



# Board appointment policy

## **Purpose**

Policy on the nomination and appointment of individuals to the boards of Capitec Bank Holdings Limited and Capitec Bank Limited

## **Adherence**

Capitec board

Next review: February 2021

## 1. Policy

- 1.1 Nomination of individuals to the boards of Capitec Bank Limited (Capitec Bank) and Capitec Bank Holdings Limited (Capitec) is the responsibility of the Directors' Affairs Committee.
- 1.2 The final appointment is subject to the approval of the Prudential Authority ("PA") and is the responsibility of the full board.
- 1.3 All new appointments to the board must be confirmed by shareholders at the first annual general meeting of shareholders following the appointment of a director.

## 2. Procedure

- 2.1 The Directors' Affairs Committee or a sub-committee appointed by it to evaluate the performance of the Board, shall at least annually:
  - 2.1.1 Categorise all directors as executive, non-executive or independent non-executive.
  - 2.1.2 Review whether the ratio of non-executive and independent non-executive directors are appropriate and will, under normal circumstances continue to be appropriate for the next 12 months;
  - 2.1.3 Review whether the composition of independence, academic qualifications, technical expertise, relevant industry knowledge, experience, age, race, culture and gender of the board effectively enables the board to fulfil its purpose of strategic leadership.
  - 2.1.4 Should a need be identified to strengthen certain attributes or the independence of the board, a process will commence to identify candidates that will be fit and proper to fulfil the required role.
- 2.2 The Board shall ensure that new directors are appointed timeously to the Board to ensure continuity of the Board as a whole.
- 2.3 All directors are invited to propose candidates for appointment to the Board. If no proposals are forthcoming, a recruitment agency will be appointed to identify individuals with the required competencies. It is to be noted that a prerequisite for appointment to the board is that the individual must confirm that he/she has sufficient time available to prepare for each board and board committee meeting. Sufficient time is defined as at least 16 hours per formal board meeting and 6 hours per formal committee meeting.
- 2.4 Unless the Prudential Authority in its sole discretion approves otherwise in writing, none of the following individuals may be appointed as a non-executive director of Capitec Bank or Capitec Bank Holdings within a 12 month period from being employed at, or providing services to (as may be applicable), the bank or Capitec:
  - Executive director
  - CEO
  - Executive officer (as defined in the Banks Act and includes executive manager, executive management or senior executive management)

- Designated external auditor directly or indirectly responsible for performing the statutory audit, or a key member of the external audit team directly or indirectly responsible for performing the statutory audit
- The curator of the bank or Capitec

Any of the individuals listed under paragraph 2.4, earmarked for appointment to the board, shall not, during the required 12-month cooling-off period, hold a position, or have an association with the bank or its holding company that may cause biased decision-making, when judged from the perspective of a reasonable and informed third party.

- 2.5 When an individual is identified as a potential board member of Capitec, Capitec Bank or any other company in the Capitec group, the individual's background must be scrutinised, inclusive of PEP (politically exposed person), DPIP (domestic prominent influential person) and sanction screening. This must be done to ensure that the individual has not been declared delinquent or is not serving probation in terms of section 162 of the Companies Act, 2008 and must serve to verify the individual's qualifications and experience.
- 2.6 A proposal must be submitted to the directors' affairs committee for consideration. This proposal must include the following:
- 2.6.1 Relevant individual's qualifications.
- 2.6.2 Relevant individual's experience.
- 2.6.3 Summary of any adverse information found in the media or confirmation that a search of public media revealed no undesirable reports.
- 2.6.4 Potential conflicts of interest
- 2.6.5 Outcome of the investigation as stated in section 2.5.
- 2.6.6 In the case of a non-executive director, a statement on the independence of mind of the individual, (ability and willingness to express his/her opinion on matters) given his/her responsibilities on the board and taking into account the company's business and risk profile.
- 2.6.7 Number of boards that the individual is a member of:
- 2.6.6.1 The individual must have appropriate time available to prepare for meetings, for at least 16 hours per official board meeting and at least 6 hours per official board committee meeting.
- 2.6.6.2 If the individual is in full time employment, then he/she may sit on a maximum of two listed company boards, in addition to Capitec's, on condition that he/she will be able to spend the required time to prepare for Capitec board meetings. For as long as Capitec Bank and Capitec's board meetings are combined, the two boards will be considered as one for purpose of this requirement.
- 2.6.6.3 A director that represents a significant shareholder that is an investment company with holdings in various companies on which this director also serves, will not be disqualified from Capitec board membership due to the number of listed company boards that he/she is a member of exceeding the above mentioned prescribed maximum.
- 2.6.6.4 If a director serves on the Audit Committee or the Risk and Capital Management

Committee, the time required to prepare for that committee can be deducted from the 16 hours prescribed to prepare for a board meeting.

- 2.7 Individuals will not be appointed if they have conflicts of interest that may impede their ability to perform their duties independently and objectively and subject them to undue influence from inter alia:
- other persons (such as management or shareholders);
  - past or present positions held; or
  - personal, professional or other economic relationships with other members of the board or management (or with other entities within the group)
- If a conflict of interest arises during a director's tenure that is deemed to be material by the board, such director may be required to resign from the board.
- 2.8 if the candidate being nominated for appointment to the Board falls within the definition of a DPIP as defined in the Financial Intelligence Centre Act, consideration will be given to whether such an appointment presents a risk to the company (including from a reputational, corruption and anti-money laundering perspective) and such a candidate will be subject to greater scrutiny. If the appointment of a DPIP is deemed to pose a risk, further reasonable steps must be taken to clarify such potential risk, such as obtaining declarations and determining the source of the DPIP's (including associates and family members) wealth.
- 2.9 The Directors' Affairs Committee evaluates the proposal and the knowledge and skills requirements of the board. If the Directors' Affairs Committee is satisfied, approval will be given that the individual may be approached.
- 2.10 If the individual consents, a proposal to nominate the said individual to the Board is submitted to the full board for consideration.
- 2.11 Board approval of the appointment of any individual to the Boards of Capitec Bank and/or Capitec, is subject to the consent of the Prudential Authority.
- 2.12 Any nomination to the above stated boards must be submitted to the Prudential Authority at least 30 days prior to the effective appointment date. The Prudential Authority has 20 business days to object to the individual's appointment to the board of Capitec Bank or Capitec.
- 2.13 The JSE Listings Requirements Schedule 21 declaration must be signed by all new directors and submitted to the JSE.
- 2.14 Appointments to the board of Capitec must be announced on the JSE Securities News Service (SENS).
- 2.15 A written confirmation to serve on the Board must be submitted to the Company Secretary by each new director as well as upon re-appointment by shareholders after a director has retired by rotation at an agm.
- 2.16 At the first annual general meeting of shareholders after the new appointment has been made, a resolution must be put to shareholders for confirmation of the appointment.
- 2.17 New directors must receive formal induction in the Capitec business environment via:
- 2.15.1 Discussions with the chairman of the board, chief executive officer, financial director, company secretary and members of the executive management committee to facilitate understanding of the business.

- 2.15.2 The Director Induction file prepared by the Secretarial department.
- 2.15.3 The Banking Board Leadership Programme presented annually by the Gordon Institute of Business Science (GIBS).
- 2.15.4 The Board will ensure ongoing training at least annually, on key matters.
- 2.15.5 Regular presentations to the Board by senior management on key issues pertinent to the bank.