

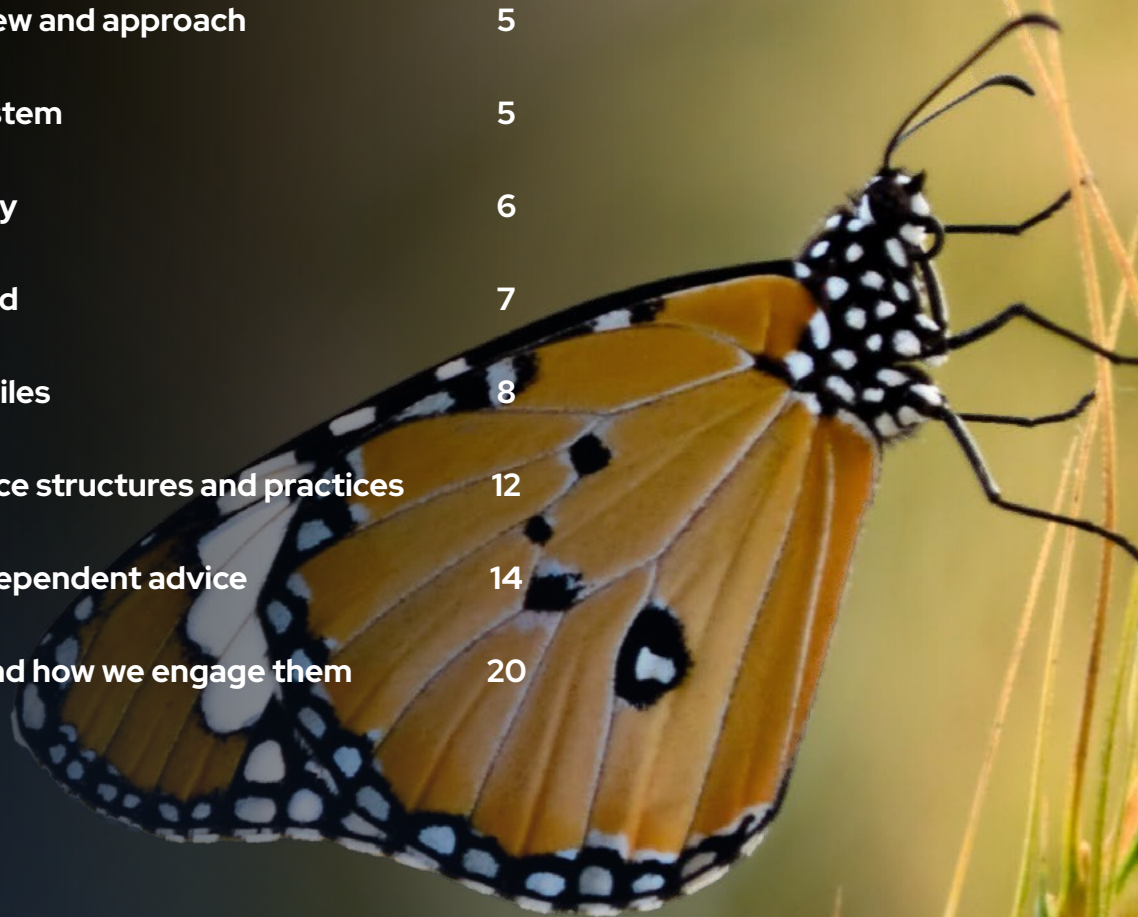


Governance
Report
2023

Capricorn Group

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About this governance report

This is our third standalone governance report ("the report") for Capricorn Group Ltd ("the Group" or "Capricorn Group").

The report reflects our governance approach and application of the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™"). It also adheres to reporting requirements related to:

- > The Namibian Companies Act, 28 of 2004 ("Companies Act of Namibia")
- > The Namibian Stock Exchange ("NSX") Listing Requirements
- > The Namibian Banking Institutions Act, 2 of 1998
- > The Botswana Banking Act, 13 of 1995

We focus on the way the board of directors ("board") contributed to the Group delivering on its purpose and ensured that the Group continued to create value for the financial year from 1 July 2022 to 30 June 2023 ("the year"). The report is aimed primarily at providers of financial capital.

The entities that constitute the Group are set out in the integrated annual report.

The governance report forms part of a suite of reports that are referenced throughout this report:

- > Integrated annual report with summarised annual financial statements
- > Annual financial statements
- > Risk report
- > King IV™ index



We use King IV™ icons throughout the report to indicate evidence of the application of specific principles. Further disclosures are covered in the other elements of the reporting suite.

This report was compiled with input from the executive leadership team, and finally approved by the board on 12 September 2023. The board acknowledges its responsibility to ensure the integrity of the report, and the members applied their collective minds during the preparation and final approval of the report.

Additional governance information is available online at www.capricorn.com.na. For more information or feedback on this report or any other elements listed above, contact Hellmut von Ludwiger on Hellmut.vonLudwiger@capricorn.com.na or +264 61 299 1301.



Principle 1: The governing body should lead ethically and effectively.



Principle 2: The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.



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



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.



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.



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



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.



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.



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, support continued improvement in its performance and effectiveness.



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



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



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



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.



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.



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.



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.



Principle 17: The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

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“Due to our **collective agility** and resilience, the Group has **effectively navigated** a difficult operating environment.”

Message from the chairperson

The Capricorn Group has strong values and a purpose-driven approach. In all board discussions, we consider the Group's purpose: to improve lives through leadership in financial services by being Connectors of Positive Change.

We are proud to present our governance report for 2023. This report is part of our annual reporting suite, which demonstrates our continued dedication to transparent reporting and disclosure. As always, we are open to engaging with our stakeholders to better understand and meet their information needs.

A strong performance for 2023

Despite challenging operating conditions, 2023 was a successful year for Capricorn Group with a solid financial performance and continued execution against strategy. While COVID-19 hindered our performance in 2022, economic recovery was clearly evident across Namibia and Botswana in the current year. Our revenue now exceeds pre-pandemic levels, indicating that we have moved beyond the recovery phase and are now in the growth phase. Our profit after tax increased by 28.7% to N\$1.47 billion (2022: N\$1.15 billion), while our annualised return on equity ("ROE") increased to 17.6%.

While this economic recovery is pleasing, the board is concerned about structural economic challenges in Namibia and Botswana. Some customer segments continue to face financial strains, which can be seen through rising impairments, partly caused by higher interest rates that were raised to bring inflation under control. In Namibia, market liquidity has improved, and the cost of funding has decreased. Botswana operates in a different environment and while the economy is growing faster than that of Namibia, the cost and availability of funding make it a tougher environment for financial services.

In 2023, we completed phase 1 of the #gobeyond programme. The programme achieved its objectives of lowering cost-to-serve while improving the overall customer experience. This year, the Group focuses on redesigning Bank Windhoek and Bank Gaborone's in-branch customer experience and the onboarding journeys for the most common transactional accounts. Here, the aim is to simplify future bank engagements while also improving security through biometrics. The programme, which has delivered results in increased transaction volumes and improved customer satisfaction, has positioned our banks for their next level of growth.

While we have signed off on phase one of #gobeyond, this is just the beginning of our digital transformation journey. The Group, with oversight from the board and Group board IT committee ("GBITC"), is refining what the next steps in this journey will be. This will include leveraging the digital core we have established and exploring new technologies as well as artificial intelligence capabilities. We are confident that our current and future investments in building a strong digital foundation will ultimately lead to the opening of new markets and revenue sources.

