



Evaluation policy

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1. INTRODUCTION

Members of the Committee carry full fiduciary responsibility and owe a duty of care and skill to ABH in terms of the Companies Act, no. 71 of 2008 and Regulations (“Companies Act”), the Banks Act No. 94 of 1990 and subsidiary laws (“Banks Act”), The King Code of Governance Principles for South Africa, 2009 (King IV), Common Law, the Directors’ Code of Conduct, as well as other relevant legislation and governance practices.

The Board evaluation is prescribed in terms of the ABHL Group Board Charter and the ABH Board (“the Board”) acknowledges that:

- Principle 9 under King IV provides that the Board should ensure that the evaluation of its own performance and that of its committees, its Chairperson and its individual members, support continued improvement in its performance and effectiveness; and
- the Johannesburg Stock Exchange Debt Listings Requirements (“JSE DLR”) requires that all applicant issuers have a policy on the evaluation of the performance of the Board and that of its committees, its Chairperson and its individual directors, pursuant to King IV.

2. PURPOSE

Performance evaluations provide the Board with an opportunity to review and improve its performance and effectiveness and are a useful diagnostic tool which aims to help identify where the Board is performing well, and which areas require development. A rigorous performance evaluation allows the Board to reflect on its roles and responsibilities, its culture and relationship with management in a manner that does not inhibit future board dynamics and performance.

Some additional benefits that arise from performing regular performance evaluations include:

- Identifying key development areas
- Identifying director development programmes to improve competency of Board members
- Improving Board composition through identifying skills needed on the Board
- Using the results to inform the nomination and election processes of new Board members
- Managing performance of Board members and the Company Secretary, and
- Identifying changes needed to company and Board governance documents/processes

3. SCOPE

This policy extends to the ABH Group and its subsidiaries, and relates to:

- The Board
- Board Committees
- Individual members of the Board of Directors, and
- The Company Secretary
- Assurance providers (Group Chief Compliance Officer and Group Chief Internal Auditor)

All Board members should support the evaluation process and need to give it due regard and attention to ensure its effectiveness. This includes applying their minds to the evaluation questions and answering these honestly, complying with agreed timelines and making time for interviews and/or peer to peer reviews.

4. EVALUATION PROCESS/METHODOLOGY

King IV is not prescriptive on the format of performance evaluations therefore provides for some degree of flexibility in applying the methodology and process. The Board shall reach consensus on the approach to be followed based on the needs of the organisation i.e., the stage of the company’s lifecycle, the corporate structure, the Board culture and any other embedded processes.

Quantitative methods shall be used in to measure specific, numerical and measurable data through surveys or questionnaires such as (i) strategic thinking, (ii) leadership and commitment of the director, (iii)

participation in Board and Committee meetings, (iv) communication and interpersonal skills of the director, (v) ethical issues and dilemmas faced by the director and (vi) relationship of the director with the senior management and other stakeholders.

Qualitative methods shall also be employed in the form of one-on-one interviews, observation of Board meetings and review of applicable documentation to reveal trends in thought and opinions of Board members.

The evaluations shall be conducted either internally or externally based on the rotation period and decision of the Board.

Internally conducted evaluations shall be facilitated by the Chairperson assisted by the Company Secretary. The Chairman's evaluation shall be facilitated by a Lead Independent Director assisted by the Company secretary and shall take into consideration the views of the executive and non-executive directors. The Chairperson shall have one-on-one consultations with each member after the evaluation to review the results and manage any issues which have arisen. Individual peer evaluation results shall be kept confidential and treated with appropriate sensitivity. These results shall not be shared with the rest of the members of the Board or relevant committee in order to avoid causing a negative and/or disruptive impact on the morale of individual members and overall Board dynamics.

Externally facilitated evaluations shall be conducted end-to-end by an independent third party and should afford the process a high level of objectivity.

Irrespective of which method is elected, the facilitator should aim to illicit honest and unbiased inputs from members. The process should not cause disruption or tension amongst the Board and all responses received shall be treated as confidential and handled with the requisite sensitivity.

In a Board or Committee evaluation, the Chairperson shall relay the results of the evaluation to the members of the Board or relevant committee and afford the members an opportunity to discuss the results openly.

Post discussion and/or consultation, an action shall be created to address the outcomes of the evaluation. The Chairman shall ensure that the action plan developed adequately identifies developmental areas, proposed interventions, and timelines and allocate resources to monitor the implementation of the action plan. Action plan items should be incorporated into the Board and its committee's annual work plans

5. EVALUATION CRITERIA

The Board and its Committees shall assess its overall performance and identify developmental areas against the accountabilities set down in the Board Charter and the Charters of each of its committees.

Individual peer evaluations shall be considered when determining whether to nominate a member for re-election.

6. RESPONSIBILITY

The ABH Group Directors' Affairs and Governance Committee ("DAGCom") is constituted as a Committee of the Board of Directors of ABH ("the Board"), in terms of its Memorandum of Incorporation ("MOI"). The Committee is appointed by the Board, is accountable to and reports to the Board on matters related to the Board i.e., the effectiveness of the Board, Board Succession and Board composition.

The Chairperson, with the support of the Company Secretary, shall be responsible for leading the performance evaluation of the Board or relevant committee. Where the Board does not have a lead independent member, the Board should appoint an independent non-executive member to lead the performance assessment of the Chairperson.

7. **FREQUENCY**

Unless otherwise prescribed by Regulation of Governance code, the Board shall conduct a formal performance evaluation every year and an independent assessment shall be conducted at a minimum, every three years. This is in line with best practice guidelines

The Board has the discretion to determine the frequency of the cycle.

8. **REPORTING**

The JSE requires that the applicant issuer must confirm the outcome of the evaluation process by reporting to holders of debt securities in its annual financial statements that the Board of directors has executed this responsibility.

The Board meeting following an evaluation process should provide sufficient time on the agenda for a presentation and discussion of the evaluation outcomes. These outcomes could range from relatively minor amendments to Board processes, changes in Board composition and alterations in Committee structures to significant steps towards rectifying the factors that contribute to Board dysfunctionality.

Communicating and understanding the results of the performance evaluation should follow these steps:

- Step 1 : Discuss the results of the evaluation with the entire Board and its committees. Should previous evaluation have been conducted, the results could be compared.
- Step 2 : Create an action plan to address the outcomes of the evaluation. The action plan developed should adequately identify developmental areas, proposed interventions, and timelines and allocate resources to monitor the implementation of the action plan. Action plan items should be incorporated into the Board and its committee's annual work plans
- Step 3 : Regularly assess progress against the action plan created
- Step 4 : In the next evaluation, ensure to check or include a question to assess whether the previous concerns were adequately addressed.

9. **POLICY REVIEW**

The policy should be reviewed annually, or when there is a change in the relevant governance practice or Principle in King IV.