2022 RISK REPORT

Capricorn Group

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About this risk report

This is our second standalone risk report ("the report") for the Capricorn Group Ltd ("the Group" or "Capricorn Group"). The report reflects our approach to risk and application of the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™")[1].

We focus on how risk management contributed to the Group delivering on its purpose and ensured that risk management continued to create value for the financial year from 1 July 2021 to 30 June 2022 ("the year"). The report is aimed primarily at providers of financial capital.

The entities that constitute the Group are set out on page 10 of the integrated annual report.

The risk 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
> Governance report
> King IV™ index

This report was compiled with input from the Group principal risk officers ("PROs") and executive leadership team, reviewed by the board of directors ("board") and its committees and finally approved by the board on 13 September 2022. The board acknowledges its responsibility to ensure the integrity of the report.

Additional information is available online at www.capricorn.com.na/ Pages/Reporting-Centre.aspx. For more information or feedback on this report or any other elements listed above, contact Marlize Horn, tel: +264 61 299 1226, or investorrelations@capricorn.com.na.

Message from the executive officer enterprise risk management

At Capricorn Group, we rely on sound risk management to protect our ability to create and preserve value while preventing value erosion. This means that we consider risk systematically and holistically. We focus on "what must go right" to achieve desired outcomes. We have a strong Group-wide Risk Culture with formal accountability for risk at every level to clarify roles and responsibilities.

Our year in review

While COVID-19 dominated our operating environment in the year's first half, we experienced an economic recovery in the second half. In Namibia, the gross domestic product ("GDP") grew by a better-than-expected 2.4% in 2021, with a growth rate of 3% anticipated for 2022. In Botswana, the GDP rebounded by 12.1% in 2021 but is expected to settle back to its normal growth range of 4% to 5% in 2022. This economic recovery, albeit from a lower base than pre-pandemic levels, boosted our performance in both countries.

Despite this recovery, certain client segments, including tourism and hospitality, remain under pressure. While our impairments have reduced year-on-year, these are still worse than in 2019. In addition, the demand for credit remains subdued due to uncertainty and, more recently, a rising interest rate environment.

While the global economy bounced back quickly after the COVID-19 crisis, global growth for the next two years is predicted to slow. This slowing growth is related to higher-than-expected inflation, especially in the United States and major European economies, and China's economic slowdown due to the COVID-19 lockdowns. The International Monetary Fund ("IMF") predicts that global growth will slow from 6.1% in 2021 to 3.2% in 2022 and 2.9% in 2023.

In addition, the Russia-Ukraine conflict has already significantly increased high levels of uncertainty and will continue to impact global markets and the economic outlook. In Namibia and Botswana, the impact of the conflict can already be seen in rising fuel and food costs, contributing to a high inflationary environment. This places both consumers and businesses under financial pressure. Here, the Group's focus remains on proactive risk and capital management to positively position itself in the face of global uncertainty.

Credit risk

Protecting our asset quality is an area of strength for Bank Windhoek and a rapidly developing strength at Bank Gaborone. Namibia and Botswana's economic recovery has resulted in fewer deferments and non-performing loans ("NPLs"). Our NPL ratio (excluding interest in suspense) decreased to 4.66% (2021: 5.22%) and the NPL ratio (including interest in suspense) decreased to 5.39% (2021: 5.92%). This figure is well below the industry average in Namibia, reflecting the Group's prudent approach to credit risk management. We monitor this closely as the outlook and performance of credit risk are highly sensitive to changes in the external environment, including rising interest rates.

Despite an improving NPL ratio, our efforts will need to be amplified to ensure that credit risk remains effectively managed. Today, our credit risk remains elevated compared to pre-pandemic levels. A formal business rescue process and pre-legal functions are new developments in Namibia. This allows us to manage our at-risk customers proactively. We are always investigating new tools and reports to proactivity manage our credit risk.

Liquidity risk

The high cost of funding and low liquidity levels in Namibia and Botswana remain a challenge. For much of 2022, the liquidity in the market remained similar to the 2021 levels, however increased borrowing from Government, consumer price index ("CPI") pressures and increasing interest rates resulted in high funding costs constraining private sector growth. Constrained with highly attractive government yields our net interest margin is placed under pressure. Botswana market liquidity continues to be on a downward trend, from P1.70 billion during July 2020 to June 2021 to P1.21 billion during July 2021 to June 2022. Bank Gaborone's cost of funding deteriorated to 4.91% at end June 2022 compared to 3.72% at end June 2021. Bank Windhoek's cost of funding deteriorated to 4.25% June 2022 compared to 3.51% at June 2021.

Despite persistent low market liquidity throughout the year, Bank Windhoek protected its liquidity buffers and procured stable funding at acceptable interest rates. Bank Gaborone continues to benefit from an improved loan-to-funding ratio with a mix of stable and cheaper funding sources. Bank Gaborone grew their funding from N$5.72 billion at end June 2021 to N$6.51 billion at end June 2022. Bank Windhoek grew funding from N$38.06 billion ending June 2021 to N$40.39 billion at end June 2022. The Group maintained its respectable liquidity levels and buffers, with a loan-to-funding ratio of 88.4% as at 30 June 2022. (2021:88.6%)

Risk appetite

We reviewed and updated the Capricorn Group board risk appetite statement to ensure the quantitative measures and thresholds are aligned with our strategy and budget plans.

