

# RELATED PARTIES DISCLOSURE POLICY

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## 1. INTRODUCTION AND BACKGROUND

The Development Bank of Southern Africa Limited operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties.

The Bank is a Schedule 2 public entity in terms of the Public Finance Management Act (PFMA) and therefore falls within the national sphere of government. As a consequence, the Bank has a significant number of related parties that also fall within the national sphere of government. In addition, the Bank has a related party relationship with its Directors and Executive Management. Unless specifically disclosed otherwise, these transactions are concluded on an arm's length basis and the Bank is able to transact with any entity. The South African government, through National Treasury (the shareholder), is the parent of the Bank and exercises ultimate control over the Bank.

This policy is an extract from the Bank's approved level 1 policy on related parties disclosure which is disclosed in the approved financial statements and has been in use in the Bank. This document is therefore an extraction from the approved Level 1 accounting policy for ease of reference and the detailed DBSA accounting policies can be found in the published annual financial statements of the Bank.

For the purposes of this policy the following terms have the following meaning:

<p><b>Related party</b></p>	<p>A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').</p> <p>(a) A person or a close member of that person's family is related to a reporting entity if that person:</p> <ul style="list-style-type: none"> <li>(i) has control or joint control of the reporting entity;</li> <li>(ii) has significant influence over the reporting entity; or</li> <li>(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.</li> </ul>
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(b) An entity is related to a reporting entity if any of the following conditions apply:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

This definition includes the JSE Limited's (JSE) 'related party' definition, as stipulated below:

A "related party" includes

- a material shareholder (i.e. shareholder holding 10% or more);
- any person that is, or within 12 months preceding the date of the transaction was, a director of the company or its holding company.

For the purpose of this definition, a director includes a person that

	<p>is, or within the 12 months preceding the date of the transaction was, not a director, but in accordance with whose directions or instructions the directors are or were accustomed to act;</p> <ul style="list-style-type: none"> <li>• any advisor to the company that has, or within 12 months preceding the date of the transaction had, a beneficial interest, whether direct or indirect in the company or any of its associates;</li> <li>• any person that is, or within the 12 months preceding the date of the transaction was, a principal executive officer of the company, by whatever position he may be, or may have been, designated and whether or not he is, or was, a director;</li> <li>• the asset manager or management company (or its controlling shareholder) of a property entity, including anyone whose assets they manage or administer;</li> <li>• the controlling shareholder of the persons in the paragraph above; and</li> <li>• an associate of any of the above-mentioned entities or individuals.</li> </ul>
<p><b>Related party transaction</b></p>	<p>A related party transaction is a transfer of resources, services (including loans and procurement) or obligations between a reporting entity and a related party, regardless of whether a price is charged.</p>
<p><b>Close members of the family</b></p>	<p>Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:</p> <ul style="list-style-type: none"> <li>(a) that person’s children and spouse or domestic partner;</li> <li>(b) children of that person’s spouse or domestic partner; and</li> <li>(c) dependants of that person or that person’s spouse or domestic partner.</li> <li>(d) close associates</li> </ul>
<p><b>Associates</b></p>	<p>For known close associates, examples from FATF guidance include the following types of relationships:</p>

- (a) Known sexual partners outside the family unit (e.g. girlfriends, boyfriends, mistresses etc);
- (b) Prominent members of the same political party, civil organization, labour or employee union as the prominent person;
- (c) Business partners or associates, especially those that share (beneficial) ownership of legal entities with the prominent person, or who are otherwise connected (e.g. through joint membership of a company board);
- (d) Any individual who has sole beneficial ownership of a legal entity or legal arrangement set up for the actual benefit of a prominent person.

The JSE definition of 'associates' is also applicable to this definition, as stipulated below:

"associate" in relation to an individual means:

1. that individual's immediate family; and/or
2. the trustees, acting as such, of any trust of which the individual or any of the individual's immediate family is a beneficiary or discretionary subject, including trustees of a trust without nominated beneficiaries, but who have been provided with a letter of wishes or similar document or other instruction, including a verbal instruction, naming desired beneficiaries (other than a trust that is either an occupational pension scheme, or an employees' share scheme that does not, in either case, have the effect of conferring benefits on the individual or the individual's family); and/or
3. any trust, in which the individual and/or his family referred to in 1 above, individually or taken together have the ability to control 35% of the votes of the trustees or to appoint 35% the trustees, or to appoint or change 35% of the beneficiaries of the trust. Without derogating from the above, and for the purposes of this definition, the term trust may also be replaced with any other vehicle or arrangement set up for similar purposes to that of a trust; and/or

