

CREDIT AND INVESTMENT COMMITTEE CHARTER (CIC)

1. CONSTITUTION

- 1.1. The Board of Directors (the Board) of Land and Agricultural Bank of South Africa ("Land Bank") has ultimate responsibility for ensuring Land Bank's credit risk is managed adequately and effectively;
- 1.2. The Board has to play a critical role in overseeing, amongst other things, the credit granting and credit risk management functions of Land Bank. The aforementioned responsibility of the Board forms an integral part of the overall process of corporate governance within Land Bank;
- 1.3. The Board is responsible for:
 - 1.3.1. Periodically reviewing the credit policies, investment policy and strategies together with risk management process and significant credit risk management policies. This also includes tolerance or appetite for credit risk and the level of profitability the Board expects to achieve from assuming various credit risks;
 - 1.3.2. Ensuring appropriate credit and investment approval mandates structure, composition and quorum of the Credit Risk Committees; and
 - 1.3.3. Ensuring transparency, accountability and good corporate governance as required by the Public Finance Management Act, No 1 of 1999 (PFMA), the Treasury Regulations, King report on Corporate Governance, and the Protocol on Corporate Governance in the Public Sector;
- 1.4. The Credit Investment Committee ("the Committee") serves as the credit and investment committee of the Board for the Land Bank and acquires its mandate from the Board in terms of its delegation of Powers in compliance with Section 18 of the Land and Agricultural Development Bank Act 15 of 2002 ("Land Bank Act").

2. OBJECTIVE

- 2.1. The purpose of this charter is to set out the committee's role and responsibilities as well as the requirements for its composition and meeting procedures which are subject to the PFMA and Land Bank Act.

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- 2.2. This charter also defines the protocol in respect of matters such as corporate governance, declarations and conflicts of interest, of meetings documentation and procedures relating to the operation of this committee.
- 2.3. This charter refers specifically to Credit Risk and Investment matters.

3. AUTHORITY

- 3.1. The Committee acts independently of management in accordance with its mandate and the delegated authority of the Board as recorded in this terms of reference. In addition, the Committee has the power to investigate any activity within the scope of its terms of reference.
- 3.2. The Committee has decision-making authority in regard to its mandate and is accountable in this respect to both the Board.
- 3.3. The Committee, in the fulfilment of its duties, may call upon the Chairperson of the other Board Committees, any of the executive directors, employees, company secretary or assurance providers to provide it with information.
- 3.4. The Committee or any member of the Committee is authorised to seek any information or data required from any employee through appropriate channels and all employees are directed to co-operate with any request made by the Committee.
- 3.5. The Committee or any member shall have unrestricted access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities.
- 3.6. The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to the procurement process being followed.
- 3.7. The Chairperson and members of the Committee has direct unrestricted access to the Chairperson of the Board.
- 3.8. The Chairperson of the Committee must report and make recommendations to the Board of Directors and must report on the effectiveness of Land Bank as well as summarise to the Board the activities, recommendation and decisions of the Committee during the year.

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4. COMPOSITION

- 4.1. The Board shall appoint Non-Executive Directors of the Board to form a Credit Investment Committee;
- 4.2. The Committee shall consist of no fewer than 3 and no more than 6 Non-Executive Directors of the Board;
- 4.3. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties;
- 4.4. The Board shall appoint the Chairperson of the Committee from the non-executive members of the Committee. The Chairperson of the Board shall not be eligible to be appointed as Chairperson of the Committee;
- 4.5. 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;
- 4.6. The Board shall have the power at any time to remove any member(s) from the Committee and to fill any vacancies within forty (40) business days after the vacancy arises;
- 4.7. The term of office of each member shall be in line with that member's tenure as a member of the Board;
- 4.8. The remuneration of the members of the Committee shall be set by the Minister of Finance.
- 4.9. The Chief Executive Officer shall attend meetings as an ex-officio member of the Committee.
- 4.10. The following are permanent non-voting invitees of the Committee:
 - Chief Risk Officer
 - Chief Financial Officer
 - Executive Manager: Legal Services;
 - Executive Manager: Corporate Banking & Structured Investments;
 - Executive Manager: Commercial Development Banking;
 - Executive Manager: Agricultural Economics & Advisory;

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- Executive Manager: Strategy & Communication;
- Executive Manager: Portfolio Management Services; and
- Manager: Credit Risk Monitoring.