Key changes to our risk appetite included:

Conduct of business / Ethics

The Group has **no appetite** for unethical conduct of business and expects the Board of Directors, all employees, and contractors to subscribe and adhere to the Group Code of Ethics and Conduct. **New investments and partnering entities should exhibit a compatible culture and focus on customer centric values and principles of sound corporate governance.**

Investments and partnerships

The Group has a **medium appetite** for pursuing and investing in strategic initiatives that are mutually beneficial and add value to both the Group and the target/partnering entity. **The key objective is to cooperate with other organisations to achieve a result which the Group cannot achieve alone.**

Risk improvements in 2022

As a Group, we use stress tests to measure the impact of hypothetical scenarios, like recessions or pandemics. In 2022, we developed and trialled a new comprehensive stress test model for the Group and our banks. This model will allow us to understand our balance sheet risks better and allocate capital responsibly. The model provides useful insights, across Group and bank functions, including regulation, finance, financial risk management, strategy and budgeting, balance sheet management, and asset and liability management. It is a challenger model to our other models because it uses detailed data from numerous sources. The model is being tested in Bank Windhoek in 2022 for testing and validation by key stakeholders.

Cyber risk is a standing discussion point on the board agenda where progress with the Cyber Resilience Programme is monitored. In 2022, we accelerated our investment into this programme to shorten its implementation by more than 12 months.

We continued to embed our Risk Culture through our Risk Culture Builder Programme with healthy participation across the Group. In 2022, we expanded the programme to include Risk Culture building initiatives post-graduation to develop risk capacity throughout the Group beyond the central risk function.

Anti-money laundering compliance remains a top priority. During the year we conducted an external review of our policy framework through a consulting firm specialising in Anti-Money Laundering in financial services. Our policy framework was updated, and we delivered the first two modules of a series of tailored role based training. We invested in the development of skills through external certifications to certify specialists working in the anti-money-laundering field as "Certified Anti-Money Laundering Specialists" through the Association of Certified Anti-Money Laundering Specialists to maintain core competencies and essential knowledge in the anti-money laundering field throughout the Group.

Looking ahead

Our risk management will continue to evolve to keep pace with global advancements and to enable the Group's growth ambitions. Our enterprise-wide risk management programme will continue to support and enable the successful implementation of our three strategic choices across the Group. Read more about our strategic choices in our integrated report on page 36.

In 2022, we continued to execute our digitisation journey through our #gobeyond programme. This programme aims to transform our banks' digital and physical distribution channels to achieve a lower cost to serve and a superior customer experience. Here, sourcing and retaining key information technology ("IT") talent remains challenging as we compete with local and global banks for top hires. Over the next decade, customer expectations and technology shifts will cause massive alterations in banking and give it an entirely different profile. Strengthening our cyber resilience capability will remain a key focus as we continue our digitisation journey.

Environmental, social and governance ("ESG") risk and impacts are rising in imporance for the Group and a key consideration in our strategy. In 2022, through the Group's board sustainability and ethics committee ("BSEC"), the board identified opportunities to understand our ESG risk and enhance our sustainability efforts. In 2023, we aim to improve our management of ESG risk, with the appointment of a Group head of sustainability in July 2022.

In conclusion

Despite high levels of uncertainty due to the COVID-19 pandemic, we managed our risks effectively during 2022. Our embedded Group Risk Internal Control and Assurance Framework ("GRICAF") continued to support our risk management and respond to the financial and non-financial risks resulting from our operating environment. Our subsidiaries managed the risks successfully thanks to their well-trained, responsive and risk aware employees. Once again, we are thankful to our employees for their effective management of day-to-day risk management.

Our capital and liquidity positions remained sound and within or above board-approved ranges throughout the year. We remain adequately capitalised with sufficient liquidity to comply with minimum regulatory requirements and internal risk appetite.

Nico van der Merwe
Group executive officer: Enterprise risk management ("ERM")

Our risk philosophy and approach

Risk taking is an inherent part of conducting business, and the Group relies on sound risk management practices to enable the safe and responsible execution of its strategy. We continue to approach risk systemically and holistically, focusing on "what must go right". Sound corporate governance, board and senior management support and a formal system of risk management, which includes the three lines model, enable accountability and appropriate risk responses at every level of the organisation. Our deliberate focus on Risk Culture building fosters a risk-aware work environment where everyone contributes to risk management and not only the central risk and assurance functions.

Our risk management approach remains anchored in our purpose: to improve lives through leadership in financial services by being Connectors of Positive Change. It is guided by our strategic choices, a strong ethical culture, entrepreneurial spirit, and commitment to transparency. Using technology and data, we continuously evolve our practices to identify and manage risk exposures and corresponding capital needs.

