



## **BOARD CHARTER**

### **DEPOSIT PROTECTION CORPORATION**

#### **1. INTRODUCTION**

- 1.1 The Board of Directors of DPC acknowledge the need for a Board Charter.
- 1.2 This Board Charter is subject to the provisions of the Public Entities Corporate Governance Act (Chapter 10:31), and any other applicable law.
- 1.3 This Charter sets out:
  - The Roles and Responsibilities of the Board of Directors.
  - The principal accountabilities that each Director must consider in order to evaluate whether his or her participation on the Board of Directors and Committees of the Board is at the level needed to enable the Director to fulfil his or her duties and responsibilities, criteria for selection of new Directors.
  - The Corporate Governance practices and policies that apply to the Board of Directors.

#### **2. ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS**

##### **2.1 Responsibilities of Board of Directors**

- The Board of Directors is responsible for supervising the management of the business and affairs of the Corporation. In discharging this duty, the Board has stewardship responsibilities and has clearly outlined matters that require Board approval and those that have been delegated to management.
- The basic responsibility of the Directors is to exercise their business judgement to act in what they reasonably believe to be in the best interest of

the organization and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Corporation senior executives and its outside advisors and auditors.

- Planning Board size and composition, establishing Committee of the Board and determining Director compensation.
- Maintaining a formal orientation and education program for new Directors, and ongoing programs for all Directors.
- Establishing corporate governance practices and policies that apply to the Board of Directors.
- Assessing its own effectiveness, the effectiveness of the Chairman of the Board and the effectiveness of individual Directors on an annual basis.

## **2.2 In furtherance of its responsibilities, the Board of Directors will have to comply with the following legal requirements:**

In terms of the Companies Act;

- Directors are required to act both lawfully and honestly in their official as well as personal capacities. Failure by a Director to act lawfully will result in him being held criminally liable and to being disqualified to act as a Director, either automatically or in terms of a court order.
- Directors are also expected to act with care, skill and diligence when conducting the business of the Corporation. Where a Director fails to exercise the necessary skill, care and diligence required and as a result, he or she breaches the duty of care owed to a third party, the Director may incur personal liability for any loss suffered as a result of the breach. Liability in this instance will be based either on delict, where a duty of care is owed to a third party, or on breach of contract, if there is a contract between the Director and the Corporation.
- A Director, from the time appointed, or at the time he or she commences to act as such, stands in a fiduciary relationship to the Corporation. A Director may, amongst other things, be held liable to the Corporation, for breach of his or her fiduciary duties.
- A Director's fiduciary duty comprises two separate and distinct duties, which in turn each comprise a number of further duties. These duties are provided below:

### **2.2.1 *The duty to exercise powers in good faith***

- A Director must exercise his or her powers in an independent and objective manner. He or she has a duty to do what he or she considers best serves the Corporation's interests.
- A Director must further exercise his or her powers, for the purpose for which they were given.

- A Director must act within the limits of authority. A Director may not act outside the limits placed in his or her powers by the Companies Act, Deposit Protection Corporation Act, Public Entities Corporate Governance Act, Public Finance Management Act, Labour Relations Act, Insolvency Act and the Banking Act amongst other legislative instruments.
- A Director must observe any limitation of powers imposed by Deposit Protection Corporation Board. When a Director acts on behalf of a Corporation he or she must do so within the scope of the corporation's objects and powers.

### **2.2.2 *Duty to avoid conflict between personal interests and the interests of the corporation:***

- In general, a Director must exercise judgement in an honest manner as to what is in the Corporation's interests and must act for the benefit of all shareholders and disclose on request to all Shareholders, certain information connected with the Corporation.
- A Director must account to the Corporation for profits made by reason of his or her Directorship. This includes any gain or advantage made by a Director while carrying out his or her duties as a Director.
- A Director may not misappropriate or usurp a business opportunity which the Corporation is pursuing or which the Director is obliged to acquire for the corporation.
- Under the Companies Act, a Director has the duty to disclose to the Corporation, any interest he or she has in a contract with the Corporation. According to the Companies Act, unless the corporation's articles provide otherwise, a Director may not, whether directly or indirectly, have an interest in a contract with the Corporation, unless a general meeting of the corporation approves the contract, following full disclosure.

### **2.3 Senior Management**

- Selecting, evaluating and if necessary, replacing the Chief Executive Officer and other members of senior management.
- Delegating to management powers to manage the Corporation.
- Overseeing succession planning for senior management positions
- Approving the compensation of senior management.
- Advising and counseling the Chief Executive Officer

### **2.4 Strategy**

- Approving the Corporation's vision and mission statements.
- Reviewing the effectiveness of the strategic planning process
- Approving business objectives and strategic plans on an annual basis.

- Monitoring corporate performance against these statements, objectives and plans on an ongoing basis.

