

TERMS OF REFERENCE OF A PANEL AS ESTABLISHED IN TERMS OF SECTION 4 OF THE SOUTH AFRICAN RESERVE BANK ACT, 1998

1. Introduction

The South African Reserve Bank (“SARB” or “Bank”) has a board (“Board”) of 15 directors, consisting of a Governor, three Deputy Governors and four other directors, all appointed by the President, as well as seven other directors elected by shareholders of the Bank from candidates confirmed by a panel of persons (“Panel”) as envisaged in terms of section 4 of the South African Reserve Bank Act, 1998 (Act No. 90 of 1989, as amended by the South African Reserve Bank Act 2010, (Act No. 4 of 2010 – “the Act”).

Directors of the Bank are either appointed by the President or elected to the Board by shareholders into vacant positions that arise either because the term of a director has expired, a director has resigned, or a director has died, or is otherwise incapacitated. The Board is also authorised to appoint a person as a director for a temporary period into a vacant position on the Board caused by the resignation, death or incapacity of a director. Such an appointment by the Board of a director lasts until the date of the next ordinary general meeting of shareholders of the Bank (“AGM”), unless that director is at that AGM elected by the shareholders.

2. Directors of the SARB

No person may be appointed, or elected or remain a director of the Bank, if that person –

- is not resident in the Republic;
- is a director, officer or employee of a bank, bank controlling company, mutual bank, or cooperative bank;
- is a Minister or a Deputy Minister in the Government of the Republic;

- a member of Parliament, a provincial legislature or a Municipal Council;
- is an unrehabilitated insolvent;
- was dismissed from a position of trust as a result of his or her misconduct or has been disqualified or suspended from practising any profession on the grounds of his or her professional misconduct;
- was convicted of an offence listed in Part 1 or 2 of Schedule 1 of the Criminal Procedure Act, an offence under this Act, the Prevention of Corruption Act, Prevention of Organised Crime Act, Prevention of Counterfeiting of Currency Act, perjury, or any other offence involving an element of dishonesty in respect of which he or she has been sentenced to imprisonment without the option of a fine or to a fine exceeding R1000;
- is mentally or physically incapable of performing the duties of a director;
- is contractually incapacitated; or
- is an employee of Government.

All the directors of the Bank are required to be fit and proper persons with appropriate skills and experience, who must act bona fide for the benefit and in the interest of the Bank and avoid any conflict of interest between his or her interests and the interests of the Bank. They must also possess and maintain the knowledge and skill that may reasonably be expected of a person holding the same appointment and carrying out the same functions as are carried out by the directors in question in relation to the Bank. Furthermore, they must exercise such care in the carrying out of their functions in relation to the Bank as may be reasonably expected of a diligent person holding the same appointment under similar circumstances and who possesses both the knowledge and skill mentioned before, and any such additional knowledge and skill as the director in question may have.

The directors elected by shareholders (“elected directors”) form part of the 11 non-executive directors on the Board, of whom 4 are appointed by the President. The elected directors consist of two persons with knowledge and skills in commerce and finance, one person with knowledge and skill in agriculture, two persons with knowledge and skills in industry, one person with knowledge and skill in labour and one person with knowledge and skill in mining.

The Board is responsible for the governance of the Bank by—

- ensuring compliance with principles of good corporate governance;
- directing, supervising and monitoring its management and administration;
- adopting rules and determining policies for the sound accounting, administration and functioning of the Bank;
- approving the—
 - (i) budget of the Bank;
 - (ii) annual reports and financial statements of the Bank required for submission to the meeting of shareholders, the Minister and Parliament;
 - (iii) appointment or the termination of service of a secretary and an assistant secretary of the Bank;
 - (iv) general remuneration policy of the Bank; and
 - (v) allocation of funds to the retirement fund of the Bank for purposes of making good any actuarial shortfall as well as the appointment of any employees' trustee in respect of such fund.
- authorising—
 - (i) the formation of companies for purposes related to the manufacturing of notes and coin the taking up of shares in them;
 - (ii) the allocation of any surplus at the end of the financial year of the Bank;
 - (ii) the establishment or closing of any branch of the Bank within or outside the Republic; and
 - (iii) the acquisition of any building or the causing of any building to be erected by the Bank.;
- making recommendations to the Minister in respect of regulations pertaining to the Bank and in connection with any possible liquidation of the Bank as contemplated in the Act; and
- performing any other function specifically assigned to the Board in terms of the Act.

All other powers and duties of the Bank under this Act vest in and are exercised by the Governor and Deputy Governors. Accordingly, the elected directors would for purposes of the part fulfilment of their responsibilities of directing, supervising and monitoring the Bank's management and administration be able to direct, supervise and monitor the Governor and Deputy Governors, which executives, in turn, are required to possess the qualities and skills as set out in **Annexure A** to these terms of reference.

3. **Nomination of elected directors**

Any shareholder, current director of the Bank, or any member of the general public may nominate persons to serve as elected directors of the Bank. Such nominations must be made in writing to the Panel and shall include a comprehensive *curriculum vitae* of the person nominated as well as a motivation for his or her nomination, and be submitted at least three calendar months before the ordinary general meeting of shareholders at which directors are due for election.