Our Group Risk Internal Control and Assurance Framework ("GRICAF")

The GRICAF is our framework for enterprise risk management ("ERM"), and it adopts conventional risk management practices from Basel II/ III and the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Risk management practices are guided by business strategy and objectives and formal risk capacity, appetite and tolerance statements.

The application of GRICAF is tailored for each Group subsidiary according to the size, complexity, local operating conditions and regulation of the business while maintaining common standards which promote consistency and aggregation of risk profiles across the Group.

We apply the IIA's three lines model (The Institute of Internal Auditors, 2020), previously referred to as the "three lines of defence". Operating units form the first line are responsible for managing risks, while central risk and compliance management functions form the second line. They are responsible for risk management policies, standards, infrastructure and processes and oversight of first line conformance. The Group Internal Audit function forms the third line. Assurance functions such as internal audit, management assurance and compliance have varying degrees of independence from operating units and perform monitoring activities under a combined assurance model.

GRICAF objectives

At a strategic level, the objectives of the GRICAF are to:

- Enable the Group to execute its strategy.
- Optimise efficiency by effectively using risk resources in the Group.
- Directly contribute to creating end-customer value by eliminating unnecessary tasks in the process.
- Build standard risk management accountability, principles and processes into the business management process.
- Ensure that risks and the impact on capital are understood and managed proactively within acceptable risk capacity, appetite and tolerance.

Principal risks

The main risk types across the Group are referred to as principal risks. A Principal Risks Policy and individual Principal Risk Frameworks define our risk management and control system. The Principal Risks Policy sets out the risk types and roles and responsibilities associated with managing the principal risks, while the individual Principal Risk Frameworks describe aspects specific to each principal risk.

Appointed senior executives are accountable for each principal risk. A formal and defined risk and control framework per principal risk outlines the risk management system, including relevant key controls, related key risk indicators and thresholds, and roles and responsibilities concerning the principal risk. Risk Management Frameworks are developed with a systemic approach to risk and control framework design to ensure that our risk management practices support and sustain the risk management system's performance objectives. Governance requires that we report on each principal risk at least quarterly in terms of risk profile, trends and red flag areas.

There are 14 principal risks which are described in more detail from page 12.

Embedding a Risk Culture

Our corporate culture is the bedrock of our conduct both inside the organisation and in the market. The Capricorn Way encapsulates our common beliefs and desired behaviours. Through the GRICAF, we place emphasis on behaviours that constitute a sound risk culture and ethical conduct through our risk culture building and ethics programmes. Both programmes aim at all employees to ensure that there is clarity of understanding of each person's role in managing risk and conducting business ethically in any operating context. The aim of the programmes is to create the necessary understanding and awareness of factors that impact on decision-making and to support colleagues in making the correct choices and decisions in their operating environment

2022 PROGRESS

Culture: The enterprise-wide Ethics Programme was implemented, comprising Group-led and subsidiary-specific activities. Our Group's internal voluntary Risk Culture Builder Programme continued to attract participants. There were 45 volunteers from Namibia and Botswana in the 2022 programme, and 57 volunteers enrolled in the 2023 programme. We expanded the programme to include continued participation in Risk Culture building initiatives post-graduation, fulfilling the aim of creating internal risk capacity beyond the central risk function. These actions include conducting awareness presentations and driving immediate changes such as evaluating and optimising controls to improve risk management in daily tasks and general processes.

Risk frameworks: Cyber risk was elevated to a principal risk in 2021, and a formal risk management framework was implemented during the year. We delivered on this year's objectives in our multi-year Cyber Resilience Programme. ESG risk was also previously identified as a principal risk, and in 2021 we concluded an enterprise-wide project to identify opportunities to align our sustainability reporting across subsidiaries. We appointed a Group head of sustainability to lead our ESG efforts going forward.

Technology and data: Under banking regulations, stress testing is a key requirement (Basel III Pillar 2). We enhanced our ability to conduct integrated stress testing. While these enhancements are still being embedded, they will enable us to assess risk impacts in an integrated manner, for example, across product portfolios, the balance sheet and income statement. They will also allow us to assess the implications of decisions on capital adequacy and capital returns.

Our regulatory context for risk

Basel II/III phases

The Bank of Namibia embarked on the phased implementation of Basel III in 2017. In terms of Basel III Pillar 1, the bank follows the standardised approach according to the Banking Institutions Determination 5A (capital requirements for credit, market and operational risks) ("BID-5A"). BID-5A became effective on 1 September 2018 and incorporated a phased approach for the Basel III capital ratios.

The second Basel III-related determination, BID-6 (minimum liquid assets), became effective from 1 September 2019. BID-6 does not yet incorporate the two Basel III liquidity ratios, i.e. the net stable funding ratio and the liquidity coverage ratio, but these ratios are expected to follow in time. Bank Windhoek already implemented these ratios to comply with International Finance Corporation ("IFC") covenants.