## **2.5 Risk Management, Capital Management and Internal Control**

- Approving and reviewing compliance with policies and procedures for the management and control of risk, including capital management and the internal control and management information systems that provide reasonable assurance as to the reliability of the Corporation's financial information and the safeguarding of its assets
- Reviewing compliance with legislative and regulatory requirements

## **2.6 Material Transactions**

- Reviewing and approving material investments and transactions.

## **2.7 Financial Reporting**

- Reviewing, evaluating and approving the annual financial statements
- Reviewing, evaluating and approving the quarterly financial statements

## **2.8 Other**

- Engaging any special advisors, it deems necessary to provide independent advice, at the expense of the Corporation.
- Performing such other functions as prescribed by law or as assigned to the Board in the Corporation's governing documents.

## **2.9 Committees of the Board**

The Board of Directors delegates certain responsibilities to standing Committees of the Board to allow an in-depth review of issues.

- Board Committees must be established to aid the Board and its Directors in giving detailed attention to specific areas of the Directors' duties and responsibilities.
- The Board or its Directors should determine a policy for the frequency, purpose, conduct and duration of its meetings and those of the formally established Committees.
- There should be transparency and full disclosure from the Board Committee to the Board, except where the Committee has been mandated otherwise by the Board.
- The Chair of each committee of the Board reports to the full Board on the committee's deliberations following each meeting and makes recommendations on behalf of the committee on matters requiring full Board.

- The Board should have at least a Finance, Investment and Audit Committee, Risk and Resolution Committee and Human Resource Committee.
- All Board Committees to be chaired by an independent non-executive director.
- The Annual Report should detail the composition of the committees as well as a description of the Committee's responsibilities, the number of meetings held and any other information that may be relevant.
- The Board should regularly evaluate the Board Committees to ascertain their performance and effectiveness.

### **3. DIRECTOR ATTRIBUTES**

The Board of Directors has the duty, under the Companies Act to supervise the management of the business affairs of the Corporation. In doing so, each Director must act honestly and in good faith with a view to the best interests of the Corporation (fiduciary duty) and must exercise due care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances (duty of care). The following are the principal accountabilities that each Director must consider in order to evaluate whether his or her participation on the Board of Directors and Committees of the Board is at the level needed to enable the Director to fulfil his or her duties and responsibilities, and thereby to assist the Board as a whole to fulfil its duties and responsibilities:

- Assumes, with the other Directors, the stewardship role of managing or supervising the management of the business and affairs of the Corporation as required by the law.
- Understands the DPC vision and objectives
- Becomes knowledgeable of Deposit Protection Corporation business and the financial services sectors in which it operates within a reasonable time of joining the Board.
- Understands current corporate governance practices, the role of the Board of Directors as articulated in the Charter of the Board of Directors, and the mandate of each committee of the Board on which he or she serves as articulated in the Charter.
- Prepares thoroughly for each Board and Committee meeting by reviewing the materials sent to Directors in advance and requesting, as appropriate, clarification or additional information to enable the Director to participate fully in Board deliberations, probe and as appropriate, challenge management and make informed business judgements.
- Strives to attend all meetings, and actively participates in Board deliberations and decisions. Informs himself or herself of significant matters dealt with at meetings not attended.

- Prevents his or her own interests from conflicting with, or appearing to conflict with, the interests of the Corporation, and disclose details of any such conflicting interests.
- Scrupulously maintains the confidentiality of corporate information and Board deliberations.
- Votes on all matters requiring a decision of the Board or its Committees except where there exists a conflict of interest.
- Acts in the highest ethical manner and with integrity in all personal, business and professional dealings.
- Acts independently of management (for Directors who are not members of management).

#### **4. CRITERIA FOR NEW DIRECTORS**

The Board of Directors is of the view that the following are some of the most important individual characteristics to be taken into account in the selection of a Director for the Corporation:

- Proven record of making good business decisions
- A clear understanding of current corporate governance practices
- A favourable reputation in the business community
- A knowledge of local, national and international business issues
- A reasonable knowledge of financial matters
- Availability to regularly attend Board meetings
- Able to act independently of management (for Directors who are not members of management).

#### **5. CORPORATE GOVERNANCE POLICIES AND PRACTICES**

##### **5.1 Size of the Board**

The Deposit Protection Corporation Act prescribes that the number of Directors of the Corporation shall be seven (7). The number of Directors shall be fixed from time to time by the Act.

##### **5.2. Selection of Directors**

The selection of Directors shall be in accordance with the Public Entities Corporate Governance Act and the Deposit Protection Corporation Act. The Minister appoints the Board of Directors.

The Board should be composed of individuals of integrity, who can bring a blend of knowledge, skills, objectivity, experience and commitment to the board.

### **5.3. Director Qualifications**

Directors should have the background, experience, diverse skills and/or specialized knowledge as well as relevant qualifications to contribute effectively to the business of the organization. The Board of Directors must have people with qualifications in legal, finance and accounting, banking, strategic planning and development, marketing, information communication technology, human resources, risk management and management practices.

