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## **NOMINATIONS COMMITTEE (NOMCO) TERMS OF REFERENCE**

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## **1. INTRODUCTION**

- 1.1 The Board of Directors has established the Nominations Committee (NOMCO and or the Committee) to support it in the execution of its duties with respect to the nomination of directors for the Development Bank of Southern Africa (DBSA)'s Board, directors' affairs and governance-related matters. 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.
- 1.2 The NOMCO 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**

- 2.1 These terms of reference set out the authority and specific responsibilities of the NOMCO and detail the manner in which the NOMCO 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 the nomination of directors for the DBSA's Board, directors' affairs and governance-related matters to nominations of directors and directors affairs.
- 3.2 The Committee and its individual members shall have access to all information required to execute their responsibilities.

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

### **4.1 Members**

- 4.1.1 The Board shall appoint the members of the NOMCO consisting of only independent non-executive directors. The NOMCO shall comprise three members, i.e., Chairman of the Board, Deputy Chairman of the Board and Chairman of the Human Resource Committee. The Board shall, from time to time, review and revise (when appropriate) the composition of the Committee.
- 4.1.2 The Committee members are required to keep up to date with developments impacting their relevant skillset as well as the subject areas relevant to the required skill set needed on the Committee.

- 4.1.3 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. Remuneration for these members will be as determined by the NOMCO and approved by the Shareholder from time to time.

- 4.1.4 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.

- 4.1.5 The duration of appointments of Committee members shall be for a period not exceeding three (3) years subject to annual review and members being in the positions stipulated in 4.1.1 above.

## **4.2 Chair**

The Chairman of the Board of Directors will be appointed as the Chairman of the Committee. In the event that the Chairman is not present at a meeting, the NOMCO shall elect an acting chairman.

## **4.3 Attendance**

The Chief Executive Officer (CEO) may on invitation attend meetings of the Committee unless otherwise determined by the Chairperson of the Committee and may not vote.

## **4.4 Secretary**

The DBSA Company Secretary shall serve as the secretary to the NOMCO.

## **5 QUORUM FOR MEETINGS**

- 5.1 The quorum for the meeting shall be a simple majority of members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **6. ROLE OF THE COMMITTEE**

- 6.1 The primary function of the Committee shall be to ensure that:

- 6.1.1 The Board has the appropriate composition for it to execute its duties effectively.

- 6.1.2 The non-executive and executive directors (CEO and Chief Financial Officer (CFO)) are appointed/re-appointed including the cession of services.
- 6.1.3 The appointment of the Company Secretary.
- 6.1.4 The formal succession plans for the Board and executive directors' appointments are in place.
- 6.1.5 The continuous training and development of directors take place.
- 6.1.6 The directors' affairs are attended to.

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

The Committee must perform all the functions necessary to fulfill its role as stated above as follows:

### **7.1 Nomination**

- 7.1.1. The Committee shall consider and recommend to the Board potential candidates for membership into the DBSA Board for the Shareholder consideration and approval, i.e The NOMCO shall identify, nominate, and evaluate potential candidates for appointment as members of the DBSA Board of Directors. The Board shall provide the Minister with a shortlist of individuals who meet the fit and proper criteria.
  - 7.1.1.1 The process for nomination and selection of members to be recommended to the Minister for appointment to the Board should be formal and transparent and approved by the Board. A member of the Shareholder may be invited to the process of the selection/interview.
  - 7.1.1.2 NOMCO should consider the following in the search process :
    - (i) The current Board's collective expertise, abilities, experience, and diversity.
    - (ii) The knowledge, skills and diversity needed by the Board.
    - (iii) Board fit.
    - (iv) Fit and proper criteria.
  - 7.1.1.3 In accordance with paragraph 7.1.1.2, NOMCO shall ensure the establishment of a process for the appointment of directors which will ensure the following amongst others: -
    - (i) Identification, nomination and selection of suitable candidates to be recommended to the Board for appointment as non-executive directors of the DBSA.
    - (ii) Performance of personal and education information, current Boards and membership/availability to fulfill Board responsibilities, professional experience,

fit and proper assessment, conflicts-related matters, JSE Limited debt listings requirements and reputation risk including media coverage.

