



Capitec Bank Holdings Limited (Capitec or the group) is a bank controlling company and is listed on the Johannesburg Stock Exchange (JSE) equity market. Capitec Bank Limited (Capitec Bank), a wholly owned subsidiary, houses all material operations and is listed on the JSE bond market.

Capitec complies with the 16 applicable principles of the King IV Report on Corporate Governance™ for South Africa 2016 (King IV™).

The following table provides a high-level summary of responses to the King IV™ principles with references to the areas in our 2023 integrated annual report, where detailed information can be found.

## SUMMARY OF KING IV™ PRINCIPAL DISCLOSURES

Disclosure summaries	References to full disclosures in our 2023 integrated annual report
<b>Leadership, ethics and corporate citizenship</b>	
<b>Principle 1: The governing body should lead ethically and effectively.</b>	
<p>At the core of our success, is effective and ethical leadership provided by an experienced and skilled board of directors and executive management committee.</p> <p>We work in an environment where the rules apply equally to all – regardless of position or role. We constantly challenge upwards and downwards to ensure robust and sound decision-making.</p> <p>The effectiveness of the board is managed throughout the year and any areas of concern are addressed as they arise. The board is also assessed annually via an internally conducted formal process that deals with individual directors and the board and its various committees.</p>	<ul style="list-style-type: none"> <li>• Maintaining an ethical culture, page 46</li> <li>• Maintaining legitimacy, page 46</li> <li>• Ensuring effective control, page 46</li> <li>• Our Board, page 47</li> <li>• Board performance and independent evaluations, page 49</li> </ul>
<b>Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</b>	
<p>We demand a high standard of ethical conduct in our business practices and in dealing with stakeholders. Our corporate values are manifested in a range of policies published on the Capitec Bank intranet. These specify the ethical conduct expected from all employees and are communicated to employees frequently. Our disciplinary code provides further guidelines to behavioural norms and standards.</p> <p>Ethics coaching is incorporated in general employee training to guide staff with regard to expected ethical conduct. All employees have access to Tip-offs Anonymous, which contact details are published on the bank’s intranet.</p>	<ul style="list-style-type: none"> <li>• How we create value, page 24</li> <li>• Corporate governance, page 40</li> <li>• Board committees, page 50</li> <li>• Social, Ethics and Sustainability Committee report, page 59</li> </ul>

## Disclosure summaries

## References to full disclosures in our 2023 integrated annual report

An anti-bribery and corruption framework and ethics framework has been established to provide guidance on appropriate and ethical conduct.

Matters such as our commitment to legal and regulatory compliance, actions to deal with corruption and bribery, guidelines on receiving and giving of gifts and the exclusion of political parties, candidates and campaigns from receiving sponsorships, are addressed by our policies and are reviewed on a regular basis.

The legal, compliance, internal audit, forensic and training departments all form part of the assurance process to facilitate an ethical outcome in the company's activities.

The board is ultimately responsible for creating an ethical culture. The Social, Ethics and Sustainability Committee monitors that organisational ethics are embedded and maintained effectively. Our continued focus is on maintaining Capitec's ethical culture.

- Social, Ethics and Sustainability Committee report, page 59
- Operational risk, page 89

### **Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**

Capitec takes its contribution as a responsible corporate citizen seriously. We provide access to banking services to all South Africans in a manner that is simplified and transparent, at cost effective prices. Provision of security is not a prerequisite for obtaining credit. Credit is granted in a responsible manner based on the individual's proven behaviour (credit history), ability to repay loans and proof of stable income. Clients are treated fairly through cost efficient prices and personal service, including a client care centre to address complaints.

We adopt a dual approach to social investment through the Capitec Foundation and Capitec's own social initiatives.

A focus on education and skills development is a further critical tool to meet social challenges. We are committed to broad based black economic empowerment: a uniquely South African social and economic challenge.

The Social, Ethics and Sustainability Committee reviewed corporate citizenship during the year and, based on the reports submitted to the committee and discussions had with management, is of the view that appropriate policies, systems and internal controls are in place, supported by a conscientious management team, to promote good corporate citizenship.

Our continued focus will be on financial literacy.

We are committed to the development of employees from within. To ensure that Capitec is a place where world-class talent can unlock their full potential, the focus is on attract and retain the best talent, lead and develop for the future, build world-class skills and capabilities, rewire the organisation for speed and agility and nurture our growth culture.