The Bank of Namibia requested detailed information on liquidity risk, which will inform future updates to BID-6 to accommodate the Basel III liquidity ratios. To alleviate the possible liquidity strain brought on by the pandemic, the Bank of Namibia offered a six-month relaxation to the short-term mismatch (zero to seven days' time band). This allows Bank Windhoek's outflows to exceed its inflows in this period by no more than their unencumbered liquidity buffer. In addition, the banks may set their own limit for the time band eight to 30 days over this time.

During June 2020, Bank of Namibia communicated its intention to issue draft BID 6A to industry. The draft BID will introduce two new liquidity ratios and strengthen liquidity risk management tools, stress testing and daily liquidity monitoring. Determination on Liquidity Framework for DSIBs (BID-6A) industry consultation is intended to occur from October 2022. Further intention is to have the draft BID 6A effective in June 2023.

Banking regulations in Botswana are based on Basel II, and the status quo was maintained throughout the year.

2022 progress

The Bank of Botswana has yet to engage the industry on implementing Basel III, which was indicated during the previous year. However, the bank has performed a survey among banks about the net stable funding ratio and the liquidity coverage ratio.

Regional regulatory risk matters

On a global scale, the Financial Action Task Force ("FATF") tests anti-money laundering ("AML"), Combating the Financing of Terrorism ("CFT") and Counter Proliferation Financing ("CPF") capabilities per country against a set of standards. Namibia was subject to the 2020/21 FATF/Eastern and Southern African AML Group ("ESAAMLG") mutual evaluation in 2020. The evaluation was planned to commence in June 2020 but was postponed, due to the pandemic, to take place from 27 September 2021 to 15 October 2021. The first draft mutual evaluation report was received on 31 January 2022 from the assessors and led to intensive stakeholder consultations by the Financial Intelligence Centre ("FIC") to solicit comprehensive inputs to the draft reports to support the country's response to the assessors. The final report is pending.

After the FATF/ ESAAMLG mutual evaluation in 2017, Botswana was listed on the grey list (jurisdictions under increased monitoring) of the FATF as a country with deficiencies in its AML/CFT regime. The EU included Botswana in February 2020 on an updated list of high-risk third world countries and proceeded to blacklist (EU list of non-cooperative jurisdictions) Botswana with effect from 1 October 2020. However, in October 2021 the FATF removed Botswana from its grey list of jurisdictions and in February 2022 the EU removed Botswana from its listings, as having made sufficient progress in addressing the deficiencies in its AML/CTF regime.

Bank regulators provided relief for the pandemic. The Bank of Namibia reduced the capital conservation buffer rate to 0% for at least 24 months to support banking institutions in supplying credit to the economy. The Bank of Botswana reduced the minimum capital adequacy ratio from 15% to 12.5% for the same reason.

Alignment with King IV™

The Group Governance Framework and the GRICAF support the principles of King IV™. Principle 11 requires that risk is governed in a way that supports the Group in setting and achieving its strategic objectives.

In the current year, the board's Nominations Committee ("Nomco") commissioned an independent external evaluation of the boards, committees, directors and company secretary of Capricorn Group, which was performed by CGF Research. The summary reports were presented to the Nomco and indicated a satisfactory outcome of the appraisal. Recommendations were converted into an action list for each board committee.

How we govern and manage risk

The board recognises that risk is about the uncertainty of events and that these could potentially positively or negatively impact our ability to create value. The board allocates the responsibility for oversight and governance of risk management to the BARC. The Group chief executive officer is the senior executive responsible for implementing a sound risk management framework.

BARC

The BARC is a board committee mandated to oversee risk management, including risk appetite and IT risk, as referred by the Group board IT committee ("GBITC"). It also has oversight of compliance at Capricorn Group. The Group chief financial officer (Group CFO), Group head of risk, head of internal audit, and the external auditors attend all BARC meetings. They have unfettered access to the BARC chairperson and the board. Read more about the BARC mandate and activities in the governance report, available online.

The executive officer for ERM has delegated authority to (a) facilitate the appointment of Group and entity PROs and (b) to develop appropriate risk and control frameworks for each of the principal risks. Each principal risk is assigned to an executive officer with relevant expertise as the PRO. Entity PROs are responsible for the risk management frameworks within the respective entities. Group PROs are responsible for the appropriateness, effectiveness and consistency of principal risk frameworks across the Group.

Central risk functions within the entities and at the Group head office are responsible for providing the risk management infrastructure (guidance, policy, standards, processes and tools) to support the GRICAF and provide oversight and assurance.

2022 progress

The Group ERM operating model design was evaluated as part of an independent operating model review. It was found to be appropriate for the size, complexity and nature of the business of the Group.

The Group risk committee practices evolved further during the year. Our standard reporting templates were enhanced to reduce the volume of information while improving the focus on key issues. These enhancements promote more focused discussions at the management and board risk committees, leading to improved insights and decisions.

The Group Principal Risk Policy was reviewed and updated during the year. The most significant changes were adding cyber and ESG risks as new principal risks.

The Cyber Principal Risk Framework is being embedded through the Cyber Resilience Programme, while the ESG Principal Risk Framework remains under development and is expected to be implemented in 2023.

