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The Land and Agricultural Development Bank of South Africa
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CENTURION



RISK AND GOVERNANCE COMMITTEE CHARTER



1. Document Information and History

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1.1 Change Mechanism

- 1.1.1 Any requirement for change or clarification should be addressed to the Document Owner, who will log the issue.
- 1.1.2 These issues will usually be collected until the regular Charter review date, at which point they will be addressed, as part of the Policy review and update process.
- 1.1.3 Urgent issues will be addressed as soon as possible, and where necessary, passed via the normal governance process, for acceptance, before being communicated.
- 1.1.4 Any changes to this Charter must adhere to the Change Policy.

1. INTRODUCTION

The Board is responsible for the governance of risk through formal processes, which include the total system and process of enterprise risk and compliance management. The Board should show leadership in guiding the efforts aimed at meeting risk management expectations and requirements.

The Board has also to act as the focal point for, and custodian of, corporate governance and as such the Board should manage its relationship with management, the Shareholder and other stakeholders of the Bank along sound corporate governance principles. As the focal point for, and custodian of, corporate governance the board should exercise leadership, integrity, enterprise and judgment when it directs, governs and controls the Bank. The most important function of the Board is to ensure value creation, and in doing so, it should account for the interest of all stakeholders.

Although the Board remains ultimately responsible for good corporate governance and for the governance of risk, it may delegate these functions to a separate committee or committees.

2. PURPOSE OF CHARTER

The purpose of this Charter is to set out the mission, authority, responsibilities, composition, constitution of meetings, frequency of meetings, conduct of meetings, decision-making, record keeping, and reporting and communication by the Committee on its activities to the Board of directors of the Land Bank and to other relevant stakeholders as prescribed in section 15 and 16 of the Land Bank Act.

3. CONSTITUTION COMMITTEE

The Risk and Governance Committee is a Committee of the Land and Agricultural Development Bank of South Africa constituted in terms of section 15 of the Land Bank Act 15 of 2002, Principle 8, Practices 39 to 50 and 62 to 64 of the King Report on Corporate Governance for South Africa 2016 (King IV) and the Public Sector Risk Management Framework.

4. OBJECTIVES COMMITTEE

The objective of the Committee is to advise the Board of directors of the Land Bank on enterprise-wide risk management and good corporate governance practice in the Land Bank.

5. AUTHORITY COMMITTEE

- 5.1 The Committee shall act in accordance with the powers and functions delegated to it by the Board as recorded in this Charter.
- 5.2 The Committee shall have the power to investigate any activity within the scope of this Charter.
- 5.3 The Committee may, in the fulfilment of its duties, call upon other directors, officers of the Land Bank, or assurance providers to provide it with information, subject to a Board approved process.
- 5.4 The Committee shall have reasonable access to necessary records, facilities, employees and any other resources necessary to discharge its duties and responsibilities, subject to following a Board approved process.
- 5.5 The Committee may form, and delegate authority to, sub-committees, one or more designated

members of the Committee and/or to one or more members of the executive in relation to an activity within its ambit in terms of this Charter

- 5.6 The Committee shall have the right to obtain independent outside professional advice to assist with the execution of its duties, at the expense of the Land Bank, subject to a Board approved process being followed.

6. COMPOSITION OF THE COMMITTEE

6.1 Membership

- a. The Committee consists of at least 3 (three) non- executive directors appointed by the Board.
- b. The members of the Committee must collectively have sufficient qualifications, knowledge and experience to fulfil their duties.
- c. At least one member of the Committee should have risk management, ethics and stakeholder management expertise commensurate with the Bank's size, diversity, complexity and capital structure.

6.2 Chairperson

The Chairperson of the Committee is appointed by the Board.

The Chairperson of the Board and the Chairperson of the Audit and Finance Committee are not eligible for appointment as Chairperson of the Committee.

If the nominated Chairperson of the Committee is absent from a meeting, the members in attendance must elect one of the members present to act as Chairperson.

6.3 Invitees

The Committee may from time to time invite, permanently or otherwise, such persons as it considers may add value to the business of the Committee and the Land Bank.

6.4 Tenure

Committee members are appointed for a period of 3 (three) years and are eligible for reappointment. The term of office of each member shall be in line with that member's tenure of office as a Board member. If the Minister extends the term beyond the three years then members can be re-appointed.

7. ACCOUNTABILITY OF COMMITTEE

The Committee is accountable to the Board.