Read more about #gobeyond on page 29 of our integrated annual report.

Commemorating the 10th anniversary of our listing on the NSX

In June 2013, Bank Windhoek Holdings listed on the Namibian Stock Exchange ("NSX"), one of the first Namibian banks to make a public offering. Our aim was to create prosperity for Namibians, contribute to the nation's economic growth and unlock value for our employees. As a publicly traded company, we have enabled our employees to share in our success through share trading and investment returns. This created a strong sense of accountability and ownership among employees.

Over the past decade, we have enjoyed the reputational benefits of being a listed business. These benefits include an elevated profile in the media and among the public. Today, we are now well regarded as a trusted, transparent and conscientious corporate citizen. In the ten years after we listed, we have distributed N\$3 billion in dividends to shareholders, almost all of whom are Namibians.

Read more about our listing in the integrated annual report on page 3.

Governance in 2023

Capricorn Group has always been well-governed. This strong corporate governance and prudent management provided a solid foundation for consistent growth.

In 2023, the board focused on guiding the group through a difficult macroeconomic environment, assessing progress on the Group's strategy and addressing reputational matters, including a heightened focus on sustainability. Capricorn Group is fortunate to have a stable board, and there were no changes to the board or its committees in 2023. Our annual board evaluation confirmed that our terms of reference are relevant, with no gaps identified. In addition, our board packs and agendas address the major issues and are well executed.

We explain our approach to recruitment and board composition on page 13.

In 2023, we continued to build on our sustainability efforts. At the Board strategy day held in March 2023, we reviewed the Group's strategy and expanded the strategy from three strategic choices to five. The first additional choice relates to an integrated leadership approach across the Group. Importantly, we added sustainability as a new strategic choice. This decision builds on years of board and management focus on sustainability.

Read more about sustainability as a strategic choice on page 36 of our integrated annual report.




We believe that ethical behaviour is the cornerstone of a successful organisation. Our formal ethics journey began in 2015 when Bank Windhoek assessed its ethics risk agenda and organisational structure using The Ethics Institute of South Africa's Ethics Management Framework and NamCode considerations. In 2023, "Conducting business the right way" is the Group's number one material matter. In 2023, we bolstered our ethics initiatives by producing a series of corporate theatre videos supported by a communications plan to educate employees on what it means to conduct business the right way. We also commissioned an independent ethics risk assessment by the Ethics Institute of South Africa of all Group subsidiaries.

Read more about our ethics initiatives on page 27 of our integrated annual report.

The board and its committees are the custodians of effective leadership and ethical practices. We will continue to embrace the principles of good corporate governance, including transparency, discipline and accountability.

Gerhard Fourie
Chairperson



We believe that **ethical behaviour** is the cornerstone of a **successful organisation.**"
– Gerhard Fourie, Chairperson

Governance overview and approach

Capricorn Group and its subsidiaries are committed to the principles of sound corporate governance, which are characterised by discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. By subscribing to these principles, the Group believes that all stakeholders’ interests are promoted, and long-term value is created.

The board and its committees are responsible for establishing effective leadership and ethical practices, and for ensuring the application of appropriate governance practices to deliver the desired outcomes.

The board accepts that the leadership tone is set from the top. The work done in embedding The Capricorn Way signals the emphasis on creating an ethical culture with behaviours based on a common set of values. We are also entrenching a Risk Culture that supports dynamic risk management.

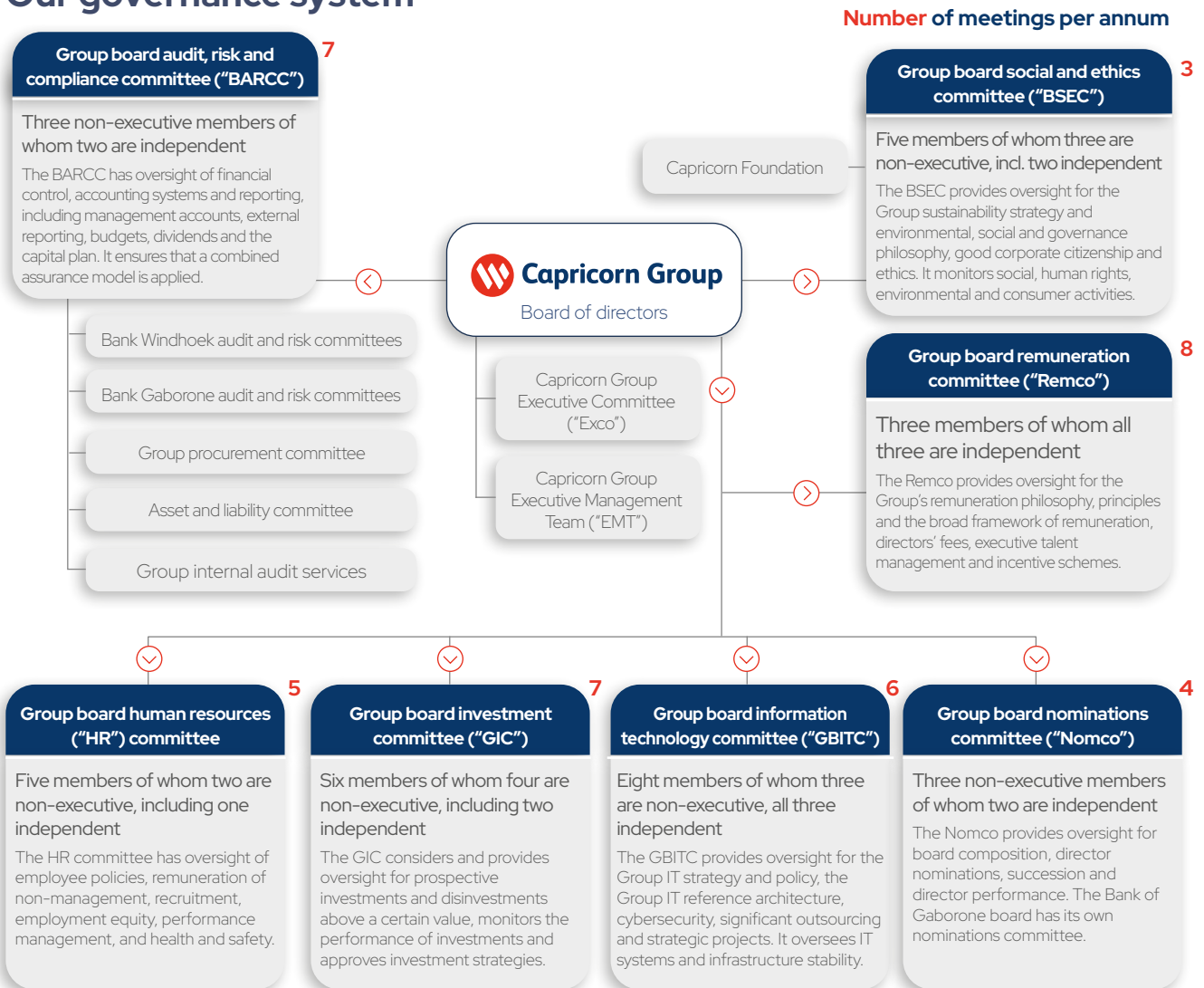
Eight board members are shareholders of Capricorn Group and seven hold less than 5% of total shares. Dealing in shares is governed by a policy that sets out practices for approval requirements, disclosure principles and closed-period rules, among other things. Board members are

required to observe section 242 of the Companies Act of Namibia, which deals with the disclosure of interests. Where appropriate, board members recuse themselves from discussions or decisions on matters involving potential conflicts of interest unless these matters are resolved otherwise by the Group chairperson or by the remaining board members.

