

## Purpose

To establish clear principles and commitments regarding the consideration of environmental, social and governance (ESG) aspects when making decisions regarding the investment of capital or assets

## Read along with this content

Code of Conduct  
Environmental Policy  
The Heart of Capitec – Ethics Statement

Version	<b>V01</b>
Effective date	<b>31/05/2023</b>
Adherence	<b>All employees</b>

[Navigate this document](#) (Ctrl + click)

[Glossary](#) (Ctrl + click)

## Disclaimer

This document is the intellectual property of Capitec and its content may not be reproduced or disclosed to any third party without the prior written consent of the Content Owner or C-Net Services. Any unauthorised use is prohibited.

Once the documentation has been used for its intended purpose/s (when made available), it must be destroyed with immediate effect. Failure to comply with the abovementioned will result in disciplinary action as per Capitec's policies such as the internal Information Security policy, governed by Capitec's Disciplinary code

# 1 Introduction

- 1.1 Capitec Bank Holdings Limited (Capitec) recognises the need for responding to the risks posed by environmental, social and governance (ESG) issues, which has the potential to have significant and far-reaching negative economic, environmental, and social impacts for the company itself as well as for broader society.
- 1.2 While we are not active in asset or investment management, as a custodian of our clients' financial assets and as we grow our business activities, Capitec has a duty to ensure proper care and due diligence is taken with any current or future investment opportunities, as well as to consider broader ESG matters in investment decisions, credit and loan standards, and the pursuit of sustainable finance initiatives.
- 1.3 This policy is endorsed by the Capitec Group Board of Directors (the Board) and must be enforced at group executive committee level and by divisional line management.

# 2 Objectives

- 2.1 This policy outlines Capitec's commitment as a business to always aim to minimise significant impacts of its activities on the environment and society at large and to allocate capital for a sustainable world as stewards of its clients' financial well-being.
- 2.2 The aim of this policy is to set out principles and commitments that support awareness and integration of ESG-related risks into investment processes that may be relevant to the business. This will further drive improved disclosure of ESG information and drive alignment with the United Nations Sustainable Development Goals and Paris Climate Agreement.

# 3 Scope

## 3.1 Inclusions

- 3.1.1 This policy applies to Capitec and all its South African subsidiaries. These include:
- Capitec Ins (Pty) Ltd
  - Capitec Insurance Holdings (Pty) Ltd and its subsidiary Capitec Life Limited
  - Capitec Properties (Pty) Ltd
  - Capitec Bank Limited and its various business units, namely Business Bank and Retail Bank
  - Capitec Rental Finance (Pty) Ltd
- 3.1.2 Responsible investment should not be confused with socially responsible investment or impact investing. Responsible investment does not require excluding investment in any sector or company. It simply involves including ESG risk factors in investment decision-making to ensure that all relevant factors are accounted for when assessing risk and return.

3.1.3 The legislation and industry codes on which this policy is based, are:

- United Nations Principles for Responsible Investment
- The Code for Responsible Investing in South Africa
- King IV™ Code on Corporate Governance
- Financial Sector Charter

### 3.2 Exclusions

3.2.1 This policy does not apply to the following entities, because we do not have any operational control over their business activities:

- Avafin Holdings Limited
- Capitec Foundation Trust
- Imvelo Ventures (Pty) Ltd
- Praelaxis (Pty) Ltd

## 4 Guiding Principles

### 4.1 Principle One: Acknowledging that ESG is a material investment consideration

4.1.1 We acknowledge that relevant ESG matters form a material element in driving risk adjusted returns for the business, as well as for our clients, and believe that the consideration of sustainability is essential to value creation and capital protection.

4.1.2 We do not insist that investments should be selected or rejected solely based on ESG factors, however, ESG factors must be considered in the investment analysis and decision-making process. Asset managers' individual investment styles and philosophies must be respected, and as such, the way ESG factors are incorporated will vary but still uphold the principles of responsible investment and this policy.

### 4.2 Principle Two: Integrating ESG risks

4.2.1 We commit to ensuring that we understand the related risks associated with investment opportunities, and we undertake to ensure that proper ESG risk assessments are conducted on any current or future investments we wish to pursue, as part of our Enterprise Risk Management processes. We further commit ourselves to enhancing the due diligence performed on these investments as well enhancing our client due diligence from an ESG perspective on client investments.

### 4.3 Principle Three: Continuous monitoring of ESG risks

4.3.1 We will ensure that all ESG risks that are considered material are monitored continuously and consistently and that the relevant members of our team are well equipped to perform ESG risk assessments. Furthermore, we will also see to it that they are appropriately trained on broader ESG-related matters, but specifically in ESG risk identification and classification. Training will take place across various management levels and on an annual basis.

4.3.2 ESG risks inherent in underlying investments can have serious adverse effects if they are not managed appropriately and as such, we commit ourselves to proper consideration and potential exclusions based on ESG factors, particularly avoidance of investment in high risk activities as detailed in paragraph 3.1.2, in addition to industries involved in new projects or expansion of existing projects in relation to coal and oil extraction and infrastructure.

#### 4.4 **Principle Four: Stakeholder engagement**

4.4.1 Our clients are especially important to us. This means that their concerns are important to us too. As such, Capitec commits itself to providing numerous opportunities and platforms for our clients and other stakeholders to engage with us on ESG issues.

4.4.2 We also recognise that our capital allocation decisions affect a broader stakeholder base than just our clients and as such, we endeavour to, where feasible, proactively, and responsibly consult, engage, and partner with relevant stakeholders to achieve society's goals.

#### 4.5 **Principle Five: ESG reporting**

4.5.1 Capitec commits to reporting on our integration of ESG in a manner that is transparent, accurate and clear. We will report on key ESG initiatives undertaken by Capitec as well as progress made towards implementing the principles in this policy, on an annual basis in our integrated annual report.

4.5.2 We also commit to conducting regular audits of our integration of ESG measures into investment practices to determine whether they are still appropriate. We will continue to refine and update these investment practices to ensure that they keep up with best practice.

#### 4.6 **Principle Six: Responsible investing**

4.6.1 Capitec recognises the importance of allocating capital in such a way that contributes /to a sustainable world and as such, we commit to being a responsible investor through incorporating ESG factors across our investment decisions.

4.6.2 We will endeavour to be active owners, which includes voting and stakeholder engagement, ensuring our investment managers integrate ESG issues into their investment strategies, policies, and practices.

4.6.3 We will assign responsibility for the achievement of responsible investing to the relevant managers/executives within Capitec to ensure that action is progressed.

4.6.4 We will review the ESG sections of counterparties' credit ratings to ensure that ESG-related risks are also reflected. We will consider these risks when assigning limits to counterparties.

## 5 **Governance**

5.1 Capitec's governance structures aim to ensure accountability, tracking and measurement of ESG-related issues. Our Social, ethics and sustainability committee (SESCO) have the duty to assist the Board with its approach to ESG issues that could affect the business including ensuring that ESG risks are appropriately managed and integrated with financial and social risk management systems.

## **6 Monitoring and Reviewing of Policy**

- 6.1 The policy is reviewed annually by the SESCO to ensure it incorporates the changing investment landscape into its approach and principles.