4.11. In addition, the Committee may invite functional representatives and any other person it deems necessary, to address particular agenda items to be considered or who may assist the Committee in carrying out its functions, to attend Committee meetings.

5. RESPONSIBILITIES AND FUNCTIONS OF THE COMMITTEE

5.1. DUTIES OF THE CHAIRPERSON:

- a) Managing the committee proceedings and facilitating the decision process;
- b) Ensuring there is a sound credit-granting and investment process in place;
- c) Confirming verbally at each meeting and make a ruling regarding conflict of interests that have been disclosed by a Committee member. Decision in this regard should caution on the side of non-participation should there be any doubt;
- d) Proposing changes to mandate, composition, and operations to CRMC in consultation with committee members;
- e) Coaching members and ensuring adherence to best practices;
- f) Ensuring adherence to mandate and exclusion of out of scope matters;
- g) Monitoring and reporting on committee and member effectiveness, including approval of annual objectives;
- h) Deciding on meeting protocol and timing of the meetings;
- i) Ensuring that action items and minutes are reviewed at the beginning of the following meeting;
- j) Ensuring there is clear follow-up process for monitoring/implementation of decisions and tracking quality;
- k) The Chairperson must ensure that a formal filing system is in place

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and that Decision forms cannot be modified and must be kept by the Credit Division in accordance with the Records Management Policy;

- l) Ensuring full participation of members;
- m) Limiting debate that is related but irrelevant to the matter at hand; and
- n) Signing of minutes as an accurate record of proceedings.

5.2. DUTIES OF THE COMMITTEE

The specific responsibilities and functions of the Committee include at a minimum the following:

- a) Review and recommend the pricing policy, credit framework, credit policies, credit committee charters, investment policy as well as prudential limits and guidelines;
- b) Review and recommend credit risk limits, proposed by the Credit Risk Management Committee (CRMC), pertaining to credit risk for the establishment of the credit risk appetite statement of the Land Bank;
- c) Review and recommend investment risk limits, proposed by the Executive Investment Committee (EIC), pertaining to investment risk for the establishment of the investment risk appetite statement of the Land Bank;
- d) Review and approve credit facilities received from CRMC within mandate and make recommendations on those that require Board approval;
- e) Review and approve investment proposal received from EIC within mandate and make recommendation on those that require Board approval;
- f) Review and recommend Credit Model methodology and including pricing model;
- g) Ensure that asset quality of the bank is within the approved credit risk profile;
- h) Review and recommend Land Bank credit authority/mandate levels;

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- i) Review the Bank's key credit related management and stress testing report;
- j) Review and approve write-offs of loans recommended by CRMC/CROM;
- k) Review and approve credit restructuring within mandate and recommend for approval to Board those above this mandate;
- l) Report any major issues pertaining to the credit risk of the Bank to the Board; and
- m) Approve loans and credit limits under delegated authority and review transactions for recommendation within delegated authority mandate.

5.2.1. Approval Function:

- a) The Committee approves advances in accordance with the authority levels sanctioned by the Board in terms of Section 1 of the approved Delegation of Powers document (DOP) and in particular large credit risk exposures to a single borrower and or group of related entities that are larger than R250 million but equal to or less than R1 billion.
- b) Make recommendations to the Board on applications above R1 billion.
- c) The Committee approves investment proposal in accordance with the authority levels sanctioned by the Board in terms of Section 1 of the Delegation of Powers document (DOP) and in particular recommended investment proposals from the EIC that are equal to or less than R250 million
- d) Make recommendations to the Board on investment proposals that are greater than R250 million.

5.2.2. Monitoring:

- a) Ensure that there are adequate controls and risk management over credit risk;
- b) Ensure that there is adequate disclosure of credit risk, including appropriate reporting systems and processes;

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- c) Identify the build-up of concentration risk;
- d) Ensure that the quality and management of the credit portfolio is in accordance with the credit policies and risk philosophy of the Bank;
- e) Monitor and review emerging issues in loan portfolio management area and take decisions or make recommendations
- f) Monitor key performance indicators with regards to loan approvals within its mandate against targeted performance as per corporate objectives and examine action plans and measures instituted to address deviations to achieve corporate objectives
- g) Review trends in asset and portfolio composition, quality and growth, non-performing loans, and concentration risk prudential limits and the Watch List (incl. workout & restructuring exposures), Large Exposures and any other emerging risk and direct management action where deemed necessary;
- h) Ensure management considers and implements appropriate risk responses;
- i) Ensure that the quality and management of the investment portfolio is in accordance with the investment policy philosophy of the Bank;
- j) Monitoring the performance and risk profile of the Asset portfolio on investments; and
- k) Consider regular investment portfolio reports.