Key board practices and activities focus on:

- > Open and rigorous discussion
- > Active participation
- > Consensus in decision-making
- > Independent thinking and alternate views
- > Reliable and timely information

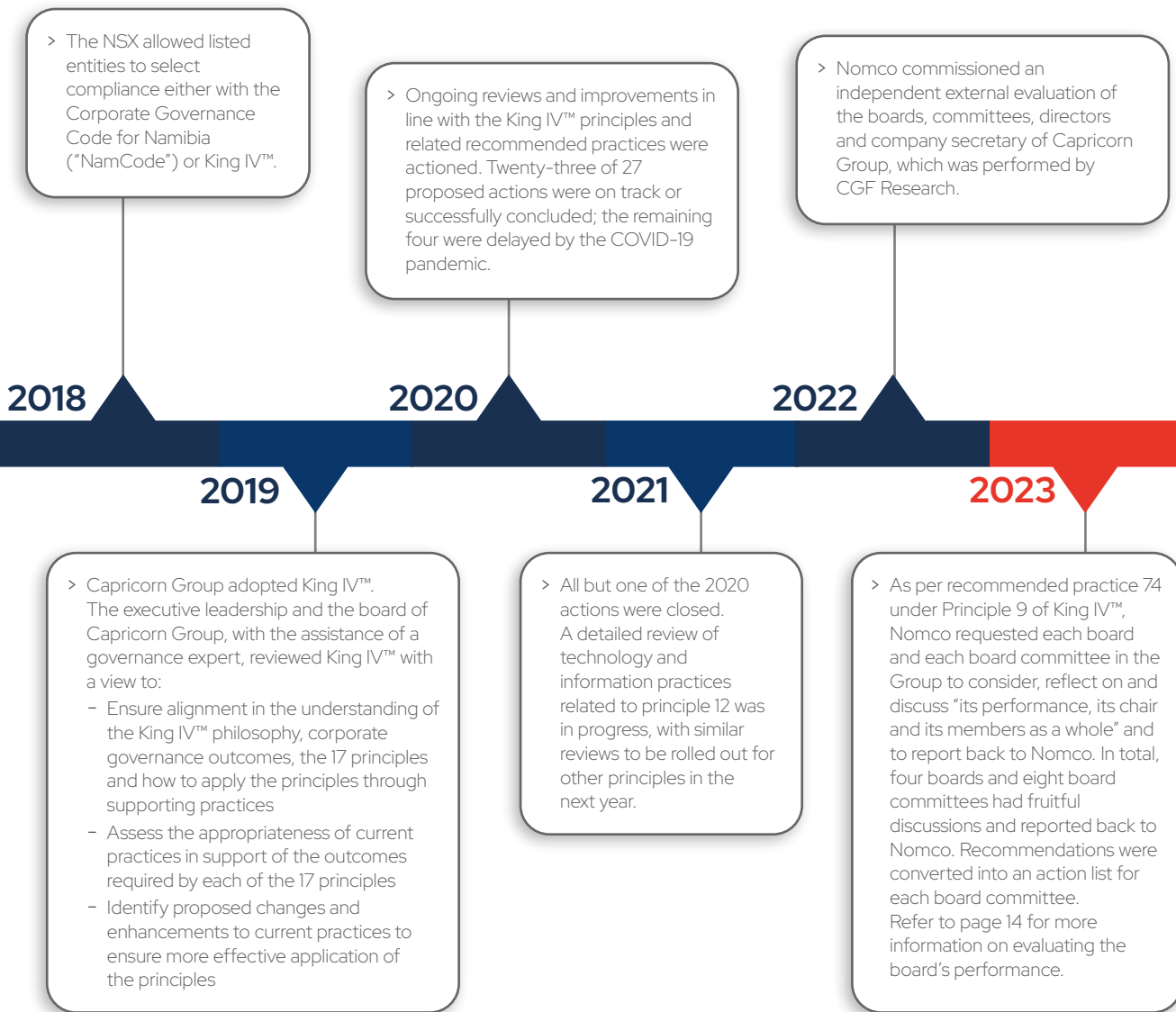
Our governance system



The board follows a structured approach to meetings, supported by a timely flow of documents to ensure that the oversight responsibilities of the boards of subsidiaries, as well as the Group board and its committees, are carried out effectively.



Our King IV™ journey



In line with King IV™, the board focuses on outcomes and considers progress according to the four main outcomes:

Ethical culture

Our ethical culture is based on zero tolerance towards non-compliance with core legislation in the jurisdictions in which we operate. It is also characterised by transparency, where all stakeholders are empowered to be whistleblowers against unethical behaviour. We want our culture to be recognised for our values of being inspired, open and dedicated. Read more about ethics at Capricorn Group on page 27 of the integrated annual report.

Good performance

The board meets quarterly. At each meeting, entity operational overviews and consolidated results are presented and approved by the board. At the June meeting, the board considers the annual budget with a three-year forecast per entity and consolidated. These discussions and approvals are done against the board's expectation of good performance given external influences, risk mitigation, the regulatory environment and competitor results. Where targets are not met, corrective action is discussed and initiated.

Effective controls

Capricorn Group is part of a financial services sector that is highly regulated to ensure a stable and trustworthy system. The board ensures controls are effective by using internal and external resources to test controls through a combined assurance model. It also uses scenario analysis to test capital and liquidity, among other things. Read more in the 2023 risk report, which is available online.

Legitimacy

The board supports various initiatives and investments to engage and support stakeholders. The extent to which our material matters involve and include stakeholder feedback is evidence of the Group's intent to develop quality relationships built on feedback and responsiveness. The level of engagement and approaches experienced by stakeholder groups is further evidence of the Group's status as a legitimate financial services provider and of its wider contribution to communities in Namibia and Botswana.

For a summary of the King IV™ principles and how Capricorn Group has applied them, please refer to our website: <https://www.capricorn.com.na/Pages/About-Us/Corporate-Governance.aspx>

The role of the board

The board plays a pivotal role in the Group’s corporate governance system. Intellectual honesty is an overriding commitment in the board’s deliberations and approach to corporate governance.

The board defines the Group’s purpose and approves its strategic intent and choices. These are considered to be clear, concise and achievable.

The Group’s strategy is considered, evaluated and agreed upon every year before the annual budget is approved. Implementation is monitored quarterly at board and executive meetings. Read more about the Group’s strategy in the integrated annual report on page 34.

The board ensures that procedures and practices are in place to protect the Group’s assets and reputation, and mitigate risk. Read more about the governance of risk management, including processes and structures, in the risk report.

The board is governed by the board charter, which regulates how the board conducts its business. The charter sets out the specific responsibilities to be discharged by the board members collectively and the Group CEO and Group chairperson in their respective capacities.

The charter also sets out a schedule of matters reserved for the board’s decisions. It details key aspects of the Group’s affairs that the board does not delegate, including the approval of business plans and budgets, material expenditure and alterations to share capital. This framework clarifies roles and ensures the effective exercise of authority and responsibilities.

The board is satisfied that it fulfilled its responsibilities in terms of the board charter for 2023.