7.1.1.4 Recommend to the Board a search strategy outlining amongst others, the role and capabilities required for a particular appointment and the time commitment expected.

7.1.1.5 The NOMCO as a minimum shall through advertisement in two national newspapers in the Republic, invite interested persons to submit their names and required documentation within the timeframe and according to the procedure specified in the advertisement. NOMCO may enhance the process to ensure that it reaches and attracts the right individuals based on the Bank's requirements which includes using the services of external advisers to facilitate the search process.

7.1.1.6 The Minister shall in terms of Section 7 of the DBSA Act as read in conjunction with Sections 8 and 9 appoint the directors to the DBSA Board. These sections provide that:

- (i) The Board of Directors of the Bank shall consist of not fewer than ten (10) and not more than fifteen (15) directors. If at any time the number of directors holding office at any time falls below ten, the remaining directors shall manage the affairs of the Bank until the vacancy or vacancies can be filled by the Shareholder.
- (ii) The directors of the Bank shall be appointed, in the manner determined in the regulations, by the Shareholder.
- (iii) The authority to appoint the Board of directors vests with the Shareholder.
- (iv) Directors shall be appointed on the grounds of their ability and experience in relation to socio-economic development, development finance, business, finance, banking and administration.
- (v) The CEO, any executive manager or any member of the staff of the Bank may be appointed as a director.
- (vi) The Board shall, with the consent of the Shareholder, elect one of its members as the chairperson of the Board. The person so elected shall act as chairperson for as long as the Board determines.
- (vii) No person shall be a director of the Board if he or she is a member of any legislature of an executive council in the Republic or similar governmental institution in the Region.
- (viii) A director shall hold an office for a period of three (3) years but shall be eligible for re-appointment.

Note It remains the prerogative of the Shareholder to make appointments as deemed necessary as directed by the DBSA Act. However, in appointing the Board, the Minister must have due regard to the nominations submitted to him or her by the DBSA Board.

7.1.2 Following the appointment by the Shareholder, NOMCO will ensure:

- (i) Formalization of the appointment and re-appointment of directors through an agreement between the Bank and the director.

- (ii) That all directors receive suitable induction materials and/or training to assist them in fulfilling their duties, obligations and responsibilities as directors of the Bank.
- (iii) After considering the directors' knowledge, skills and experience, appointed members are assigned to the relevant Board Committee with the Board's approval.

7.1.3 Consider and recommend to the Board the re-appointment of any non-executive director at the conclusion of their specified term of office, having given due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required.

7.1.3.1 A director may only be re-appointed provided they are eligible on the basis of the director's performance, contribution including attendance of the Board meetings and its committees. Other factors such as new business development by the bank or strategic direction requiring different skills, need for board refreshment, board fit, culture, relevance of skills etc. will also be considered in the board re-appointment process.

7.1.3.2 A director eligible for re-appointment in terms of section 9(1) of the Act may not serve as a member of the Board for more than three consecutive terms unless there are exceptional circumstances that call for service longer than nine years. In this instance, extensions beyond nine years should be supported by an enhanced due diligence of independence report.

7.1.4 Consider and recommend to the Board a replacement/successor for the CEO as and when necessary to be put forward for the Shareholder's consideration and approval. NOMCO shall identify, nominate, and evaluate potential candidates for appointment and submit the preferred candidate together with the second shortlisted candidate, with a clear motivation for Ministers' consideration. Following approval, the Minister shall inform the Board, which will then notify the candidate and/or extend an offer.

7.1.5 Consider and recommend to the Board the appointment of the CEO and CFO as Executive Directors.

7.1.6 Consider and recommend to the Board the appointment of the Company Secretary.

7.1.7 Consider and recommend to the Board steps to remove directors due to non-performance and ill-discipline/misconduct including the suspension or termination of service of executive directors as an employee of the Bank subject to the provisions of the law and their service contract.

## **7.2 Directors Affairs**

7.2.1 Ensure that directors receive regular briefings on changes in risks, laws and the environment in which the Bank operates.

7.2.2 Oversee the development and implementation of continuing development programs for directors in relation to the requirements of the Bank.