4. any company in whose equity securities the individual or any person or trust contemplated in 1 or 2 above, taken together, are directly or indirectly beneficially interested, or have a conditional, contingent or future entitlement to become beneficially interested, and that the individual or any person or trust contemplated in 1 or 2 above are, or would on the fulfilment of the condition or the occurrence of the contingency be able to (a) exercise or control the exercise of 35% or more of the votes able to be cast at general meetings on all, or substantially all, matters; or (b) appoint or remove directors holding 35% or more of the voting rights at board of directors' meetings on all, or substantially all, matters; or (c) exercise or control the exercise of 35% or more of the votes able to be cast at a board of directors' meeting on all, or substantially all, matters; and/or
  5. any close corporation in which the individual and/or any member(s), taken together, of the individual's family are beneficially interested in 35% or more of the members' interest and/or are able to exercise or control the exercise of 35% or more of the votes able to be cast at members' meetings on all, or substantially all, matters; and/or
  6. any associate as defined below with reference to a company of the company referred to in 4 above. For the purpose of 4(a), (b) and (c) above, where more than one director of the same listed company is directly or indirectly beneficially interested in the equity securities of another company, then the interests of those directors and their associates will be aggregated when determining whether such a company is an associate of any one director of such listed company.
- “associate” in relation to a company (“company”) means:
1. any other company that is its subsidiary, holding company or subsidiary of its holding company; and/or
  2. any company whose directors are accustomed to act in accordance with the company's directions or instructions; and/or

	<p>3. any company in the capital of which the company, and any other company under 1 or 2 taken together, is, or would on the fulfilment of a condition or the occurrence of a contingency be, interested in the manner described in 4 above; and/or</p> <p>4. any trust that the company and any other company under 1 and 2 above, individually or taken together, have the ability to control 35% of the votes of the trustees or to appoint 35% of the trustees, or to appoint or change 35% of the beneficiaries of the trust. Without derogating from the above, and for the purposes of this definition, the term trust may also be replaced with any other vehicle or arrangement set up for similar purposes to that of a trust.</p>
<p><b>Compensation</b></p>	<p>Compensation for key management includes all employee benefits (as defined in IAS 19 Employee Benefits) including employee benefits to which IFRS 2 Share-based Payment applies. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:</p> <p>(a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;</p> <p>(b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</p> <p>(c) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;</p>



	(d) termination benefits; and (e) share-based payment.
<b>Government</b>	Government refers to government, government agencies and similar bodies whether local, national or international.
<b>Government-related entity</b>	A government-related entity is an entity that is controlled, jointly controlled or significantly influenced by a government.
<b>Director</b>	A member of the board of a company or an alternate director of a company and includes any person occupying the position of a director or alternate director by whatever name designated as defined in the Companies Act 71 of 2008.
<b>Entity</b>	A “legal” person, incorporated as a company, close corporation, foreign company or any similar form of corporate arrangement.
<b>Key management</b>	Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling activities of the Bank. All individuals from Executive Management up to the Board of Directors are key management individuals in their dealings with the Bank.
<b>Close family members of key management personnel</b>	Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key management individuals in their dealings with the Bank.
<b>DBSA/ The Bank</b>	Development Bank of Southern Africa Limited.

## 2. POLICY OBJECTIVE / PURPOSE

The objective of this policy is to ensure that the Bank’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties. It ensures a proper disclosure of transactions between the Bank and any of its Related Parties as required in compliance with legal, regulatory and accounting standards requirements (e.g. International Accounting Standard, JSE). This policy will

enable users of financial statements to form a view about the effects of related party relationships on the Bank, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

### **3. POLICY SCOPE**

The DBSA operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the constitutional independence of all three spheres of government (national, provincial and local) in South Africa, only parties within the national sphere of government will be considered to be related parties. The Bank has a related party relationship with the Directors and Executive Management. This policy will apply to the abovementioned entities and individuals. Other related party transactions are also disclosed in terms of the requirements of IAS 24. The objective of the standard and the financial statements is to provide relevant and reliable information and therefore materiality is considered in the disclosure of these transactions.

### **4. POLICY STATEMENT**

If the Bank has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

The Bank is required to disclose:

- (i) the nature and amount of each individually significant transaction; and
- (ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

The Bank shall also disclose key management personnel compensation in total and for each of the following categories:

- (i) short-term employee benefits;
- (ii) post-employment benefits;

- (iii) other long-term benefits;
- (iv) termination benefits; and
- (iv) share-based payment.

The Bank is required to maintain a current register of loans and procurement with related parties. The loans and procurement from/to related parties as well as prescribed officers is disclosed in terms of this policy. Refer to politically exposed persons (PEP) policy for disclosure and treatment of Domestic Prominent Influential Persons. The register will be made available on the Bank's website on the following link :[https://www.dbsa.org/sites/default/files/media/documents/2021-03/Management%20of%20Politically%20Exposed%20Persons%20Policy\\_0.pdf](https://www.dbsa.org/sites/default/files/media/documents/2021-03/Management%20of%20Politically%20Exposed%20Persons%20Policy_0.pdf)

The register discloses, inter alia, the following:

- Parties to the agreement;
- Brief description as to the nature of the agreement;
- Date of the agreement and duration; and
- Total value of the agreement for the duration period.

## **5. GOVERNANCE AND MANAGEMENT**

The DBSA Finance division is the custodian of this policy. The division is responsible for the monitoring and implementation of the policy and its effectiveness. Any amendments to this policy, or deviations from this policy, together with the reasons for such deviations, will be announced on the JSE's Stock Exchange News Service immediately. This policy is available on the Bank's website on the following link <https://www.dbsa.org/about-us/governance>