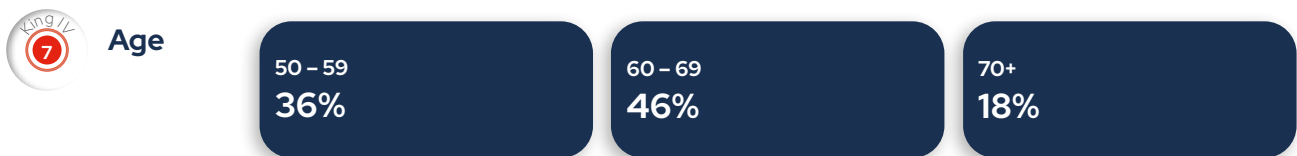


Board leadership, composition and diversity

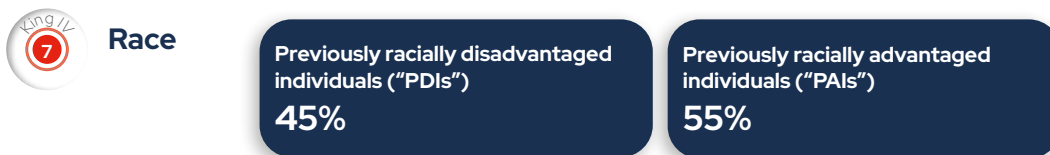
Capricorn Group has a unitary board consisting of an appropriate mix of executive, non-executive and independent directors. The size of the board is dictated by the company’s articles of association, which require a minimum of five and a maximum of 12 directors.



Nomco assessed the independence of the non-executive directors classified as independent and confirmed their continued classification as independent. Johan Swanepoel, Gida Sekandi and Koos Brandt have all served more than nine years. Koos Brandt is not classified as independent. The independent classification for Johan Swanepoel and Gida Sekandi was reassessed and confirmed.



The national banking regulator, the Bank of Namibia, published a revised “Determination on the Appointment, Duties and Responsibilities of Directors, Principal Officers, and Executive Officers of Banking Institutions and Controlling Companies (BID-1)” in December 2022. The revised BID introduced a limitation on the age of non-executive directors of 70 years, after which the regulator’s approval is required for a director to continue serving as a non-executive director.



The board aims for a PDI ratio of 50%.



The board aims for a female component of at least 30%.

The board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence but keeps an eye on enhancing the appropriate mix.

Board member profiles



Daniel Gerhardus Fourie (65)

BCom (Hons), CA(SA), CA(Nam)

Independent non-executive board chairperson

- > Member of the Group board remuneration committee ("Remco")
- > Member of the Group board nominations committee ("Nomco")
- > Member of the Group board investment committee ("GIC")

Appointed to the board in 2015

Gerhard Fourie has 35 years' experience as a chartered accountant. He was a partner with EY (formerly Ernst & Young) for 28 years until his retirement as managing partner of EY Namibia in June 2015. Gerhard completed a post-graduate management development programme at the University of Cape Town Graduate School of Business and an advanced leadership programme at GIBS, and was a member of the Institute of Chartered Accountants Council until 2015.

His other board memberships include Bank Windhoek Ltd, and he is chairperson of Namib Bou (Pty) Ltd and the Capricorn Foundation.



Daniel Teodor Kali (54)

BA, MPhil

Lead independent non-executive director

- > Member of the Group board social and ethics committee ("BSEC")

Appointed to the board in 2021

Daniel Kali is resident director for the De Beers Group in Namibia and has nearly 30 years' experience in the diamond industry. He is the deputy chairperson of Namdeb Diamond Corporation, Chairperson of the M&Z Group, as well as a director of several De Beers Group companies in Namibia.



Marthinus Johannes Prinsloo (52)

BCompt (Hons), CA(SA), Cert.Dir.

Group CEO and executive director

- > Member of the Group board human resources ("HR") committee
- > Member of the Group board investment committee ("GIC")
- > Member of the Group board social and ethics committee ("BSEC")
- > Member of the Group board IT committee ("GBITC")

Appointed to the board in 2013

Thinus Prinsloo joined Capricorn Investment Holdings in July 2011 and was appointed as managing director of Capricorn Group from 1 January 2016. Before joining the Group, Thinus worked at Absa in South Africa where he held various positions, including the head of integration. Prior to that, he worked as a business strategy consultant at IBM and PwC. Thinus qualified as a chartered accountant while working at PwC in South Africa and the corporate finance division in the UK. He completed a number of executive programmes at the Gordon Institute of Business Science ("GIBS"), the University of Cape Town Graduate School of Business and, most recently, the Oxford Advanced Management and Leadership Programme at Saïd Business School. In 2021 he qualified as a Certified Director.

He is a director on various boards in the Capricorn Group and the Sanlam Namibia group. In 2021, he chaired the national Business Rescue Task Force at the request of the President of Namibia, Dr Hage Geingob.



Gida Nakazibwe-Sekandi (70)

LLB, Accredited Public Relations Practitioner (APR)

Independent non-executive director

- > Chairperson of the Group board social and ethics committee ("BSEC")
- > Chairperson of the Group board remuneration committee ("Remco")

Appointed to the board in 2004

Gida Nakazibwe-Sekandi joined the banking industry in August 2000 when she was appointed as executive officer: marketing and corporate communication at Bank Windhoek. In 2008, she was appointed as executive director of Capricorn Investment Holdings. Gida is a founding member of the Public Relations Institute of Southern Africa ("PRISA") Namibia. She has served in various executive roles, including as head of industrial relations and communications and head of corporate affairs at Rössing Uranium. She served in the ministries of justice in Uganda and Zimbabwe as state attorney and public prosecutor, respectively.

Gida is a director of several companies in the Capricorn Group, Capricorn Investment Holdings Ltd and Welwitschia Insurance Brokers Ltd. She invests her time pro bono in various social institutions, including MSR, Women at Work and the Capricorn Foundation.



Elize Fahl (63)

Certificates in Human Resources Management, Management Development Programme

Independent non-executive director

- > Member of the Group board human resources ("HR") committee

Appointed to the board in 2021

Elize Fahl has been the Principal Officer of Bankmed Namibia since 1997. She is a generalist human resources professional with over 38 years' experience and registered her own people-centric business Flexona Organisational Services in 2016. She was a strategic business partner and Exco member at Standard Bank Namibia from 2006 to 2016. She was a senior manager for human resources and later executive officer: Group human resources in Capricorn Group. She is the chairperson of Women at Work.



Jacobus Christiaan Brandt (80)

BALLB

Non-executive director

- > Member of the Group board investment committee ("GIC")
- > Member of the Group board nominations committee ("Nomco")

Appointed to the board in 1996

Koos Brandt is a founding member of Bank Windhoek. He was appointed as chairperson of the board of Bank Windhoek on 1 April 1982 and was chairperson of Capricorn Group from its inception in 1996 until 30 June 2017. He practised as a commercial lawyer for more than 30 years at Dr Weder, Kruger & Hartmann (now Dr Weder, Kauta & Hoveka).

He is a director of several companies in the Capricorn Group and also holds board positions at Capricorn Investment Holdings Ltd, Namibia Strategic Investments (Pty) Ltd and Infocare International Ltd.



Goms Menetté (56)

MBA, PGDip in Management Studies, NDip in Business Administration

Non-executive director

- > Chairperson of the Group board human resources ("HR") committee
- > Member of the Board audit, risk and compliance committee ("BARCC")

Appointed to the board in 2018

Goms Menetté is the Deputy Auditor-General of Namibia. He was the deputy director for internal audit of the Ministry of Finance. Until 2021 he was a trustee and the chairperson of the board of trustees of the GIPF and a member of the GIPF's investment and audit and risk committees. He served on the board of Air Namibia for seven years until 2012 and chaired the airline's audit committee. He also served on the Road Fund Administration's audit committee from 2001 to 2004.