- How we create value, page 24
- Our 4 fundamentals, page 25
- Responsible and conservative credit granting approach, page 84
- Our stakeholders, page 38
- Board committees, page 50
- Social responsibility, page 70
- Broad-based black economic empowerment, page 74
- Social, Ethics and Sustainability Committee report, page 59
- Our people are the heart of our business, page 63

## Strategy, performance and reporting

### **Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**

The short, medium and long-term strategy is formulated by Group EXCO and approved by the board. The board remains ultimately responsible for ensuring that its approved strategy is implemented and that the group's purpose is fulfilled. The

- Our 4 fundamentals, page 25

## Disclosure summaries

## References to full disclosures in our 2023 integrated annual report

board also accepts its responsibility to ensure that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board discharges its duty through policies and frameworks supported by 6 board committees.

- How the board functions, page 47
- Our strategy, page 32

### **Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.**

We believe that our integrated annual report should reflect our core fundamentals in the way we report. This report is our primary communication about our performance for the 2023 financial year and contains the full annual financial statements.

We base the information in the report on local and international requirements and frameworks.

Further reporting elements include our results presentation, SENS announcements and website.

The board takes responsibility for overseeing the integrity and completeness of the integrated annual report. Capitec's internal assurance providers, namely risk management, compliance and internal audit collaborate on combined assurance initiatives to support the board, and to effectively cover the group's significant risks and material matters.

The aim of Risk Data Aggregation and Risk Reporting (RDARR) is to enhance the infrastructure for information flow to the board and thus reporting key information used by the board and its committees to monitor risks and make decisions and ultimately supports the integrity of the integrated report. The board, the audit and the human resources and remuneration committees considered the accuracy and completeness of the integrated annual report and are satisfied with the reliability of all data and information.

- About this report, page 2
- Assurance regarding the annual financial statements in the report is provided in the independent auditor's report, page 139
- Governance structure for information flow, page 45
- Audit committee report, page 136

## Governing structures and delegation

### **Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.**

The board sanctions the strategic direction of the company and oversees the implementation of the approved strategy and fulfilment of the organisation's purpose. The board charter, which it reviews annually, sets out the role and responsibilities of the board, its membership requirements, authority and terms of reference.

The board or any of the individual board members are authorised within the scope of its responsibilities to: (i) seek any information it requires from any employee and all employees are directed to co-operate with any request made by the board; (ii) obtain outside legal or other independent professional advice and to secure attendance at board meetings of outsiders with relevant experience and expertise if it considers this necessary; and (iii) ensure the attendance of company officers or members of management at meetings as appropriate.

The board meets 6 times a year and a quorum comprises a majority of directors of which at least 50% must be non-executive.

The board is satisfied with the level of attendance at meetings, which enabled it to fulfil its responsibilities according to its charter.

- Attendance of board and committee meetings, page 51
- Our board, page 47

**Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**

We believe in inclusivity and equity at board level, subject to merit. We appoint directors according to a policy which prescribes a transparent process. The directors’ affairs committee, under leadership of the chairman, presides over board appointments. The composition of the board is reviewed annually by the directors’ affairs committee. The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, age, gender, race and culture. The board comprises of a majority of independent directors and the chairman of the board is independent. The board is comfortable with the degree to which its members apply their minds independently when considering factors that may impact the company and that they act with care, skill and diligence in the best interest of the company. The board has a policy on balance of power and authority to promote a clear balance of power and authority at the level of the board, to ensure that no one director has unfettered powers of decision-making. Each director has declared that he/she undertakes to: (i) act in good faith towards the Capitec group; (ii) avoids conflict between his/her other interests and the interests of Capitec group; (iii) place the interests of the Capitec group and its depositors above all other interests.

- Our leadership, page 55
- Our board, page 47

**Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.**

The board discharges its duty through policies and frameworks supported by 6 board committees, each comprising at least 3 members. The following committees, consisting of directors, are in place to deal with specific risks facing the group in a structured manner and in accordance with board-approved charters:

- Audit committee

The committee considers the combined assurance arrangements with a focus on internal audit, compliance and external audit. It evaluates the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group companies in the day-to-day management of their business. The committee considers the going concern status of the group. The committee considers the integrity of the annual financial statements and the sustainability matters forming part of the integrated annual report. The committee reports, dealing with the requisite disclosures in the annual financial statements. The audit committee reviewed the annual financial statements for correctness and recommended these for approval by the board. The committee considers the continuous independence of the external auditors.

- Directors’ affairs committee

The committee monitors the effectiveness of corporate governance and deals with matters relating to the nomination of new

- How the board functions, page 47
- Attendance of board and committee meetings, page 51
- Board committees, page 50 to 54
- Our leadership team, page 55
- Audit committee report, page 134
- Social, ethics and sustainability committee report, page 59

directors according to a board-approved policy, and the evaluation of the performance of the board and its committees.

