

GRINDROD BANK

Nomination and Appointment of Directors Policy



Revision No: 01
Issue Date: July 2021
Author: Pieter Bester
Approved: Directors Affairs Committee
Approved: Board of Directors

**GRINDROD
BANK**

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Nomination and Appointment of Directors Policy

Document Approval

	Name	Designation	Date
Compiled	PW Bester	Company Secretary	2 July 2021
Reviewed		Directors' Affairs Committee	28 July 2021 (Round Robin approval)
Approved		Board	28 July 2021 (Round Robin Approval)

Revision Record

Revision No.	Date of Change	Author Name & Designation	Description of Change

Distribution List

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1. SCOPE

The Boards of directors of Grindrod Financial Holdings Limited (GFHL) and Grindrod Bank Limited (GBL), (collectively referred to as “Grindrod Bank” or as “the Company”), have adopted a Board Charter which documents the role, responsibilities and procedural conduct of the Boards (herein-after referred as “the Board”) as recommended in the King IV Report on Corporate Governance for South Africa, 2016.

The Charter is subject to the provisions of the Banks Act, 94 of 1990 as amended, the Companies Act, 71 of 2008 as amended, the Company’s Memorandum of Incorporation (“MOI”), the JSE Debt Listing Requirements, King IV Report on Corporate Governance for South Africa, 2016, Directive 4/2018 of the Prudential Authority, and any other applicable law, best practice, and regulatory provisions, as deemed appropriate. The Charter is not intended to replace or amend the MOI in any way whatsoever, and should any principles contained herein conflict with the MOI, the MOI shall take precedence over the Charter.

2. OBJECTIVE

The purpose of this policy is to:

- 2.1 Provide guidance on the nomination and appointment process of directors to the Board.
- 2.2 Promote board continuity and ensure that the Board comprise individuals who possess the necessary skills, qualities, and experience to collectively contribute to effective governance.

3. APPLICABILITY

- 3.1 This policy outlines the principles adopted by the Board for the nomination and appointment of the members of the Board.
- 3.2 This policy shall exclude the nomination and appointment of directors to the Company’s subsidiaries and/or any other related entities for which the Board have the right to nominate and/or approve the appointment of directors.

4. POLICY STATEMENT

- 4.1 The Board shall comprise the appropriate balance of knowledge, skills, experience, expertise, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively. The Board composition, therefore, shall be appropriate to the strategic direction of the Company and reflect the responsibilities of the Board and the duties it must discharge and perform.
- 4.2 Procedures for the identification, nomination and appointment of directors should be formal, rigorous, and transparent, and should be a matter reserved for the Board, assisted by the Directors’ Affairs Committee, subject to legislative and regulatory requirements, Prudential Authority, and shareholder approval where applicable.
- 4.3 Both executive and non-executive directors carry full fiduciary responsibilities and owe a duty of care, skill, and diligence to the Company in terms of the Companies Act.

5. MAIN PRINCIPLES

- 5.1 All nominations and appointments shall be made in compliance with all legislative and regulatory requirements.
- 5.2 In terms of the Company's MOI (both GBL and GFHL), the Board must have not less than five (5) directors, including as a minimum the Chief Executive Officer and the Chief Financial Officer and the shareholders of the Company may from time to time increase or decrease such minimum number of directors.
- 5.3 The Board shall be comprised of individuals, who collectively possess the necessary qualifications commensurate with the size, complexity and risk profile of the Company and members will be expected to:
- Acquire a working knowledge and understanding of the Company's business, and the laws and regulations and customs (if any) that govern the activities of the Company's business;
 - Have the ability to make sound business decisions and recommendations;
 - Exercise judgment independently; and
 - Exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct.
- 5.4 Unless approved by the Prudential Authority, the following persons shall not be appointed as non-executive directors if in the preceding twelve (12) months they held any of the following positions in Grindrod Bank:
- Executive director;
 - Chief Executive Officer of the Company;
 - Executive Officer as defined in the Banks Act;
 - Designated external auditor directly or indirectly responsible for performing statutory audit or key member of the external audit team directly or indirectly responsible for performing the statutory audit;
 - The Company curator; and
 - Any other person the board deems relevant.
- 5.5 No person who:
- Is ineligible or disqualified from acting as or ineligible to become or prohibited from being a director in terms of the Companies Act;
 - Has, for the time being, been placed under probation by a court in terms of section 162 of the Companies Act;
 - Is an unrehabilitated insolvent;
 - Is prohibited in terms of any public regulation to be a director of the Company;
 - Has been removed from an office of trust, on the grounds of misconduct involving dishonesty; and
 - Has been convicted, in the Republic or elsewhere and imprisoned without the option

of a fine, or fined more than the prescribed amount for theft, fraud, forgery, perjury or an offence -

- involving fraud, misrepresentation, or dishonesty;
- in connection with the promotion, formation, or management of a company, or in connection with any act contemplated in section 69(2) or 69(5) of the Companies Act; or
- under the Companies Act, Insolvency Act, 1936; Close Corporation Act, 1984; Competition Act, 1998; Financial Intelligence Centre Act, 2001; Securities Services Act, 2004; or Chapter 2 of the Prevention and Combating of Corruption Activities Act, 2004,

shall be appointed as a director of the Company.