8. ROLES AND RESPONSIBILITIES OF COMMITTEE

8.1 Risk

8.1.1 Enterprise Responsibilities

The Committee must:

- a. Help to set the tone and develop a culture of the enterprise vis-à-vis risk, promote open discussion regarding risk, integrate risk management into the organisation's goals and compensation structure, and create a corporate culture such that people at all levels

manage risks rather than reflexively avoid or heedlessly take them on.

- b. Oversee risk governance in relation to opportunities and associated risks to be considered when developing organisational strategy, and potential positive and negative effects of risks and opportunities in the achievement of the organisational strategy
- c. Coordinate the development, implementation and annual review of the Risk Management Policy of the Land Bank, which should promote value creation ; be an integral part of organizational processes; be part of decision making process; explicitly address uncertainty and assumptions; be a systematic and structured process; be based on the best available information; be tailorable; take human factors into account; be transparent and inclusive; e dynamic, iterative and responsive to change; be capable of continual improvement and enhancement; and be continually or periodically re-assessed.

The Policy must set the tone for risk management in the Bank and indicate how risk management will support the Bank's strategy.

The Policy should include:

- i. The Bank's risk approach and philosophy;
 - ii. The Bank's definitions of risk and risk management;
 - iii. The risk management objectives of the Bank; and
 - iv. The various responsibilities and ownership for risk management within the Land Bank.
- d. Provide input to management regarding the enterprise's risk appetite and tolerance
- e. Recommend to the Board and monitor the implementation of the risk appetite and statement of risk appetite and tolerance messaged throughout the Bank and by line of business.
- f. Monitor the organisation's risk profile, which is the Land Bank's on-going and potential exposure to risks of various types including supply chain risk.
- g. Recommend to the Board the Risk Management Policy and approve the Risk Management Plan of the Bank. These should consider the maturity of the risk management of the Land Bank and be tailored to the specific circumstances of the Land Bank. The risk management plan should include:
 - i. The Land Bank's risk management structure;
 - ii. The risk management framework i.e. the approach followed such as COSO, ISO, IRMSA ERM Codes of Practice and the Public Sector Risk Management Framework;
 - iii. The standards and methodology adopted, i.e. measureable milestones such as tolerances, intervals, frequencies and frequency rates;
 - iv. Risk management guidelines;

- v. Reference to integration through training and awareness programmes, and

- vi. Details of the assurance and review of the risk management process
- h. Review and approve the risk management infrastructure and the critical risk management policies adopted by the Land Bank
- i. Discuss with the Chief Executive Officer (CEO) and management the Land Bank's major risk exposures and review the steps management has taken to monitor and control such exposures, including the Bank's risk assessment and risk management policies.
- j. Continually, as well as at specific intervals, monitor risks and risk management capabilities within the Bank, including communication about escalating risk and crisis preparedness and recovery plans.
- k. Monitor all enterprise risks while recognising the responsibilities delegated to other committees by the Board and understanding that these other committees may focus on specific risk monitoring through their respective activities.
- l. Review and assess the effectiveness of the Land Bank's enterprise-wide risk assessment processes and recommend improvements, where appropriate.
- m. Continually obtain reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed.
- n. Make inputs into the Audit and Finance Committee to ensure that combined assurance is coordinated to best optimise costs, avoid duplication, and prevent assurance overload and assessment fatigue
- o. Make inputs into the Credit and Investment Committee with regard to the review of stress testing reports
- p. Periodically review and evaluate Land Bank policies and practices with respect to risk assessment and risk management, and annually present to the Board a report summarising the Committee's review of the Bank's methods for identifying, managing, and reporting risks and risk management deficiencies.
- q. Review and address, as appropriate, management's corrective actions for deficiencies.
- r. Communicate formally and informally with management and the risk management function regarding risk governance and oversight.
- s. Monitor governance rating agencies and their assessments of the Land Bank's risk policies, and make recommendations to the Board as considered appropriate.
- t. In consultation with the Audit and Finance Committee (AFC), understand how the Bank's Internal Audit Work plan is aligned with the risks that have been identified and with risk governance (and risk management) information needs
- u. In consultation with the Audit and Finance Committee and the Social and Ethics Committee facilitate the prevention of fraud, corruption, unethical behaviour, irregularities and misappropriation or misapplication of the assets of the Bank.