- Risk and capital management committee (RCMC)

The fundamental purpose of the RCMC is to review the processes followed to identify risk, consider such risks and monitor the management of capital adequacy in the Capitec group environment in line with the most appropriate approach prescribed by Basel III and approved by the South African Reserve Bank. The committee must assist the board in reviewing the risk and capital management systems and processes and the significant risks facing the company. The committee monitors that risk assessment is performed continuously. The chairmen of the RCMC and the audit committee serve on the respective committees to facilitate increased effectiveness of the respective functions.

- Human resources and remuneration committee (REMCO)

The committee ensures that remuneration policies and practices are established in accordance with the provisions of the Banks Act, Insurance Act and regulations thereto. It ensures that practices are observed to attract and retain individuals to create sustainable value for all stakeholders.

- Social, Ethics and Sustainability Committee

The Social, Ethics and Sustainability Committee monitors the company's activities relating to social and economic development, good corporate citizenship and the environment so as to promote the collective wellbeing of society, thereby facilitating the sustainable growth of the Capitec group. The committee tracks the impact of the group's activities and service, with specific focus on client and employee relations. The committee sets strategic objectives for sustainability and monitors ESG management in the context of ESG principles.

- Large exposures committee

The committee is responsible for the approval of credit exposures in excess of 10% of bank capital on an ad hoc basis as may be required.

- Group executive committee (Group EXCO)

The committee conducts operational decision-making, implements board-approved strategic decisions and conducts ongoing approvals of an administrative nature.

All the committees are satisfied that they fulfilled their responsibilities according to their respective charters for the year.

## Disclosure summaries

## References to full disclosures in our 2023 integrated annual report

### **Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, supports continued improvement in its performance and effectiveness.**

The board is assessed annually via an internally conducted formal process that deals with individual directors and the board and its various committees. Board performance is conducted via a formal, current, board evaluation policy. The board is comfortable with the results of the assessment for the 2023 financial year and is satisfied that it continues to function well.

- Board performance and independence evaluations, page 49

### **Principle 10: The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.**

Our board-approved delegation of authority framework consists of charters and policies, with detailed roles and responsibilities as well as authority limits to individuals and committees. After consideration of the delegation of authority policy, the board charter and the terms of the Group EXCO charter, the board confirmed that it is satisfied that this delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

Our CEO is appointed by the board with the responsibility to lead the Group EXCO in the formulation and development of the group objectives and implementation of strategies approved by the board. The REMCO formally evaluates the performance of the CEO against agreed performance measures and targets at least annually. The REMCO is responsible for succession planning for the CEO. This is further discussed at the Directors' Affairs Committee.

Yolande Mouton is the company secretary of the Capitec group. The directors' affairs committee reviewed the qualifications, experience and competence of the company secretary through discussion and assessment and noted that the company secretary performed all formalities and substantive duties timeously and in an appropriate manner. The committee confirmed its satisfaction in all instances. The Board has access to corporate governance services through the company secretary and the directors' affairs committee has expressed their satisfaction with this arrangement.

- How the board functions, page 47
- The chief executive officer (CEO), page 50
- Attract and retain the best talent, page 64
- Company secretary, page 50
- Our leadership, page 55

## **Governance of functional areas**

### **Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

Capitec's risk management philosophy is based on a clear understanding of first line risk ownership, a mature risk culture and effective risk oversight to create a clear and comprehensive view of the risk landscape in the business. Capitec views risk management as a way to ensure that sustainable value is created for stakeholders in a responsible manner and to influence behaviour to best align with the Capitec risk appetite.

The board remains ultimately responsible for ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The board, through the RCMC, monitors the implementation of the risk strategy, approves the risk appetite and ensures risks are managed within tolerance levels.

Capitec's enterprise risk management policy provides the governance structure, risk appetite and the approach for our risk

- Risk management report, page 77
- Governance of risk, page 80

management discipline and guides Capitec to ingrain a prudent risk culture. It defines Capitec’s risk management universe, structure, policies and processes. The audit committee oversees a combined assurance model.

**Principle 12: The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.**

Information technology governance is implemented according to the Capitec IT governance policy and framework. The framework defines the IT organisational structure and the policies and procedures to facilitate good governance and compliance practices regarding IT. It provides guidelines and structures to ensure that our IT strategy is created, approved, reviewed and implemented to align with the business strategy, with a focus on our clients.

The Capitec information security policies and standards provide the basis on which controls are developed to protect sensitive client and business information systems.

Capitec has a dedicated team focusing solely on the protection, detection and response to cyber security within the bank. IT controls are tested regularly for weaknesses to improve security and response times through a combination of internal and external resources..