5.2.3. General Functions

- 5.2.3.1 The Committee shall, at such intervals as it may prescribe or on request, receive reports from and monitor timely resolution of risk issues or concerns raised by in line with the allocated responsibility as reflected in the attached RACI matrix (See Annexure 1 below) and Section 1 of the Delegation of Powers of the bank.
- 5.2.3.2 The Committee shall perform the responsibilities in the RACI matrix through an agenda of items that is prepared in terms of section 7 of this charter.

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- 5.2.3.3 The Committee shall recommend for approval to the board matters under their responsibility in line with the Delegation of Powers of the bank.
- 5.2.3.4 The Committee will be required to formulate an annual work plan which will detail specific focus areas for the year.

6 SCOPE OF THE COMMITTEE

The scope of the Committee extends to all credit related lending activities in Land Bank.

7 MEETINGS

- 7.1. Meetings of the Committee shall be held at least monthly.
- 7.2. The Chairperson of the Committee may request a separate meeting if consider to be necessary.
- 7.3. The Chairperson of the Committee shall meet at least annually with the External Auditors, the Head of Internal Audit and Chief Risk Officer in separate private meetings.
- 7.4. **Quorum**
 - 7.4.1. The quorum for any credit decision is two third of voting members. For a decision to be effected there must be a two third majority vote in favour of the transaction. Any dissenting views must be noted and recorded in the minutes;
 - 7.4.2. Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson or Company Secretary.
- 7.5. No attendee other than Committee members shall have a vote at the meeting of the Committee.
- 7.6. It is expected that regular reports will be received on the matters to be defined by Committee from:

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- Chief Risk Officer;
- Executive Manager: Legal Services;
- Executive Manager: Corporate Banking & Structured Investments;
- Executive Manager: Portfolio Management Services; and
- Head Internal Audit.

7.7. The Company Secretariat shall render secretarial service to the Committee.

7.8. The agenda together with any documents for the meeting will be circulated to the Committee members at least five (5) working days prior to a meeting.

7.9. The Company Secretariat will prepare draft minutes and an action list emanating from each meeting within ten (10) working days of the meeting and present the minutes for approval by the Committee at the next meeting. Signed minutes of the Committee meetings will be filed for record purposes.

7.10. The Company Secretary together with the Chief Risk Officer shall ensure that the content of the agenda of meetings accords with best practice and Land Bank requirements in consultation with the Chairperson.

8 SELF-ASSESSMENT AND EVALUATION

8.1 The Committee shall annually evaluate its performance, through the completion of a self-assessment questionnaire or a Board commissioned external evaluation, to ensure that it complies with best practice and Land Bank's Enterprise-Wide Risk Management Framework. The results of evaluations and assessments shall be presented to the Board.

8.2 The Committee shall annually review the Committee Charter.

8.3 The Board will review the composition of the Committee as and when circumstances dictate.

9 CONFIDENTIALITY AND CONFLICT OF INTEREST

9.1 The members of the Committee shall disclose any interest that may or could interfere or conflict with the performance of their duties;

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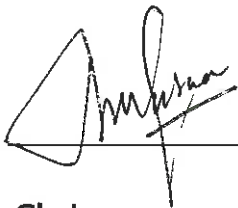
- 9.2 The members of the Committee shall ensure that information that is disclosed to them or information that they become aware of in the performance of their duties, is kept confidential;
- 9.3 The Committee shall ensure that all persons that attend its meetings are appraised of their responsibility to keep all information of Land Bank confidential.

10 APPROVAL OF THIS CHARTER

This Charter was recommended for approval by the Board on the^{29th}.....
day of
.....^{MAY}..... 2017.....

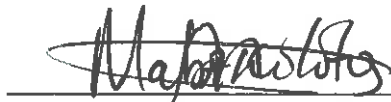


Chief Executive Officer:



**Chairperson:
Credit and Investment Committee**

This Charter was recommended by the Committee and approved by the Board
on the
.....³¹..... day of^{July}..... 2017.....