5.6 A director shall be deemed not to be independent if the director, amongst other factors:

- Is a substantial shareholder of the Bank or an executive officer of, or otherwise associated directly with a substantial shareholder;
- Has for the last three years been a principal of a material professional advisor or a material consultant to the Bank;
- Is a recipient of a form of remuneration other than directors' fees such as by means of a share-based incentive scheme which is contingent on the performance of the Bank;
- Is a significant provider of financial capital, or ongoing funding to the Company, or an officer, employee, or a representative of such provider of financial capital or funding;
- Has been in the employ of the Company as an executive manager during the preceding three financial years, or is a related party to such executive manager;
- Has been a key member of the audit team of the Audit firm responsible for performing the statutory audit for the Company during the preceding three financial years;
- Is a significant or ongoing professional advisor to the Company, other than as a member of the Board;
- Is a member of the governing body or the executive management of a significant customer of, or supplier to, the Company;
- Is a member of the governing body or the executive management of another organisation which is a related party to the Company;

5.7 Directive 4/2018 of the Prudential Authority further requires that:

- The Chairperson of the Board must be an independent non-executive director and a lead independent director should be appointed in cases where the Chairperson may become non-independent for some reason or is conflicted on a specific matter;
- The respective Chairpersons of all the relevant Board sub-committees of the Bank required to be established in terms of the Banks Act and the Companies Act must be independent non-executive directors and a lead independent director should be appointed in cases where the Chairperson may become non-independent for some reason or is conflicted on a specific matter.
- A director who has served as an independent non-executive director of the Bank for a

period of nine years, shall become non-independent should the Board of the Bank decide to reappoint such a person to remain a member of the Board after such nine year period;

6. ROLES AND RESPONSIBILITIES

6.1 The Directors' Affairs Committee shall:

- 6.1.1 According to its Terms of Reference and, through its Nominations Sub-Committee identify suitable candidates for appointment as non-executive directors in line with this policy and make recommendations to the Board.
- 6.1.2 Set the criteria in line with statutory requirements and governance best practice for the nomination of directors and committee members of the Board.
- 6.1.3 Establish and maintain a Board directorship continuity programme which includes:
 - A review of the performance of and planning for successors to executive directors;
 - Measures to ensure the continuity of non-executive directors;
 - Annual review of the composition of skills, experience, age, geography, gender and race diversity and other qualities required for the effectiveness of the Board; and
 - An annual self-assessment of the Board, the contribution of each individual director and living the values of Grindrod Bank.
- 6.1.4 Review and evaluate candidates for the Chief Executive Officer and other executive director appointments and make recommendations to the Board for approval.
- 6.1.5 Annually review the structure, size and composition of the Board considering the requirements of Board committees to ensure size, demographics and diversity make it effective, and make recommendations to the Board regarding any changes required.
- 6.1.6 Review and make recommendations on the re-election of directors retiring by rotation in terms of the Memorandum of Incorporation, Companies Act and King IV Code on Corporate Governance and, where applicable, continuing service as a director after having reached the retirement age having due regard to factors including performance.
- 6.1.7 Ensure compliance with the requirements of Directive 4/2018 of the Prudential Authority with specific reference to the nine-year rule in respect of the tenure of non-executive directors.

6.2 The Board shall:

- 6.2.1 After considering nominations recommended by the Directors' Affairs Committee approve the composition of the following:
 - The Board of Directors, subject to the approval of the Prudential Authority;
 - The Directors' Affairs Committee;
 - The Audit and Compliance Committee;
 - The Risk and Capital Management Committee;
 - The Credit and Large Exposure Committee

- The Human Capital and Remuneration Committee;
 - The Asset and Liability Committee (Sub-Committee of the Risk and Capital Management Committee)
 - The Social and Ethics Committee;
- 6.2.2 On recommendation of the Directors' Affairs Committee in line with this policy, and subject to approval by the Prudential Authority where applicable, appoint:
- A Chairman of the Board;
 - Lead Independent Director of the Board;
 - Chairpersons of all Board committees;
 - Members of all the Board committees; and
 - Consider the removal, resignation, and retirement of directors.
- 6.2.3 When making new appointments, the Board should consider other demands on directors' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior approval of the Board and the Prudential Authority.
- 6.2.4 Ensure the proper rotation of directors in line with the Memorandum of Incorporation, the Companies Act and King IV Code on Corporate Governance.
- 6.2.5 Ensure that the appointment of every Board director is confirmed by shareholders at the next Annual General Meeting following their appointment to the Board.
- 6.2.6 Ensure that directors acquaint themselves with their fiduciary duties and responsibilities, as well as with matters pertaining to the operations and business environment of the Company so that they can fulfil their obligations. To assist newly appointed directors, the Board shall ensure that there is an adequate induction programme for new directors, a mentorship programme where appropriate, and ongoing briefings on relevant new laws and changing commercial risks.
- 6.2.7 Ensure appropriate and ongoing training for directors.

7. CANDIDATE SCREENING

- 7.1 The following checks shall be conducted on the appointment of a director and periodically thereafter:
- Credit check;
 - Criminal check;
 - CIPC external directorship check;
 - Politically exposed persons screening;
 - Domestic prominent influential person screening;
 - Adverse media screening;
 - Reference checks (on appointment only);
 - Qualification checks (on appointment only); and

- Social media checks.

7.2 The following factors shall be considered prior to appointing or nominating a candidate as a director:

- The collective skills, knowledge and experience required on the Board;
- The ethical integrity and reputation of the candidate;
- Details of other boards of directors on which the candidate serves or previously served;
- The existence of actual or perceived conflicts of interest;
- The skills, knowledge, and experience of the candidate;
- The capacity of the candidate to dedicate the necessary time to discharge his/her duties as a director; and
- Any other pertinent matter

8. REVIEW

The Company Secretary is responsible for reviewing this policy and ensuring that it complies with the Companies Act, the Banks Act, King IV, Directive 4/2018, and best practice.

This policy shall be reviewed in three-year cycles or more often if there is a need to review the policy due to any changed circumstances such as legal requirements, changes in the businesses, or the need to reflect current practices or activities.

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