Overview of ERM

The board assumes responsibility for risk governance and sets the direction for how risk should be approached in the Group. Various policies and guidelines direct the way we govern risk, and these are regularly reviewed as prescribed by our document governance requirements.

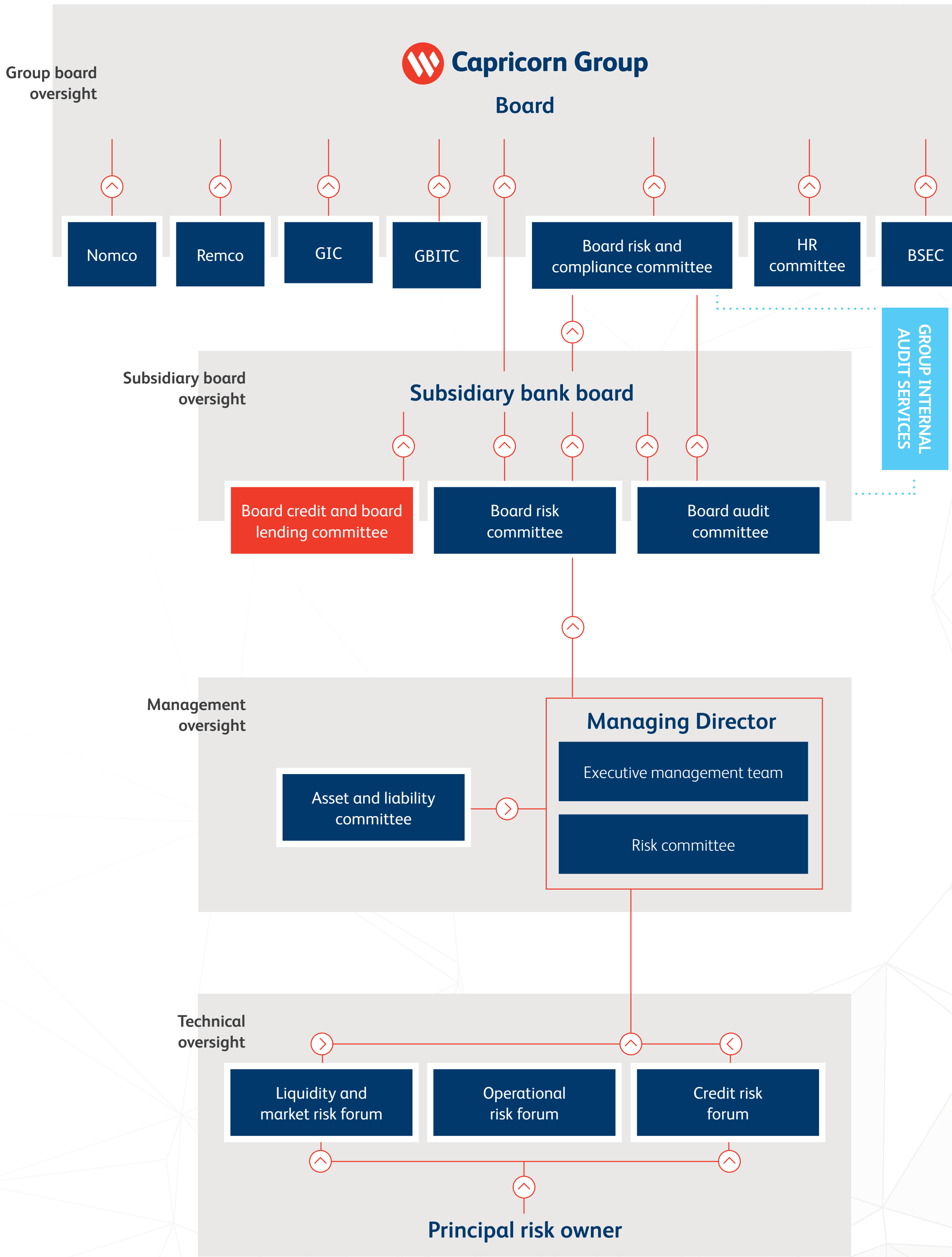
The GRICAF processes and enabling infrastructure allows us to proactively identify and act on risks and opportunities that may impact the Group's strategic actions. The GRICAF target maturity level is one of dynamic risk management. A dynamic maturity level is characterised by continuous improvement of methods and procedures, proactive risk identification and reward, assured regulatory delivery and evidence of industry risk behaviours. This leap from an established, process-orientated framework to a responsive and dynamic risk management framework is supported by investments in technology and by building an effective Risk Culture.

The board is ultimately accountable for the adequacy of the GRICAF. The board receives assurance on the adequacy of the GRICAF through combined assurance from the risk, management assurance, compliance and internal audit functions. Together, these internal functions give the board a view of how various role players execute the GRICAF practices.

The board also draws on the perspectives of external auditors and regulators who conduct regular reviews of the operating entities in the Group. The combined internal and external inputs provide the board with an overall evaluation of the implementation and effectiveness of the risk policies and frameworks.