Johannes Jacobus Swanepoel (63)

BCom (Hons) (Accounting), CA(SA), CA(Nam)

Independent non-executive director

- > Chairperson of the Group board nominations committee ("Nomco")
- > Member of the Group board remuneration committee ("Remco")
- > Member of the Board audit, risk and compliance committee ("BARCC")
- > Member of the Group board investment committee ("GIC")

Appointed to the board in 1999

After joining Coopers & Lybrand (now PwC) in 1980, Johan Swanepoel qualified as a chartered accountant in 1982. He was elected managing partner of the firm in Namibia in 1989. He was appointed as managing director of Bank Windhoek and a director of Capricorn Group on 1 July 1999. In 2005 he took up the position of group managing director of Capricorn Investment Holdings. Upon his retirement from this position in 2017, he accepted the role of chairperson of the board of Capricorn Group, from which he retired on 31 December 2021, as well as the role of chairperson of Bank Windhoek, which he continues to hold.

Johan is a director of several companies in the Capricorn Group. He is also a director of Capricorn Investment Holdings Ltd, Namibia Strategic Investments (Pty) Ltd, Kuiseb Investments (Pty) Ltd and Infocare International Ltd.



Erna Solomon (61)

BSc (Ed), BSc (Hons), MSc, Global Executive Development Programme

Independent non-executive director

- > Chairperson of the Group board IT committee ("GBITC")

Appointed to the board in 2019

Erna Solomon is a seasoned financial services technology and information executive with experience as a chief operating officer, chief information officer and executive director. She was previously a global partner at a big four consulting firm where she advised South African and international banks. Erna has a deep understanding of wholesale and retail banking products and services and has been instrumental in advising on payments transformation and digital banking implementation including central bank registration. She has developed and implemented board training on King IV™ as well as technology and information strategy and governance at various large institutions. Erna is the managing director of Cyan EA, a financial services IT consulting company focusing on strategy, enterprise architecture and digital transformation.



Heinrich Mihe Gaomab II (53)

BCom (Hons), PGDip and MSc in Quantitative Development Economics

Non-executive director

- > Chairperson of the Group board investment committee ("GIC")
- > Member of the Group board social and ethics committee ("BSEC")

Appointed to the board in 2018

Mihe Gaomab is the CEO of the Namibia Industrial Development Agency ("NIDA"). Previously, he was an executive director at the African Development Bank after serving as the CEO of the Namibian Competition Commission until 2016. He was a deputy director of the Southern African Customs Union until 2009. He was the chairperson of the board of trustees of the Government Institutions Pension Fund ("GIPF") from 2011 to 2016 and is the founding president of the Namibian Economic Society.

His other directorships include Capricorn Unit Trust Management Company, NIDA and the GIPF.



Dirk Johannes Reyneke (61)

BCom, BCompt (Hons), CA(SA), NDip in Advanced Banking

Independent non-executive director

- > Chairperson of the Board audit, risk and compliance committee ("BARCC")
- > Member of the Group board IT committee ("GBITC")

Appointed to the board in 2017

Dirk Reyneke was a partner at EY for 14 years, including the Gauteng Financial Services Group and Gauteng head of banking. In 2006 he joined Absa Retail Bank as CFO. Other positions at Absa included head of finance and operations and later chief operating officer for Absa Retail and Business Bank. Since 2012 he has been employed by Telkom Group, where he is now the Group CFO. Previous positions at Telkom included CFO for Openserve, Gyro Group, Telkom's property division, Telkom Mobile and head of integration tasked with integrating Telkom Enterprise and Business Connexion. He is also a member of the boards of various Telkom companies including BCX (Pty) Ltd, Swiftnet SOC Ltd, Gyro group of companies and Trudon (Pty) Ltd.



Effective governance structures and practices

Meeting attendance

Each board committee has an executive lead to coordinate meetings and prepare documentation. The board meets a minimum of four times a year, with board committee meetings normally held two weeks prior to board meetings. Feedback reports from the committees to the board include feedback on key matters discussed, key decisions taken, and matters referred to the board.

BARCC, in particular, has an oversight responsibility on behalf of the Group regarding key audit, financial and risk matters dealt with by the board audit and risk committees of Group subsidiaries. To assist the Group BARCC in discharging this responsibility, the chairpersons of the BARCCs, Group subsidiaries' board audit committees ("BACs") and board risk and compliance committees ("BRCCs") submit letters of representation to the Group BARCC chairperson. The Group CEO also attends all the subsidiaries' audit and risk committee meetings. See the diagram on page 5 for details of this structure.



Attendance at meetings during the year was as follows:

Director	Category	Group board					Group board investment		BSEC	GBITC
		Board	BARCC	HR committee	Remco	Nomco	committee			
	Meetings held	6	7	5	8	4	7	3	6	
D G Fourie	Independent non-executive Chairperson	6*			7	4	7			
J C Brandt	Non-executive	2				3	6			
E Fahl	Independent non-executive	6		4						
H M Gaomab II	Non-executive	6					6*	2		
D T Kali	Independent non-executive	6						3		
G Menetté	Non-executive	6	7	5*						
G Nakazibwe-Sekandi	Independent non-executive	6			8*			3*		
M J Prinsloo	Group CEO	6		5			6	3	6	
D J Reyneke	Independent non-executive	5	7*						4	
E Solomon	Independent non-executive	6							6*	
J J Swanepoel	Independent non-executive	6	7		8	4*	5			

* Chairperson.

Board appointments, induction and training



No new board appointments were made during the year. The directors attended training on the board's role in terms of the Contingency Funding Plan ("CFP"), provided by Bank Windhoek's treasury department. In addition, ethics training was provided in cooperation with The Ethics Institute, while Financial Crime Risk Management Consultants ("FCRMC") assisted with training on anti-money laundering, combating the financing of terrorism, and countering proliferation financing ("AML/CTF/CPF").

Procedures for appointment to the board are formal and transparent. Nominations for appointment as members of the board are recommended by Nomco, which is chaired by an independent non-executive director, and all members of which are non-executive directors.

Background and reference checks are performed before the nomination and appointment of new directors.

New board members hold office until the next AGM, when they become available for re-election. Executive directors are engaged on employment contracts, subject to short-term notice periods unless longer periods are approved by the board.

On appointment, all directors attend an induction programme to deepen their understanding of the Group, business environment and markets in which the Group operates. This includes background material, meetings with senior management and visits to the Group's facilities. All board members are expected to keep abreast of changes and trends in the economic, political, social and legal landscape in which the Group operates. Where appropriate, significant developments that impact the Group and of which the board needs to be aware are highlighted via the governance structures and process.

Group chairperson, lead independent director ("LID") and Group CEO



The Group chairperson, Gerhard Fourie, is an independent non-executive director. The board has appointed Daniel Kali as LID. His role and responsibilities are set out in the board charter. They include serving as a nexus between executive and non-executive directors, where a more stringent observation of independence is required. This relates to situations where the independence of the Group chairperson may be questionable or impaired, including discussions about the succession and performance appraisal of the Group chairperson.



The Group CEO is appointed by the board, and Nomco, on advice from Remco, attends to his succession.