**Chairperson:
Board of Directors**

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ANNEXURE 1

LEGEND

R	Responsible	“The Doer”	Committee working on the activity	This will refer to the committee that perform the actual work to achieve the task.
A	Accountable	“The buck stops here”	Committee with the final approval authority	The committee that is ultimately answerable for the correct and thorough completion of the deliverable or task, and the one who delegates the work to those responsible. In other words, an accountable committee must sign off / approve work that the responsible committee recommends / provides. There must be only one accountable specified for each task or deliverable.
C	Consulted	“In the loop”	Committee to be consulted prior to decision or action	The committee whose opinions are sought by the responsible committee, typically subject matter experts (e.g. HR, Credit, etc.); and with whom there is two-way communication.
I	Informed	“Keep in the picture”	Committee that needs to know of the decision or action	The committees that are kept up-to-date on progress, often only on completion of the task or deliverable; and with whom there is just one-way communication

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RACI MATRIX

Risk Universe Category	CIC	Board	Comments
INTERNAL PROCESSES			
Setting and Review of Risk Appetite	C	A	RGC – responsible for overall risk appetite framework All other committees to be consulted on specific parameters relating to subject matter focus, e.g. CIC – to be consulted on credit risk related appetite parameters; HR& SEC to be consulted on parameters relating to people management, environmental risks and social risks, and Audit Comm to be consulted with relation to financial parameters.
Review Committee Charters (Including Internal Audit Charter)	C	A	Each committee to be consulted on its own charter but ultimate responsibility for the governance of sub-committees lies with RGC.
Review and recommend Land Bank authority levels for approval by the Board	C	A	<ul style="list-style-type: none"> RGC – responsible for overall DOP framework CIC – to be consulted on credit risk related DOP parameters
Review and recommend Land Bank policies, standards, frameworks for approval by the Board	C	A	While RGC is responsible for ensuring that there are appropriate policies, standards and frameworks to govern the organisation, each subcommittee should be consulted with relation to matters that are subject specific, e.g. HR, Credit, Finance, etc.
EXTERNAL EVENTS			
Monitoring of Risk Registers (Operational & Emerging risks) including ensuring management considers and implements appropriate risk responses.	C	A	Includes monitoring external events & environmental scanning for impact on Land Bank. All subcommittees have responsibility to highlight to the risk committee any items

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Risk Universe Category	CIC	Board	Comments
			identified as part of their committee activities.
STRATEGY			
Provide Strategic Direction to the Bank	C	R	The Board is overall responsible for providing the strategic direction to the bank, while each committee should then ensure that the strategy is implemented.
Set values & Code of Conduct		A	
Evaluate Committee and individual performance	R	A	
Monitor the management of stakeholder relationships		A	
Annual Review of Strategic Risks	C	A	
REPUTATION			
Ensure that there is a process in place enabling complete, timely, relevant, accurate and accessible risk identification, management and disclosure to stakeholders	C	A	
TRANSFORMATION			
Employment Equity Reporting		A	
Monitor and oversee the implementation of B-BBEE	C	A	CIC monitors BEE in lending portfolio
CREDIT EVALUATION			
Assess, approve/recommend applications for credit	R	A	Responsible for credit evaluations as defined in the DOP levels of authority.
Review and recommend credit model methodology (including pricing)	R	A	Consider appropriateness of credit models developed and report to RGC any identified or resultant risks.
CREDIT CONCENTRATION			
Review trends in asset and portfolio composition, quality and growth, non-performing loans,	R	A	<ul style="list-style-type: none"> CIC has responsibility for the review of the quality of the asset and investment portfolio.

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Risk Universe Category	CIC	Board	Comments
and concentration risk prudential limits and the Watch List (incl. workout & restructuring exposures), Large Exposures and any other emerging risk and direct management action where deemed necessary.			<ul style="list-style-type: none"> Audit Comm is responsible for evaluating the financial statement impact of the asset and investment portfolio.
Identify the build-up of concentration risk, as well as reputational, technological, legal and product risks.	R	A	CIC looks at concentration risk in the lending and investment space, while reporting this to the RGC to ensure no breaches in Risk Appetite parameters
CREDIT DEFAULT			
Ensure the quality of Land Bank's credit portfolio is in accordance with these requirements by monitoring credit risk information	R	A	
INVESTMENT RISK			
Consideration and evaluation of Investment decisions	R	A	
EXTERNAL RATING			
Risks relating to the impact of External Rating Agencies on the Land Bank and its environment	C	A	
ACCOUNTING, AUDIT & TAX			
Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information	C	A	