE COMMITTEE

13/02/2024
DATE



CHAIRMAN OF THE BOARD