### **5.4 Resignation from the Board**

Resignations must be submitted to the Minister in accordance with the Public Entities Corporate Governance Act.

### **5.5 Term Limits**

The Board believes it should establish reasonable term limits. Term limits hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Corporation and its operations and, therefore, provide an increasing contribution to the Board as a whole. After the expiry of each term, members should be eligible for re-appointment only once as they are mandated to serve for only two (2) terms, with the total aggregate not exceeding eight (8) years. Some board members should be retained for continuity.

### **5.6 Board and Committee Meetings**

Regular Board meetings will be held once in every three months and special meetings will be called as and when necessary. A schedule of locations of the regular meetings will be provided to the Directors well in advance. Directors are expected to attend Board meetings of the committees on which they serve. Directors should spend the time necessary and meet as frequently as necessary to properly discharge their responsibilities.

The Chairman, Chief Executive Officer or Committee Chairpersons may from time to time invite corporate officers, other employees and advisors to attend Board or committee meetings whenever deemed appropriate.

### **5.7 Agenda Items for Board and Committee Meetings**

The Chairman will establish the agenda for each Board meeting. At the beginning of the year the Chairman will establish a schedule of agenda subjects to be discussed during the year (to the degree this can be foreseen). Each Director is free to suggest the inclusion of items on the agenda. Each Director is free to raise at any Board meeting subjects that are not on the agenda for that meeting. A detailed agenda and supporting

documents will be provided to the Directors approximately one week prior to each Board meeting. Directors should review these materials in advance of the meeting. Subject to any applicable notice requirements. Directors having items to suggest for inclusion on the agenda for future Board meetings should advise the Chairman well in advance of such meetings.

The Chairperson of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth by the Board. The Chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop the committee's agenda. A detailed agenda and supporting documents will be provided to the committee members approximately one week prior to each committee meeting. Committee members should review these materials in advance of the meeting.

The Board Chairman shall not be the Chair of the Audit Committee.

#### **5.8 Director Compensation**

The remuneration of Directors is reviewed at any given time to ensure that Directors are adequately and competitively compensated. Directors who are employees of the Corporation shall receive no additional compensation for serving as Directors.

#### **5.9 Director Access to Officers and Employees**

Directors have full and free access to officers and employees of the Corporation. Any meetings or contacts that a Director wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the Director. The Directors will use their judgement to ensure that any such contact is not disruptive to the business operations of the Corporation and will, to the extent not inappropriate, copy the CEO on any written communications between a Director and an officer or employee of the Corporation.

#### **5.10 Independent Advisors**

The Board and each committee have the power to engage experts or advisors, including independent legal counsel, deemed appropriate by the Board or the committee. The Corporation will provide for appropriate funding, as determined by the Board or committee, for payment of compensation to any such counsel, experts or advisors retained by the Board or a committee.

#### **5.11 Evaluations**



In line with good corporate governance practice, the board shall conduct Director evaluations annually. The joint and several liabilities of directors should regularly be considered as a factor which encourages the regular evaluation and training of directors, as a co-director's deeds or omissions could affect the liability and ultimately the pocket of the innocent and effective director.

#### **5.12 Conflict of interest**

A Director's business or personal relationships may occasionally give rise to a material personal interest in a business matter or relationship of the Corporation that conflicts, or appears to conflict, with the interests of the Corporation. In such circumstances, the issue should be raised with the Chairman of the Board. Appropriate steps will be taken to determine whether an actual or apparent conflict exists, and in accordance with statutory requirements, determine whether it is necessary for the Director to be excused from discussions on the issue.

In addition, each Director must ensure that he or she is free from any interest and any business or other relationship, which could, or could reasonably be perceived to materially interfere with the Director's ability to act with a view to the best interests of the Corporation.

#### **5.13 Orientation of New Directors**

The Corporation has orientation and education arrangements for new members of the Board. This orientation begins with a strategic overview session with the Chief Executive Officer followed by meetings or briefing sessions with selected corporation executives, which will include a review of the financial statements of the Corporation. A new Director will be provided with a range of written materials including those, which outline the organization of the Board and its Committees, the powers and duties of Directors, the required standards of performance for Directors and this Charter.

#### **5.14 Protection of Directors**

To protect Directors who have discharged their duties within the law, a legal provision in the Act of the Corporation requires Directors to be indemnified by the Corporation. The Corporation maintains Directors and Officers Indemnity Insurance on behalf of all Directors.

#### **5.15 Interaction with the media**

The Board believes that it is the responsibility of management, rather than members of the Board, to speak on behalf of the Corporation. From time to time the Directors may be requested by the media, or by institutional

investors, shareholders, customers or policyholders, to discuss certain issues on behalf of the Corporation. Any Director to whom such a request is made should review the request with the Chief Executive Officer before responding.

**5.16 Review of Board Charter**

The Board shall assess the adequacy of their charter annually and shall make any changes deemed necessary or appropriate in consultation with the Minister.