- v. Ensure that the risk management function is adequately resourced

- w. Evaluate the performance of the risk function at least once annually
- x. Review and confirm that all responsibilities outlined in the Charter have been carried out
- y. *Oversee the continuous risk assessments and ethics risk assessments at all management levels and for all risk categories, including the strategic risk assessment with the Board and recommendation for Board approval and monitoring of the Board strategic risk profile;*
- z. *Consider and determined the appropriateness of risk mitigations/responses/interventions, continuously monitor the implementation of mitigations by executives, including reviewing and monitoring any legal matters that could have a significant impact on the entity's business for decision-making;*
- aa. *Receive, review and monitor the risk management report on the emerging, materialised, avoided and accepted risks; and report on the level of compliance with material legislation, including breaches and/or exposure to risks relating to regulatory compliance/ethics breaches and making recommend action thereof;*
- bb. *Reviewing of fraud reports (covering both potential and actual fraud) including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences*

8.1.2 **Reporting**

- a. Understand and approve management's definition of the risk-related reports that the Committee could receive regarding the full range of risks the organisation faces, as well as their form and frequency.
- b. Respond to reports from management so that management understands the importance placed on such reports by the Committee and how the Committee views their content.
- c. Provide input to the Board and to the Audit and Finance Committee regarding risk disclosures in financial statements and other public statements regarding risk.
- d. Keep risk on the Agenda of the Board and Management.
- e. Coordinate (through meetings or overlap of membership), along with the Board, relations and communications with regard to risk among the various Board committees, particularly between the Committee and the AFC.
- f. Disclose in the Bank's Annual or Integrated Report how it has satisfied itself that risk assessments, responses and interventions are effective.

8.2 **Governance**

The Committee must:

- 8.2.1 Coordinate the development, implementation, monitoring, evaluation and annual review of the corporate governance instruments of the Land Bank and make such recommendations to the Board in respect of such instruments as it considers appropriate. The Committee must in particular:
 - a. Oversee the development and annual review of a Corporate Governance Framework for

the Board of Directors of the Land Bank.

- b. Provide guidance in the development, implementation, monitoring, evaluation and annual review of a Board Code of Ethics and Business Conduct and make recommendations to the Board in that regard.
 - c. Provide guidance in the development, implementation, monitoring, evaluation and annual review of the governance policies and guidelines of the Board of Directors of the Land Bank and make recommendations to the Board in that regard.
 - d. Provide guidance in the development, implementation, monitoring, evaluation and annual review of all Board and Board Committee Charters and make recommendations to the Board in that regard
 - e. Oversee the development, implementation, monitoring, evaluation and annual review of the delegations of power by the Board to Board Committees, individual members of the Board, the Chief Executive Officer and any other and make recommendations to the Board in that regard.
 - f. Provide guidance in the development, implementation, monitoring, evaluation and annual review of any secondary delegations of power by Board Committees, individual members of the Board, the Chief Executive Officer and any other.
 - g. Oversee development, implementation, monitoring, evaluation and annual review of all policies not delegated to the Management of *the Bank*, but developed and/or proposed by the Management of the Bank.
 - h. Ensure that there are adequate systems and processes in place for compliance with and monitoring of the implementation of the governance instruments of the Land Bank.
 - i. Consider for approval by the Board any waivers of the prescripts of governance instruments of the Bank.
 - j. Ensure that any waiver of prescripts are promptly disclosed if required by applicable law or securities exchange rules and requirements.
 - k. Annually review the Corporate Plan and Shareholder Compact of the Land Bank and make such recommendations to the Board as it may consider appropriate.
 - l. Review all National Treasury prescribed reports (annual, quarterly and ad hoc) and make such recommendations to the Board as it may be consider appropriate.
- 8.2.2 Monitor, report on and make recommendations to the Board on all issues of compliance with legislation, regulation, codes of best practice, Board policy and Board directives.
- 8.2.3 Regularly review and make recommendations to the Board the Compliance Management Policy of the Bank
- 8.2.4 Review and approve the annual Compliance Management Plan
- 8.2.5 Monitor developments in the area of Corporate Governance to ensure that the Land Bank maintains the highest standards of Corporate Governance

8.3 Information and Technology

In consultation with the Audit and Finance Committee,

- 8.3.1 Advise the Board on an approach and recommend policy for technology and information governance (including the adoption of appropriate frameworks, strategies and standards).
- 8.3.2 Ensure the integration of information and technology risk into organisation-wide risk management
- 8.3.3 Proactively monitor, identify and respond to incidents including cyber-attacks and adverse social media events
- 8.3.4 Oversee the management of risks pertaining to information and technology third party outsourced service providers
- 8.3.5 Advise the Board regarding the disposal of obsolete technology and information while paying due regard to issues of information security and the environmental impacts pertaining to such disposals.
- 8.3.6 Oversee compliance with all relevant laws, regulations and standards with regard to information and technology
- 8.3.7 Oversee the management of information and ensure that it results in the following:
 - a. an information architecture that supports the confidentiality, integrity and availability of information
 - b. The protection of the privacy of personal information.
 - c. Information security strategies, activities and initiatives that are driven by the strategic direction of the Bank, i.e. the business value of information security must be clearly understood.
 - d. The continuous monitoring of the security of information.
- 8.3.8 Oversee management of technology and ensure that it results in the following:
 - a. The management of risks that are associated with the sourcing of technology.
 - b. The protection of information and technology assets, disaster recovery and continuity of operations.
 - c. The monitoring of and appropriate responses to developments in technology including exploitation of potential opportunities, and the management of disruptive effects on the Banks and its business models.
- 8.4 The Committee must perform such other acts as are directed by the Board or consistent with this Charter.