The Basel risk type frameworks are assessed through self-assessments by the Group's banks. The self-assessments are based on a combination of regulatory requirements and sound practices. Each bank's risk committee reviews self-assessment outcomes and monitors the remediation of significant identified gaps. Detailed action plans with owners and due dates ensure rigorous remedial actions. The self-assessment results are reported to the Group risk committee, and progress on implementing remediation action is monitored centrally within the banks.

Each subsidiary's risk management oversight and governance is structured in line with its size and complexity and considering its legal and regulatory environment. The following diagram shows a typical structure for a bank. The structure varies depending on the nature of the subsidiary.



The Group risk management model encompasses corporate responsibilities (for example, the governance model design), core capabilities (typically central risk functions, for example, the operational risk department), shared services (such as compliance monitoring, internal audit and AML) and operating unit activities (most of the risk processes). The management model presents an optimal management structure to ensure the achievement of the GRICAF objectives.

The risk management value chain

The GRICAF encompasses the risk management value chain, highlighting the primary activities and role players involved in risk management.

The main risk categories, being the principal risks, are contextualised for each operating unit to ensure that the Principal Risk Management Framework is relevant. Not all risk categories apply equally to every operating unit.

The standard practices of the GRICAF provide a common language and understanding of risk. This allows the Group to standardise and aggregate risk reporting to enable effective oversight by governance structures at all levels.

The following table provides an overview of the risk management value chain, related activities, and role players. The GRICAF design remained unchanged during the year.

Risk management value chain	Strategic direction	Risk assessment	Risk controls	Reporting
	Our strategic choices define our risk appetite, and our material matters determine our priorities.	Principal risks have been identified and defined and are analysed and measured. Risks to the strategy and instances of suboptimal risk-taking are dynamically identified and responded to. Emerging risks are identified and monitored.	Controls are implemented, evaluated and monitored.	Risk profiles are assessed against risk appetite and tolerance and are reported quarterly. Risk indicators have clear alert thresholds (triggers) with defined escalation paths to responsible managers, PROs and risk committees.
Main role players	Board, committees and executive leadership team.	Group and entity PROs.	Group and entity PROs, management and Group risk functions.	Group and entity PROs, risk functions, internal and external assurance providers.
Risk management tools/ structures/policies	Group management model, material matters, documented strategy, policy framework, and risk capacity, appetite and tolerance ("RCAT").	Principal risk frameworks, risk type methodologies, models, advanced analytics.	Control assessment methods, GRC system, controls built into IT systems, advanced analytics.	Reporting frameworks.
	Group requirements for the identification/measurement, control and reporting of principal risks are documented according to the GRICAF and implemented by business units.			

Risk management enablers

Enablers of a dynamic risk management system		
Data and systems	**Group risk committee and the Group PRO role**	**Centres of expertise**
The Group has deployed several systems to support its risk management activities over and above the inherent risk management functionalities in business systems. There are dedicated systems to support each of the risk management functions. ERM has a rich data environment which is continuously being enhanced and expanded.	The Group PRO role was created to allocate accountability and coordinate the execution of the Group risk committee mandate. The Capricorn Group executive management team established the committee to oversee Group-wide risk management, compliance and risk governance. The committee differs from entity risk committees in its oversight role, emphasising the aggregated risk profile and adequacy of the GRICAF infrastructure and control systems (the control frameworks).	Value is created for Group subsidiaries through shared services and centres of expertise located in Namibia and Botswana. These provide thought leadership and direction and perform non-routine activities such as advisory engagements and special assignments. Examples include AML expertise, financial risk modelling, compliance monitoring, corporate governance and Risk Culture building. While the strategic direction is set centrally, it is interpreted and adapted locally in line with the Group's strategic guidance approach. Decentralised local execution meets market expectations. Sharing services such as compliance monitoring, cyber resilience expertise, analytics and quantitative modelling provides economies of scale, greater integration, and engagement on risk management across jurisdictions.

Risk Culture: Our Risk Culture supports all elements of the GRICAF by cultivating and embedding the correct understanding of and attitude towards risk and risk management. It is essential for risk management initiatives and actions to become part of an organisation's culture with diligent daily and focused risk conversations. Key elements of our Risk Culture Building Programme involve communicating and creating awareness of relative issues across the Group at each step of our risk management processes and procedures.

2022 progress

The compliance monitoring unit has executed a plan to monitor compliance for core legislation in Namibia and AML compliance monitoring Group-wide.

Progress was made with an enterprise data and analytics strategy ("EDAS"). A dedicated risk data domain was identified to consolidate existing ERM data environments under a single, standardised data architecture. The Basel Committee on Banking Supervision (BCBS) issued principles for effective risk data aggregation and risk reporting in banking institutions and were adopted in one ERM subject area and were included as a requirement under the EDAS.

The cyber resilience capability was further enhanced through the Cyber Resilience Programme, which achieved all its objectives for the year.

Risk capacity, appetite and tolerance ("RCAT")

The board has a duty to set the risk appetite for the Group. Risk appetite statements direct and guide management in policy development and decision-making, and they are key components in the delegation of duties to management.