The board is of the opinion that the governance structures and processes in place provide an adequate scope and means to challenge, review, balance and mitigate undue influence by any particular director.

Board decisions are robustly deliberated and consensus-driven. The board is satisfied that the Delegation of Authority Framework contributes to role clarity and the effective exercise of authority and responsibilities.

Our board recruitment process



New regulations for board appointments and tenure

The Bank of Namibia issued a new BID (BID-1) on the appointment, duties and responsibilities of directors, principal officers and executive officers of banking institutions and controlling companies, effective 16 December 2022.

The determination sets out guiding principles relating to corporate governance and aims to ensure that only "fit and proper" persons are appointed. The BID softened the following restrictions, compared to the 2020 version:

- > The restriction that a person nominated for appointment as a board member at a banking institution or controlling company must not serve simultaneously on more than two boards is only applicable to full-time employees, and the regulator can grant exceptions on a case-by-case basis.
- > Individuals entrusted with prominent public functions and who hold positions of influence (designated as politically exposed persons or "PEPs"), who were previously barred from appointment as directors of banking institutions or controlling companies, can now be appointed on the basis that they will be subjected to enhanced due diligence oversight by the regulator prior to and during their tenure as directors.
- > A non-executive director of a banking institution or controlling company may not serve in this capacity for more than 10 years. This restriction starts counting from September 2020, when it was first introduced, and a dispensation may be granted for a maximum of two years. Despite our best efforts, the regulator was not willing to add a differentiation in this regard between independent non-executive directors ("NEDs") and those NEDs not classified as independent.

New restrictions imposed by the revised BID-1 include:

- > An upper age limit for non-executive directors of banking institutions or controlling companies of 70 years, after which, subject to the regulator's approval, a director may continue serving as a non-executive director for a limited period.



Evaluating the board's performance



An independent external evaluation of the boards, committees, directors and company secretary of Capricorn Group was performed by CGF Research in the previous year. This year, Nomco requested each

board and each board committee in the Group to consider, reflect on and discuss "its performance, its chair and its members as a whole", as per recommended practice 74 under Principle 9 of King IV™, and report back to Nomco.

The following questions were provided to guide the conversation:

1. Are meetings conducive to achieving their purpose:
 - a) Does the agenda facilitate a well-structured conversation?
 - b) Are submissions (the documentation pack) of adequate quality?
 - c) Does the chairperson lead the conversation appropriately?
2. How can the company help members to keep abreast of technical and business developments?
3. How can the company secretariat better support in order to "help leaders to do well"?
4. Having studied the board charter/board committee terms of reference, to what extent is the board/committee discharging its responsibilities in the context of this document, and are there opportunities for improvement?

In total, four boards and eight board committees had fruitful discussions. The summary reports were presented to Nomco and indicated a satisfactory appraisal outcome. Recommendations were converted into an action list for each board committee.

The board is satisfied that the evaluation process is improving the board's performance and effectiveness.

Board access to independent advice



The company secretary provides professional corporate governance services to the board and its committees. The board believes that those arrangements are effective.

The company secretary is available to provide assistance and information on governance and corporate administration to the directors, as appropriate. The directors may also directly seek advice on these or other business-related matters from independent professional advisers should they wish. This is in addition to the advice provided by independent advisers to the board's committees. No requests for external professional advice were received during the year.

The board has unrestricted access to the executive management team of the Group to discuss and ask for advice on any matters where they require additional information or clarification. The board believes that these arrangements are effective for the optimal functioning of the board.

Board committees and focus areas

To effectively discharge its responsibilities, the board delegates certain functions to committees. All committees are properly constituted, chaired by a non-executive director and act within agreed written terms of reference that meet best practice standards authorised by the board. The composition of some board committees includes Group directors only (BARCC, Remco, Nomco and the GIC), while others comprise a combination of directors and executive management (HR committee, BSEC and GBITC).

Board audit, risk and compliance committee ("BARCC")

Committee role, responsibilities and functions

BARCC is responsible for the following key matters:

- > Financial control, accounting systems and reporting including management accounts, external reporting (interim results and integrated annual report), budgets, dividends and the capital plan
- > Ensuring a combined assurance model is applied
- > Overseeing the internal audit function
- > Reviewing the finance function
- > Overseeing risk management, including risk appetite and IT risk, as referred by GBITC
- > Reviewing compliance
- > Engaging with the external auditors
- > Reviewing non-trading losses
- > Overseeing the asset and liability committee ("ALCO")

The Group CFO, Group head of risk, head of internal audit and external auditors attend all BARCC meetings. They have unfettered access to the BARCC chairperson and the board. BARCC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

As per the requirements of BID-1, BARCC assessed the extent to which the Group is managing its compliance function and is satisfied that the compliance function is effective.

Members of the committee

- > Chairperson: Dirk Reyneke
- > Goms Menetté
- > Johan Swanepoel

External advisers

- > PwC (external auditors)

Board members and management representatives invitees

- > Koos Brandt
- > Elize Fahl
- > Gerhard Fourie
- > Mihe Gaomab II
- > Daniel Kali
- > Gida Nakazibwe-Sekandi
- > Thinus Prinsloo
- > Erna Solomon
- > Johan Maass (Group CFO)
- > Nico van der Merwe (executive officer: enterprise risk management ("ERM"))
- > Johann van Rensburg (chief audit executive)

Key focus areas for the year

- > Key responsibilities as listed
- > Selection of a new external auditor
- > Optimal capital level above which special dividends should be considered
- > Share repurchase scheme limits
- > Material matters
- > Monitor remaining Cavmont issues

Further compliance disclosures on external and internal audits and internal controls

External audit

The external auditors are responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable frameworks adopted by the Group. The audit opinion is included in the consolidated annual financial statements on page 3.

BARCC approved the external auditors' terms of engagement, scope of work and the 2023 annual audit strategy, and agreed on the applicable levels of materiality. Based on written reports submitted, BARCC reviewed the findings of the external auditors' work with the firm and confirmed that all significant matters were satisfactorily resolved. BARCC's view on the quality of the external audit is that it was executed in compliance with international standards on auditing.

The IFRS 9 provisioning models have reached an acceptable level of maturity. Due to the materiality of the values involved, the impairment provisions will always be a significant matter that the committee must consider concerning the annual financial statements. BARCC addressed this by engaging with external audit and other professional advisers in the countries where the Group's banks operate.

BARCC assessed the external auditors' independence and concluded that this independence was not impaired during the reporting period and up to the date of signing the consolidated financial statements.

BARCC has approved a Non-audit Services Policy that is strictly adhered to. Every quarter, management reports all payments made to the external auditors for audit and non-audit fees to the BARCC. Prior BARCC approval is required for assignments exceeding the policy threshold. Non-audit services received, and fees paid by the Group during the year, are:

Non-audit services	(N\$'000)
Technical training	130
Agreed upon procedures	1536
Valuation work	875
Remuneration benchmarking	73
Tax-related matters	208
Other (ATM rental)	150
Consulting	36

Audit firm rotation, as required by the BID on Independent Auditors ("BID-10")

Following the conclusion of a thorough, open tender process that commenced in December 2022, BARCC has recommended, and the board has endorsed, the proposed appointment of Deloitte and Touche ("Deloitte") as the external auditor of Capricorn Group with effect from the financial year ending 30 June 2025. This appointment is subject to regulatory approval and will be put to shareholders at the 2024 annual general meeting of Capricorn Group. PricewaterhouseCoopers ("PwC") will complete the audit of Capricorn Group's annual financial statements for the financial year ending 30 June 2024. To enable a smooth transition, it was recommended that Deloitte shadows PwC during this audit.