We continue our focus on staying abreast of regulatory requirements such as the Protection of Personal Information Act and RDARR, and on increasing Capitec’s ability to take informed risk decisions.

- Information technology (IT) risk, page 90
- Information and data risk, page 90

**Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**

South African financial institutions operate in a highly regulated environment that constantly changes. We proactively contribute to and manage our regulatory environment. Capitec endeavours to maintain healthy relationships with regulators and continued compliance with regulatory requirements.

Dedicated compliance functions across the group are tasked with managing compliance risks, as guided by the compliance framework, by identifying, assessing and monitoring the statutory and regulatory risks faced by the group, and to advise and report to senior management and the board on these risks. Our compliance policy, which forms part of the compliance framework, compliance manual and compliance programme, defines the ways in which the board and CEO are assisted to ensure we operate with integrity, comply with legal and regulatory requirements, and work according to ethical standards. We received no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with statutory obligations.

- Compliance, page 90
- Key legislative developments, page 91

**Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**

Our remuneration report comprises 3 parts. Part 1 consists of a background statement in the form of a letter from the REMCO chairman, reporting on factors that influenced the remuneration policy, and forward-looking approaches. Part 2 contains the remuneration philosophy and policy. Part 3 illustrates the implementation of the remuneration policy over the financial year.

- Remuneration report, page 105
- Key activities of the REMCO during the 2023 financial year

## Disclosure summaries

## References to full disclosures in our 2023 integrated annual report

The remuneration policy, governed by the REMCO, promotes the achievement of company strategic objectives and risk management to foster enduring value creation for stakeholders.

Input from stakeholders, including independent external remuneration consultants, serves to ensure that our remuneration policy remains suited to a continually changing environment. Following engagement with stakeholders, the remuneration policy was revised to include amendments to LTI vesting measures for new grants in 2024.

We believe the Capitec remuneration policy supports the long-term business strategy of the company.

Our leadership team successfully executed our strategic priorities for the year. The REMCO is satisfied with the implementation of the remuneration policy in the year and that the remuneration practices of the financial year comply with the remuneration policy and that there were no deviations from the policy.

We continually monitor developments in regulation, best practice and related changes in the market.

are detailed on page 107

### **Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.**

The board takes responsibility for overseeing the integrity and completeness of the integrated annual report. The board confirms that it applied its collective mind to the preparation and presentation of this report.

The audit committee and the RCMC are responsible for overseeing our combined assurance model and objectives, which include:

- enabling an effective internal control environment;
- supporting the integrity of information used for internal decision-making by management, the board and its committees; and
- supporting the integrity of external reports.

The purpose, authority and responsibility of the internal audit function are defined in an internal audit charter, which is approved and annually reviewed by the audit committee. The internal audit charter defines, among others, the role of internal audit in respect of the combined assurance model and prescribes that internal audit must comply with and conduct its work as per the International Professional Practices Framework of the Institute of Internal Auditors. The head of internal audit has direct access to the chairman of the audit committee, is not a member of the Group EXCO, but has a standing invitation to attend Group EXCO meetings. The annual internal audit plan is approved by the audit committee.

In compiling the integrated annual report, we considered all the reports submitted to the board and executive management committee for discussion, any stakeholder feedback, key risk factors and strategic objectives.

The audit, human resources and remuneration and social, ethics and sustainability committees considered the accuracy and completeness of the report and are satisfied with the reliability of the data and information.

- About this report, page 2
- Corporate governance, page 45
- Lines of defence model, page 79
- Audit Committee report, page 136
- Directors' report, page 137
- Risk management approach and oversight, pages 77



**Stakeholder relationships**

**Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.**

We engage with our stakeholders to ensure that we remain relevant in the market and in society at large. We take care to understand and address their legitimate expectations, as this enables us to create sustainable and shared value, and confirms our contribution as a responsible corporate citizen.

Responsibility for overall stakeholder engagement resides with the Group EXCO, who relies on different functions to engage with specific stakeholders. The Social, Ethics and Sustainability Committee carries governance responsibility for monitoring relationships with all stakeholders.

Our stakeholder groups remain constant. The topics of engagement change every year based on changes in our operating environment and client offering. We make daily trade-off decisions where we might prioritise a particular stakeholder’s interests. These decisions are always made to create better banking in line with our core fundamentals.

Our aim is to help the group make informed risk decisions. We also believe in a collaborative and cohesive relationship with the rest of the business to encourage transparency and trust and to ensure consistent practices.

- Our stakeholders, pages 38
- Talent development, page 65
- Broad-based black economic empowerment, page 74
- Enterprise risk management framework, page 78