The capacity and appetite statements are reviewed annually, and measurements are reported to the Group risk committee, executive management team and the BARC. The quantitative and qualitative appetite statement is developed and approved in conjunction with the budget.

The Group RCAT is cascaded to subsidiaries as appropriate. Subsidiaries are required to adopt the qualitative risk appetite statements. Quantitative risk appetite statements are set as appropriate for subsidiaries and are aligned to the Group's quantitative appetite statements through our strategic and budget planning.

The following constitutes our "no appetite" levels:

- The Group has no appetite for unethical business conduct and expects the board, all employees and contractors to subscribe and adhere to the Group Code of Ethics and Conduct.
- The Group treats its customers in a fair and transparent manner and therefore has no appetite to deviate from the commitments made to customers.
- The Group has no appetite for deviations from the governance principles contained in King IV™ and applicable legislation.
- The Group has no appetite for reactive, persistent or recurring core regulatory non-compliance.
- The Group has no appetite for conduct that places its reputation at risk.

2022 Group risk profile

The Group's main risks are represented by the 14 principal risk categories that apply across the various operating units in Namibia and Botswana. The overall aggregated principal risk profile for 2022 is as follows:

Principal risk	Risk trend	Residual risk	Previous
Capital	Stable	**Green**	**Green**
Compliance	Stable	**Amber**	**Amber**
Credit	Stable	**Red**	**Red**
Cyber	Improving	**Amber**	No previous rating
Finance and tax	Stable	**Green**	**Green**
Financial crime	Stable	**Green**	**Green**
Legal	Stable	**Green**	**Green**
Liquidity	Stable	**Amber**	**Amber**
Market	Stable	**Amber**	**Amber**
Operations	Stable	**Amber**	**Amber**
People	Improving	**Green**	**Amber**
Reputation	Improving	**Green**	**Amber**
Strategic	Stable	**Amber**	**Amber**
Technology	Stable	**Amber**	**Amber**

The trend reflects the direction of the risk profile during the year, considering the effect of management actions and/or external factors on the residual risk profile.

Improving = The risk profile improved during the year

Stable = The risk profile remained largely unchanged over the year

Deteriorating = The risk increased during the year

Red = The risk has exceeded the board risk capacity and appetite thresholds

Amber = The risk is within appetite and closely monitored due to its proximity to the board risk capacity and appetite thresholds. For some risks, this could indicate an optimised risk/reward relationship

Green = The risk is comfortably within appetite and, for certain principal risks, this could indicate a capacity for more risk-taking

Capital risk

Capital risk is the risk that the Group cannot (a) meet its capital requirements and (b) fund business expansion when needed. It includes the risk that regulatory requirements are not adhered to, the resultant costs of non-compliance, and the fact that insufficient capital will adversely affect the ability to expand and grow the Group.

How we mitigate this risk

The objectives of the Group when managing capital include:

- Complying with minimum regulatory capital requirements in all jurisdictions.
- Safeguarding the ability of the Group to continue as a going concern.
- Optimising the effective use of capital.
- Maintaining a sufficient capital base to support business development and expansion.

Banking subsidiaries conduct an annual internal capital adequacy assessment process (“ICAAP”) to assess capital adequacy beyond regulatory capital. Important factors considered in the ICAAP include the Group and subsidiary strategy, business performance and growth objectives, budgets, forecasts, adverse risk scenarios across all principal risks and the effectiveness of the risk and control frameworks to mitigate the identified risks. The outcome of the ICAAP is approved by the respective banking subsidiary boards and forms the basis for prudent but efficient capital management.

The board approved thresholds for capital adequacy to mitigate capital risk, and capital is managed continuously within these parameters on a Group and entity level.

The parameters are set using a red, amber and green (“RAG”) status indicator. A threshold above the minimum regulatory requirements is applied, as can be seen from the Group’s example below:

Bank Windhoek	RAG status		
Descriptor	Red	Amber	Green
Regulatory capital adequacy compared to minimum regulatory capital adequacy ratio of 10%	<12.5%	12.5 – 14.5%	>14.5%
Leverage ratio (regulatory minimum 6%)	<7%	7% – 9%	>9%
Tier 1 capital (regulatory minimum 7%)	<8%	8% – 10%	>10%

The Group and its banking subsidiaries remained adequately capitalised in terms of local regulations.

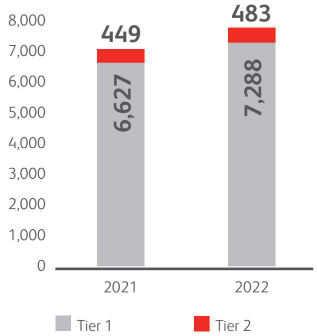
Capital adequacy is reviewed monthly at banking subsidiary ALCO level. Any emerging risks are pro-actively managed.

The regulators relaxed capital adequacy requirements as part of a stimulus package to counter the economic effects of the pandemic. The Bank of Namibia reduced the capital conservation buffer rate to 0% to at least 1 April 2023 to support banking institutions to use capital built up during better financial and economic conditions during times of distress. The Bank of Botswana reduced the minimum capital adequacy ratio from 15.0% to 12.5% for the same reason. The Group remains well capitalised with sufficient capital buffers to sustain economic shocks.