The change in external auditor is in compliance with the Bank of Namibia's BID-10 regulation, which requires rotation of external auditors every 10 years.

Internal audit

Group internal audit services ("GIAS") is an independent and objective assurance and consulting function created to assist in the improvement of the internal control systems across the Group. GIAS helps the Group achieve its objectives by systematically reviewing current processes using a risk-based approach to establish whether the risk management process, the management control process and the governance process are adequate, effective and appropriate. The internal audit function has sufficient knowledge and experience to execute the BARCC-approved internal audit charter. The charter is aligned to King IV™ and adheres to the requirements of the Institute of Internal Auditors.

GIAS reports to BARCC and has unrestricted access to the BARCC chairperson. A risk-based internal audit plan is approved annually by the BARCC. It is reassessed biannually for the internal audit function to remain focused on the relevant risks and material matters for the board. BARCC satisfied itself that the internal audit function was appropriately independent.

Ernst & Young acts as a co-source partner to GIAS, supporting the head of GIAS by providing technical support, training, resource capability and reporting to BARCC.

Internal controls and combined assurance

The Group maintains internal control systems over financial reporting and the safeguarding of assets against unauthorised acquisition, use or disposition. These systems are designed to provide reasonable assurance to the Group and each subsidiary's management and board of directors about the reliable preparation of financial statements and safeguarding of the Group's assets.

The systems include a documented organisational structure and division of responsibility, established policies and procedures that are communicated throughout the Group, and the proper training and development of employees.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control systems can provide only reasonable, and not absolute, assurance concerning the preparation of the financial statements and the safeguarding of assets. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Group continually assesses its internal control systems through reports from management, internal assurance providers and external audit concerning effective internal control and risk management as the basis for preparing reliable financial reporting.

No material breakdown in controls was identified during the year. Based on its assessment and the results of the internal and external audit reports, the Group believes that as at 30 June 2023, its systems of internal control over financial reporting and safeguarding of assets were adequate. BARCC's views on the effectiveness of the design and implementation of internal financial controls are reflected in the statement of responsibility by the board on page 2 of the annual financial statements.

Having assessed the effectiveness of the Group CFO and the finance functions in the Group, BARCC considered the overall finance function to be competent, well capacitated and in compliance with benchmark standards and norms.

A Group Combined Assurance Framework, based on the principles of King IV™, was adopted. BARCC believes the framework is adequate to achieve the objective of an effective coordinated approach for all assurance providers. The outcome from the assurance activities of compliance monitoring, management assurance services and internal audit is reported to BARCC in a combined assurance report. The external auditors' annual audit activities are considered and coordinated with internal assurance providers. A process is underway to extend the Group Combined Assurance Framework to identify and integrate other external assurance role players and their envisaged contribution to combined assurance reporting.

Risk and compliance

Please refer to the risk report for more information on BARCC's work in the risk and compliance areas.



Group board human resources (“HR”) committee

Committee role, responsibilities and functions

The committee is responsible for the following key matters:

- > Considering and approving personnel policies
- > Considering and challenging the appointment, benefits and remuneration of management below executive level
- > Considering and approving remuneration and benefits of non-management
- > Considering and acting on recommendations by the Capricorn Group Retirement Fund
- > Considering and acting on recommendations regarding medical aid and Group life benefits
- > Determining and approving criteria for performance management and incentives
- > Overseeing implementation of the Group’s Employment Equity Policy
- > Approving and monitoring the framework policies and guidelines for environmental health and safety management

The HR committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Key focus areas for the year

- > Medical aid solvency
- > Negotiations with trade union

Members of the committee

- > Chairperson: Goms Menetté
- > Elize Fahl
- > Baronice Hans (managing director: Bank Windhoek)
- > Tertius Liebenberg (managing director: CAM)
- > Thinus Prinsloo

Board members and management representatives invitees

- > Gerhard Fourie
- > James Chapman (executive officer: retail banking services)
- > Stephanie Viljoen (executive officer: human capital and citizenship)
- > Retuura Ballotti (executive officer: human capital: Bank Windhoek)

Group board remuneration committee (“Remco”)

Committee role, responsibilities and functions

Remco is responsible for the following key matters:

- > Reviewing and approving the Group’s remuneration philosophy, principles and the broad remuneration framework
- > Overseeing the establishment of the Group’s Remuneration Policy
- > Reviewing and recommending remuneration and fees for services as directors
- > Overseeing talent management at executive level
- > Considering and approving the remuneration of executive positions
- > Considering and approving the incentive scheme

Remco is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Key focus areas for the year

- > Consider approach to remuneration benchmarking
- > Review of terms of reference
- > Contract extensions of executive directors
- > BCG operating model report
- > Amend long-term incentive schemes for “no-fault” terminations

Members of the committee

- > Chairperson: Gida Nakazibwe-Sekandi
- > Gerhard Fourie
- > Johan Swanepoel

Management representatives invitees

- > Thinus Prinsloo
- > Managing directors of operating subsidiaries when appropriate

Group board nominations committee (“Nomco”)

Committee role, responsibilities and functions

Nomco is responsible for the following key matters:

- > Consider and recommend director nominations and related matters
- > Evaluate director performance
- > Consider director succession plans

Nomco is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year for all Namibian entities. Botswana-based entities have their own committees.

Key focus areas for the year

- > Appointment of Mr Mungunda on the board of Bank Windhoek and Entrepo to fill vacancies on those boards
- > Guide board and committee self-evaluations based on discussions and consider feedback thereon
- > Consider board and committee composition
- > Respond to BID-1 revision
- > Review of terms of reference

Members of the committee

- > Chairperson: Johan Swanepoel
- > Koos Brandt
- > Gerhard Fourie

Management representatives invitees

- > Thinus Prinsloo

Group board investment committee (“GIC”)

Committee role, responsibilities and functions

The committee is responsible for the following key matters:

- > Considering and recommending all prospective investments and disinvestments above a certain value
- > Evaluating and monitoring the performance of investments
- > Measurement and oversight of equity investment portfolio
- > Reviewing and approving investment strategies

The GIC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Key focus areas for the year

- > Group Investment Philosophy
- > Paratus shareholder agreement
- > Peo Finance
- > Project X

Members of the committee

- > Chairperson: Mihe Gaomab II
- > Koos Brandt
- > Gerhard Fourie
- > Thinus Prinsloo
- > Johan Swanepoel
- > Johan Maass (Group CFO)

Management representatives invitees

- > Zenaune Kamberipa (CFO: Bank Windhoek)
- > Baronice Hans (managing director: Bank Windhoek)
- > Claire Hobbs (chief treasurer: Bank Windhoek)
- > Tertius Liebenberg (managing director: CAM)
- > Nico van der Merwe (executive officer: ERM)

Group board social and ethics committee (“BSEC”)

Committee role, responsibilities and functions

The committee is responsible for the following key matters:

- > Considering and approving the Group sustainability strategy and philosophy, good corporate citizenship and ethics
- > Promotion of equality, prevention of unfair discrimination and reduction of corruption
- > Monitoring social and economic development activities
- > Monitoring environment, health and public safety activities
- > Monitoring consumer relationships and public relations
- > Monitoring compliance with human rights conventions and ethical breaches internally and externally

BSEC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year. See the integrated annual report for more disclosures related to ethics, good corporate citizenship and stakeholder engagement.

