

AFRICAN BANK HOLDINGS LIMITED (“ABH” or the “Company”)

POLICY ON SELECTION AND NOMINATION OF NON-EXECUTIVE DIRECTORS

1. Introduction

The Board of ABH (“Board”) has vested the Directors’ Affairs and Governance (“DAG”) Committee, in its Terms of Reference (“ToR”), with accountability for the identification, assessment, selection and nomination of directors to serve on the ABH Board, African Bank Limited (“ABL”) Board or the Board of any other subsidiary in the African Bank Group of companies.

The Board has empowered the DAG Committee to appoint sub-committees to assist it in fulfilling its responsibilities as set forth in its ToR, which includes, inter alia, Corporate Governance, Board and Committee structure and compositions, Board continuity (succession), Director selection and nomination, Board and Committee evaluation and effectiveness, Director evaluation and performance.

The election (and removal) of Directors is governed by the Companies Act 2008 (as amended), the Banks Act No. 94 of 1990 (as amended) and Regulations, the Company’s Memorandum of Incorporation (MOI) and governance best practice as determined by the Board from time to time.

It is noted that in terms of the Company’s MOI, provided that the Board membership comprises at least 50% of Directors elected by shareholders, the Board may appoint individuals to fill vacancies as Directors, on a temporary basis, until such time as the vacancy is filled permanently by the election of a Director by the Company’s shareholders.

In terms of the DAG Terms of Reference, the following are relevant:

- 10.3.4 *The Committee shall make recommendations to the Board on the appointment of new executive and non-executive Directors;*
- 10.3.5 *The Committee may recommend to the Board, at any time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, provided that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Company’s MOI. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for election.*

It is further noted that, as per the terms of the Banking Licence granted, the Board or its duly appointed Board Committee may not appoint Directors who represent any of the shareholders.

2. Policy determination

The Board determines overall policy in relation to its size, structure and composition of the Board and Board Committees, taking into account the need for appropriate balance of skills and skills mix, independence, experience, target demographics and diversity (including age, race and gender diversity) in order for the Board/Committees to discharge its governance role and responsibilities objectively and effectively.

3. Establishment of Sub-Committee

The DAG Committee is empowered to establish a sub-committee, comprising board members with appropriate skills, to undertake the assessing, interview, selection and nomination of new Directors.

4. Review of the Performance of the Board, its Committees and Assessment of Performance of Directors

The Board undertakes, at least annually, or more frequently as required, an assessment of the performance of the Board, its Committees and individual Directors. This would include assessment of Directors appointed subsequent to the last assessment period.

5. Board and Board Committee Succession

The Board establishes and reviews, at least annually, or more frequently at its discretion, its and its Board Committee succession requirements.

6. Board Size and Composition

The Board reviews its size and composition regularly, taking into account the outcomes of the annual performance assessments undertaken, and the Board and the Board Committee succession needs, amongst other factors.

7. Assessment and Selection of New Directors

The DAG Committee or the sub-committee created for the purpose, conducts an assessment and selection process from information provided on potential Board candidates by executive search companies, existing Directors, or any other credible resources or referral mechanisms deemed acceptable.

Potential candidates are interviewed by the sub-committee and if recommended favourably, are nominated for appointment, subject to the successful conclusion of a due diligence and prescribed regulatory process.

8. Due Diligence on Potential Candidates

Due diligence on the potential candidates shall be undertaken by an independent third-party agent, or through the internal processes available, on behalf of the Board, with a view to mitigating potential reputational damage, and shall include at least:

- confirmation of identity;
- background check (including criminal and debt judgement check);
- confirmation of professional qualifications and skills-set;
- employment record;
- confirmation of references provided, if so requested by the Company;
- investigation on whether the potential candidate is a “Domestic Prominent Influential Person” (“DPIP”). The screening process to determine if a prospective director is a DPIP will be the same as that used for a potential customer and vendor. This process is managed by the Company’s Financial Crime Business Unit and it’s [AML High Risk Customer’s Policy](#).

9. Fit and Proper Process

In considering a candidate for nomination, the sub-committee and/or DAG must consider:

- 'Fitness and Propriety' of the person¹;
- Competence and capability, considering the necessary knowledge, proportionate skills and experience requirements for the role;
- Integrity and honesty;
- Soundness of judgement to establish and maintain an adequate and effective process of corporate governance, that is consistent with the nature, complexity and risks inherent in the activities and the business of the bank or controlling company;
- Board experience;
- Other board appointments;
- Time commitment for existing directorships and time available for Company board commitments;²
- Potential or actual conflicts of interest;
- Independence and independence of mind³;
- Prior affiliations to the Company, which may warrant a cooling-off period⁴; and
- Affinity / alignment to the Company's business ethos and values.

10. Prudential Authority Regulatory Process

A candidate identified for nomination as a Director may not be appointed by the Board prior to confirmation by the Prudential Authority that it has no objection to the appointment. Notwithstanding this, the Board members may be afforded the opportunity to express their vote on the suitability of the nominated candidate, prior to the regulatory process being pursued.

11. Appointment of New Directors

The DAG Committee recommends the appointment of new Directors to the Board, once the selection, due diligence and regulatory processes have been satisfactorily completed.

Appointments made by the Board are of a temporary nature and, in practice, endure until the first annual general meeting held following the appointment.

12. Election and re-election of Directors

A Director who comes up for election or re-election, whether as a result of occupying a temporary vacancy or retiring by rotation, shall be eligible for election and/or re-election if he/she confirms his/her availability for re-election.

Prior to recommending such a Director for election or re-election, the DAG or Board shall consider the Directors performance and contribution, including other relevant factors such as whether such Director satisfactorily fulfilled his/her obligations in the past.

¹ The content of the Prudential Authority prescribed form is used for initial determination, whilst the Company's own 'Fit and Proper' form is completed by a director after conclusion of the appointment process and assessed internally.

² The Board does not necessarily impose a restriction or cap on the number of Boards or Board Committees on which a Director may serve. However, in assessing time commitments, factors to be taken into account shall be the number of Boards and Committees on which the directors serves; The nature, scale and complexity of the directorships; Whether such directorships are in personal, small, medium or large enterprises; The time spent on Boards, Committees of other organisations; Personal time commitments of the director to serve on the current Board;

³ The criteria to determine 'independence' of a director shall be based on 'substance over form' and take into account recommended and prevailing laws and governance standards, such as King IV (Refer to Annexure C and D of the DAG Terms of Reference for further details on 'independence' criteria).

⁴ Refer to Annexure D of the DAG Terms of Reference for Cooling-off periods for Directors.

When considering the re-election of a Director who has served on the Board for longer than nine years, the DAG or Board shall also consider whether the member exercised objective judgment and there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence or cause bias to such person's decision-making.

13. SELECTION AND NOMINATION OF EXECUTIVE DIRECTORS

Executive Directors are also employees of the Company and, whilst the provisions of this policy may be applied mutatis mutandis, their selection, nomination and appointment process must comply with the relevant Human Capital policies of the Company, as well.

The process for appointment of Executive Directors will be managed by the Board, through the DAGCom, with the following matters being reserved for Board approval:

- Job specification for the Executive Director role, on recommendation from the DAGCom
- Appointment of the prospective Executive Director, on recommendation from the DAGCom or duly mandated sub-Committee of the Board, which appointment shall be subject to regulatory compliances and approvals
- Remuneration of the prospective Executive Director, on recommendation from the RemCom