4. **Constitution of the Panel**

The Panel is comprised of the Governor of the Bank ("Governor") who is also its chairperson, a retired judge and one other person both nominated by the Minister, and three members nominated by NEDLAC. The Governor has a deliberate vote and, in the event of an equality of votes, a casting vote. A quorum of the Panel shall comprise of the Governor and three other members.

The Panel needs to be established by the Governor at least three months before, and convened at least two months before an AGM at which an election of directors is due to take place.

5. **Duties and tasks of the Panel**

The operations of the Panel will be governed by the Promotion of Administrative Justice Act, 2000. Panel Members are therefore required to conduct their business in a manner which is procedurally fair, and to record reasons for their decisions.

The Panel shall consider the eligibility of all potential candidates for election by shareholders as directors of the Bank. Such consideration is limited to all duly submitted nominations of candidates as envisaged in paragraph 3 above, as well as any elected director whose term of office is about to expire and who is available for re-election. In the process, the Panel must in respect of each candidate nominated, bearing in mind the particular field of knowledge and skill required in respect of each vacancy, with due regard to the considerations stated in paragraph 2 above (as well as recognised central bank standards), in its discretion establish whether each candidate may be considered as fit and proper and eligible for election as a director into each relevant vacancy. On the basis of the assessment done, confirm no more than three candidates in respect of each vacancy.

The Panel shall in respect of each person so considered, record with stated reasons whether, in its discretion, such a person was-

- ineligible for election,
- eligible for election, but not confirmed because more than three nominees met the criteria and only the most suitable ones could be confirmed; or
- eligible and confirmed for possible election, as well as the vacancy on the Board into which he or she may be elected.

The Panel shall cause a copy of a list of candidates confirmed by it as well as the vacancies on the Board in respect of which they are eligible for election, together with abbreviated *curriculum vitae* in respect of each of these candidates, to be sent to shareholders of the Bank no later than 30 days before the date of the AGM at which the relevant vacancies are due to be filled.

6. **Performance standards**

The proper performance by the Panel of its functions should result in the appointment of well qualified individuals to the Board, and consequently in adequate standards of governance as contemplated in the Act. The decisions of the Panel must be able to withstand any review proceeding or other challenge in a court of law.

ANNEXURE A

Skills required: Governor and Deputy Governors of the SA Reserve Bank

The Governor and Deputy Governors are responsible for ensuring the South African Reserve Bank, a key pillar of the South African economy, meets the constitutional mandate it is entrusted with, as well as provide leadership, management and strategic directions for the institution as a whole. In fulfilling these responsibilities, the Governors are the public face of the Bank, domestically and internationally.

1. The skills required by the Governor and Deputy Governors collectively are:
 - 1.1 Leadership;
 - 1.2 Analytical skills;
 - 1.3 Strategic thinking;
 - 1.4 Independent thought;
 - 1.5 Interpersonal skills;
 - 1.6 Communication skills;
 - 1.7 Management skills;
 - 1.8 Organisational skills;
 - 1.9 Integrity and standing;
 - 1.10 Ability to deliver as required;
 - 1.11 Knowledge of macro economics;
 - 1.12 Knowledge of monetary theory;
 - 1.13 Knowledge of financial markets;
 - 1.14 Knowledge of financial stability;
 - 1.15 Clear understanding of international environment and relations;
 - 1.16 Political astuteness;
 - 1.17 Ability to read and understand financial statements;
 - 1.18 Practice of risk management;
 - 1.19 Fit and proper criteria for appointment to the Board;
 - 1.20 Familiarity with best practice in corporate governance; and
 - 1.21 Knowledge of human resource management and transformation.

2. In addition to the skills requirements listed above, the Governor and Deputy Governors are responsible for the Bank's bi-lateral and multilateral international relations. These responsibilities include:
 - 2.1 Bi-lateral relations with other Central Banks;
 - 2.2 Multilateral relations in regional structures such as the Common Monetary Area (CMA) and the Committee of Central Bank Governance (CCBG) in the Southern African Development Community (CADDC) region; and
 - 2.3 Relations with international institutions such as the Bank for International Settlements, Group of 20 Finance Ministers and Central Bank Governors (G-20), International Monetary Fund and the World Bank.

3. Deputy Governors are directly responsible for providing policy and technical guidance for a wide range of areas to ensure the effective and efficient functioning of the Bank. In this regard various departments report directly to the deputy governors. These are:
 - 3.1 Bank Supervision;
 - 3.2 Business Systems and Technology;
 - 3.3 Corporate Services;
 - 3.4 Currency and Protection Services;
 - 3.5 Exchange Control;
 - 3.6 Executive Management;
 - 3.7 Financial Markets;
 - 3.8 Financial Services;
 - 3.9 Financial Stability;
 - 3.10 Human Resources;
 - 3.11 Internal Audit;
 - 3.12 Legal Services;
 - 3.13 National Payments System;
 - 3.14 Research;
 - 3.15 Risk Management; and
 - 3.16 SARB College.

4. The specific overarching responsibilities of the Governor and Deputy Governors include:

- 4.1 Executive member of the Board of the Bank;
- 4.2 Member of the Monetary Policy Committee;
- 4.3 Member of the Governors' Executive Committee; and
- 4.4 Member of the Governors' Co-ordinating Committee.