Members of the committee

- > Chairperson:
Gida Nakazibwe-Sekandi
- > Mihe Gaomab II
- > Daniel Kali
- > Thinus Prinsloo
- > Nico van der Merwe (executive officer: ERM)

Board members and management representatives invitees

- > Gerhard Fourie (Group chairperson)
- > Sybrand Coetzee (managing director: Bank Gaborone)
- > Baronice Hans (managing director: Bank Windhoek)
- > Marlize Horn (executive officer: brand and corporate affairs)
- > Tertius Liebenberg (managing director: CAM)
- > Azelle Verwey (Group head: legal, compliance and AML)
- > Stephanie Viljoen (executive officer: human capital and citizenship)

Key focus areas for the year

- > Terms of Reference reviewed
- > Name changed from “sustainability and ethics” to “social and ethics” committee
- > Group Sustainability Integration Programme
- > Vendor ethics risk assessment



Good corporate citizenship

The board is ultimately accountable for the stakeholder relationship management and engagement strategy of the Group.

The board delegates its responsibilities in this regard to BSEC, so that stakeholder relationship management can be integrated into the operations of the Group. BSEC is the custodian of ESG matters related to the Group’s sustainability, stakeholder relationships, corporate citizenship and ethical standing. The committee provides oversight and monitors a range of aspects within the ambit of this role.

We apply the principles set out in King IV™ and the United Nations Global Compact (“UNGC”) in governing stakeholder relationships. We also adhere to the regulatory requirements for risk-based supervision (Basel II), whereby interaction and consultation with stakeholders, both formal and informal, form an integral part of our risk management strategy.

The board does not have direct oversight of any stakeholders but relies on the committees to elevate stakeholder issues to the board in their quarterly feedback.



Group board information technology committee (“GBITC”)

Committee role, responsibilities and functions

GBITC is chaired by Erna Solomon, an independent external IT specialist and board member. GBITC is responsible for the following key matters:

- > Reviewing and recommending the Group IT strategy
- > Considering and recommending changes to the Group IT Policy
- > Considering and approving the Group IT reference architecture
- > Considering and approving the Group application portfolio
- > Assessing and approving the Group IT organisational and governance structures
- > Overseeing IT risk management inclusive of information and cyber security
- > Considering and approving strategic projects
- > Considering and recommending significant outsourcing
- > Ensuring the adequacy of IT resources
- > Overseeing IT systems and infrastructure stability

GBITC is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the year.

Key focus areas for the year

- > Enterprise Data and Analytics Strategy (EDAS)
- > Cyber resilience – improving the Group’s cyber posture
- > #gobeyond
- > New treasury system
- > Monitoring risks including people and talent in IT
- > GoAML

Members of the committee

- > Chairperson: Erna Solomon
- > Sybrand Coetzee (managing director: Bank Gaborone)
- > Baronice Hans (managing director: Bank Windhoek)
- > Jay van Zyl (special adviser, DITAC chairperson)
- > Johan Maass (Group CFO)
- > Thinus Prinsloo
- > Dirk Reyneke
- > Etienne Slabbert (chief information officer)

Board members and management invitees

- > Gerhard Fourie
- > Tertius Liebenberg (managing director: CAM)
- > Nico van der Merwe (executive officer: ERM)
- > Kobus Hough (platform owner eChannels)



Further disclosures on technology and information

Technology and information are governed in a way that supports Capricorn Group in setting and achieving its strategic objectives. GBITC is well established to fulfil the oversight required and meets quarterly. Oversight of IT is part of every GBITC agenda, and IT policies are reviewed and approved by GBITC.

GBITC actively monitored the delivery against the priorities of the platforms. Platform progress updates are provided at every GBITC meeting, and specific actions were noted and tracked to completion. All other focus areas were reviewed and actioned.

Capricorn has Group policies in place that guide IT, service delivery, change management, information security, disaster recovery and acceptable use. It also has a Technology Risk Framework in place.

The Distribution Transformation Programme (#gobeyond) to transform the banking entities in the Group was considered and approved. The architecture in line with “Digitising the Core” was reviewed and approved.

The Agile journey was enhanced by implementing DevOps in the IT function and appointing dedicated platform owners and product owners to lead this.

Planned areas of future focus are:

- > Further enhancing Agile, DevOps and platforms execution
- > Investing in the various platforms to support the Group’s strategy with particular focus on the Distribution Transformation Programme
- > Oversight for expanding platform capacity in line with business demand and to enable the delivery of the strategy
- > Continuing reviews of platform execution and delivery against strategy
- > Continuing focus on enhancing systems and infrastructure stability
- > Continual review and improvement of information and cyber security and supporting the Cyber Resilience Programme



Our stakeholders and how we engage them



Shareholders

We have an investor relations committee that reports to the Group management committee. The members of the committee are Marelize Horn (chairperson, executive officer: brand and corporate affairs), Hellmut von Ludwiger (Group company secretary), Johan Maass (Group CFO), Claire Hobbs (chief treasurer: Bank Windhoek), Azelle Verwey (Group head: compliance and anti-money laundering) and the sponsoring broker, PSG Wealth: Brian van Rensburg and Elanie Rossouw. The Group company secretary is the overall owner of the relationships with shareholders.



Employees

The Group board HR committee attends to employee matters, including policies and arrangements for retirement funding and medical aid. The committee determines and approves criteria for performance management and incentives, whereas the board Remco focuses on remuneration and incentives for directors and executives. Group HR and the subsidiary HR teams own the relationships with employees. Employees have the Employment Equity Forum as a platform to discuss matters of equity in the workplace, ensuring equal opportunity and fair treatment for all employees.



Customers

The customer value proposition team and executives responsible for retail, asset management, treasury and Capricorn Private Wealth customers are all custodians of customer relationships.



Communities

The Capricorn Foundation, a non-profit association, has its own board which reports quarterly to BSEC. The Group brand and corporate affairs and subsidiary marketing and corporate communication services ("MCCS") teams are the stewards of community relationships.



Suppliers

BARCC has a procurement committee that has oversight of suppliers. The members are Thinus Prinsloo (chairperson, Group CEO), Jacques Joubert (head of procurement) and Gerhard Fourie (board chairperson). The committee's mandate is to consider and approve contractual agreements and budgeted expenditure up to N\$10 million, unbudgeted expenditure up to N\$5 million and disposals of assets up to N\$2 million. BSEC receives reports on supplier ethics. Group finance, subsidiary finance teams and Group IT are the owners of relationships with suppliers.



Media

The Group brand and corporate affairs and subsidiary MCCS teams are the owners of media relationships. The Media Policy guides employees on engagement with the media.



Government and regulators

The banking subsidiaries' audit committees engage directly with regulators and provide quarterly feedback to the Group BARCC. Group ERM and the subsidiary risk teams own the primary relationships with government and regulators.



Strategic alliance partners

Group and subsidiary executive management own the relationships with strategic alliance partners.

Read more about corporate citizenship, our stakeholder focus areas, engagement and plans in the integrated annual report.

#MakeChangePositive

www.capricorn.com.na



Details for QR code

Download any QR reader app on the Google Play Store or Apple App Store. Use the app to scan this code to be linked directly to the Capricorn Group Ltd condensed consolidated financial statements on our website. Alternatively, visit <https://www.capricorn.com.na/Pages/News-Centre/Capricorn-Group-Annual-Results-2023.aspx>