7.2.3 Ensure that formal succession plans for the non-executive directors(where applicable) and executive directors' appointments are developed and implemented entailing:

7.2.3.1 A review of the performance of and planning for successors to the executive and non-executive directors.

7.2.3.2 Measures to ensure Board continuity.

### **7.3 Governance**

7.3.1 Assist the Board in its determination and evaluation of the adequacy, efficiency and appropriateness of the governance structure and practices of the Bank by:

7.3.1.1 Ensuring regular review of the Board and Board Committee composition of skills, experience, diversity (targets in respect of gender and race representation) and other qualities including the conduct of directors required for the effectiveness of the Board Committees and Board and making recommendations to the Board on the results of this review. In accordance with government regulation, DBSA Board representation should be at least 75% black and 50% female. Both genders would be represented in the Board's leadership.

7.3.1.2 Overseeing independent assessment of the Board including assessment of the Board chairman and individual members and Board Committees after every two years and making recommendations to the Board based on the results of the assessment. The assessments shall be led by the Chairman of the Board assisted by the Company Secretary.

7.3.1.3 Overseeing independent assessment of the governance of the institution after every five years and making recommendations to the Board based on the results of the assessment. The assessments shall be led by the Company Secretary.

7.3.1.3 Monitoring implementation of recommendations from the evaluation processes and progress against the identified actions.

7.3.1.4 Ensuring that key performance measures of the CEO are agreed to and that the CEO's performance is assessed annually.

### **7.4 Remuneration**

7.4.1 Advise the Board on the remuneration of the Chairman and non-executive directors for consideration and approval by the Shareholder.

7.4.2. Advise the Board on the remuneration of the CEO including a review of remuneration and benefits arrangements that involve making material exceptions to policy, or material payments or guarantees outside the normal remuneration model.

## **8 MEETING PROCEDURE**

### **8.1 Frequency and Attendance**

- 8.1.1 The Committee shall meet at least two (2) 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.
- 8.1.2 The Chairperson shall seek consensus in the Committee 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.
- 8.1.3 Special meetings of the Committee shall be arranged by consultation between the Chairperson and the Company Secretary.
- 8.1.4 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc* basis for special matters. 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.
- 8.1.5 Committee members may attend meetings in person or via electronic means.
- 8.1.6 If the Chairman of the Committee is absent from a meeting, the members present shall elect a member amongst them to act as Chairperson for that meeting.
- 8.1.7 A schedule of meetings approved by the Board will be issued to all members of the Committee at the beginning of the year.
- 8.1.8 A record shall be kept of meeting attendance by members of the Committee.

### **8.2 Agenda and Minutes**

- 8.2.1 The Committee shall establish an annual work plan for each year to ensure that all relevant matters are covered by the agenda of the meetings planned for the year.
- 8.2.2 The annual plan must ensure proper coverage of the matters laid out in these terms of reference: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.
- 8.2.3 A detailed agenda together with supporting documentation must be circulated, at least five days prior to each meeting to the members of the Board and other invitees.



- 8.2.4 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 8.2.5 Minutes of the meeting shall be recorded by the Company Secretary and shall be circulated to members five working days after the meeting.
- 8.2.6 The minutes must be formally approved by the Committee at its next scheduled meeting.
- 8.2.7 Discussions and records shall remain confidential unless a specific directive is received subject to a Board-approved process being followed.

## **9 ROUND ROBIN DECISIONS**

- 9.1 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 taken and or refined and signed off outside the scheduled meeting, in those instances that decision can be signed off by way of round-robin.
- 9.2 All such decisions shall require approval/support from a majority of the NOMCO 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 NOMCO.

## **10 REPORTING TO THE BOARD**

- 10.1 The Chairperson of the Committee shall report to the Board on all matters dealt with by the Committee by providing a report back to the Board 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.

## **11. EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE**

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

## **12. GENERAL**

The Committee shall on an annual basis review the provisions of the Committee's terms of reference 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.

**13. APPROVAL OF THE TERMS OF REFERENCE**

These terms of reference of the Committee as set out above were approved by the Board on:

\_\_\_\_\_  
**DATE**

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

<sup>i</sup> The Shareholder did not issue the regulations mentioned in 7.1.1 (ii) above. In the absence of regulations, the NOMCO has to operate within the parameters given by the DBSA Act.