9. MEETINGS OF THE COMMITTEE

9.1 Work Plan

The Chairperson of the Committee in consultation with the Company Secretary and with inputs from the CEO and Executives shall formulate an annual Work Plan for the Committee against agreed objectives and goals.

9.2 Convening Meetings

Meetings of the Committee shall be convened by the Chairperson of the Committee through the Office of the Company Secretary.

9.3 Frequency of Meetings

The Committee will meet at least quarterly and at such other additional times as may, at the direction of the Chairperson of the Committee or upon request of a Committee member or management, be considered necessary. All requests for special or ad hoc Committee meetings shall be directed to the Chairperson of the Committee through the Offices of the Company Secretary.

9.4 Agenda

Each Committee meeting shall have a detailed Agenda based (in the case of scheduled meetings) on the Committee Work Plan, and in the case of special or ad hoc Committee meetings, on the specific matter for which the special or ad hoc Committee meeting was requested and approved.

The Chairperson of the of the Committee may meet, individually or collectively, with the Chief Executive Officer, Chief Risk Officer and/or Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda

A detailed Agenda, together with supporting documents (if necessary) must be circulated to Committee members at least 5 days prior to each Committee meeting.

9.5 Attendance

One or more members of the Committee may participate in a meeting by electronic communication, so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary and to participate effectively in the meeting.

Any member of the Board may attend the Committee meetings only as an observer(s). Unless that member is also a member of the Committee, the member is not entitled to participate in the proceedings of the Committee without the permission of the Chairman of the Committee; does not have a vote; is not entitled to fees for such attendance, unless the payment of fees is agreed to by the Board and the Shareholder.

9.6 Quorum

The quorum for any Committee meeting shall be a majority of the members of the Committee from time to time. No business of the Committee will be transacted at a meeting of the Committee unless the requisite quorum is present. Invitees do not form part of the quorum of a Committee meeting and are not entitled to vote at Committee meetings.

10. SECRETARY

The Company Secretary or his or her delegate is Secretary of the Committee.

11. VOTING

Each member of the Committee has one vote on matters before the Committee and all decisions of the Committee must be taken by resolution of an ordinary majority of the members present at any meeting in person and by electronic means.

A decision that could be voted on at a meeting of the Committee, may instead be adopted by written consent of a majority of the Committee members. A decision made by the Committee in this manner will be of the same effect as if the decision had been approved by voting at a meeting of the Committee. Such fact must be recorded in the minute book of the proceedings of the Committee.

12. REPORTING

The Committee Chairperson is encouraged to provide a written summary of the Committee's deliberations at the Board meeting following the committee meeting.

13. MINUTES

- 13.1 Within ten (10) days of a Committee meeting, the Company Secretary shall prepare draft minutes, with resolutions and matters arising, of each Committee meeting and submit them for review to the Chairperson of the Committee.
- 13.2 The Chairperson of the Committee shall within 2 days of receipt of the draft minutes review same and approve them for circulation to all members of the Committee.
- 13.3 Members of the Committee have 2 days to review the draft minutes as reviewed by the Chairperson of the Committee. Committee members will thereafter advise the Chairperson of the Committee through the offices of the Company Secretary of their position with regard to the adoption of the minutes.
- 13.4 The Chairperson of the Committee or the Chairperson of a meeting shall sign the minutes once adopted by Committee members and once agreed amendments and/or corrections, if any, have been effected to the minutes by the Company Secretary.

14. CONFIDENTIALITY AND CONFLICT OF INTEREST

The Committee and its invitees are bound by Land Bank Policy on Confidentiality and Conflict of Interest.

15. SELF-ASSESSMENT AND EVALUATION OF THE COMMITTEE

The Committee shall evaluate its performance annually.

16. REVIEW OF COMMITTEE CHARTER

The Committee Charter shall be reviewed at least once every year.

17. ATTESTATION

The Committee shall report on annual basis on how it has discharged its responsibilities in terms of this Charter.

18. APPROVAL OF CHARTER

This Charter was approved by Board of directors of the Land Bank on 26 April 2023