Key risk indicators

Key regulatory capital figures for Capricorn Group	2022	2021	Variation
Tier 1 risk-based capital ratio	14.8%	14.1%	0.7%
Total risk-based capital ratio	15.8%	15.0%	0.8%
Leverage capital ratio	12.7%	12.4%	0.3%
Tier 1 (N$’000)	7,288	6,627	10.0%
Tier 2 capital (N$’000	483	449	7.6%
Total capital (N$’000)	7,771	7,077	9.8%
Risk-weighted assets (N$)	49,282	47,037	4.8%

Total capital – Capricorn Group (N$’000)



Governance oversight

Capital risk is tracked at Group and entity ALCOs and executive management teams and reported to the board every quarter.

Priorities for 2022 and progress made

The Group remained adequately capitalised since the onset of COVID-19 and the period of geopolitical tensions in the current financial year. In 2022, the Group embarked on a capital optimisation journey that will entail utilising capital more effectively and efficiently to affect growth and ultimately yield higher returns on equity employed.

More information

Read more about the composition of regulatory capital and the ratios of the Group in note 3.7 of the consolidated annual financial statements from pages 98 to 101.

Outlook for this risk

Despite the global negative economic impact of geopolitical tensions in Ukraine, the Group is expected to maintain a healthy capital buffer above regulatory requirements.

In 2023, the focus of the Group will be on capital optimisation as the Group seeks to improve the effectiveness and efficiency with which capital is employed. The ultimate objective of the capital optimisation journey will be the maximising of returns on capital while not compromising on capital adequacy.

Residual risk

Green – This principal risk is within appetite due to the adequate capital reserves above minimum regulatory and ICAAP requirements.

Compliance risk

Compliance risk is failing to comply with applicable legislation and consequently the risk of cancelled trade licences, penalties and reputational damage.

How we mitigate this risk

Good corporate citizenship and sound market conduct are underpinned by compliance with legislation, regulations, supervisory requirements and applicable international standards. As a financial services Group, our licenses to trade in Namibia and Botswana are subject to adhering to strict regulations overseen by local and foreign regulators.

The Group board sets the risk appetite. There is no appetite within the group for reactive, persistent or recurring core regulatory non-compliance. When non-compliance occurs, the gaps are immediately addressed through the formal remediation process of the Compliance Framework.

The compliance function manages an extensive Compliance Management Programme. This programme entails identifying, assessing, advising on, monitoring and reporting on the Group and its subsidiaries' compliance risk. The programme includes a legislative review of the impact of pending legislation and assessments to judge readiness for implementation.

Anti-money laundering, proliferation activities and terrorist financing (part of compliance risk) are also managed proactively using technology to identify patterns of behaviour, including suspicious behaviour, and to conduct sanction screening. Enhancements to these processes are made continuously as opportunities for improvement are identified through our monitoring and assurance processes.

Key risk indicators

- Penalties
- Fines

Outlook for this risk

The trend of increased regulation is expected to continue. The mutual evaluation by ESAAMLG for Namibia has been completed. The final report is expected to lead to enhanced regulation, monitoring and stricter regulatory oversight.

In Namibia, significant pieces of legislation that will affect our operations include the Financial Institutions Market Act, 2021 ("FIMA"). The object of FIMA is to consolidate and harmonise the laws regulating financial institutions, financial intermediaries and financial markets in Namibia. FIMA was gazetted to come into operation on 1 October 2022. Still, the Namibia Financial Institutions Supervisory Authority ("NAMFISA") has notified the public that the implementation of FIMA has been postponed until further communication.

In Botswana, significant legislation includes the Virtual Assets Act, 2022, enacted in February 2022 and the Data Protection Act, 2018, with an intended enforcement date during October 2022. The object of the Data Protection Act is to regulate the protection of personal data and ensure the privacy of individuals concerning how personal data is maintained. The Virtual Assets Act regulates the sale and trade of virtual assets and the licensing of virtual asset service providers.

Governance oversight

Monthly reporting to risk committees and a quarterly compliance report to the entity and Group board risk and compliance committees.

Priorities for 2022 and progress made

- Enhancements to customer due diligence, enhanced due diligence and ultimate beneficial ownership system functionality and data to promote compliance in branches.
- An AML system upgrade for enhanced functionality and incorporating elements of advanced analytics and automation of the Foreign Account Tax Compliance Act ("FATCA") onboarding process.
- Further enhancements to combined assurance methodologies, specifically longer-term planning (three years), improved alignment between Compliance and Internal Audit, and increased coverage of Botswana's core legislation.

Residual risk

Amber – The profile was affected by data quality issues affecting regulatory reporting and failure to detect and remediate control weaknesses which attracted penalties.

Credit risk

Credit risk is the risk that a borrower or counterparty will fail to meet an obligation when it falls due and is inherent in the Group's business activities. Credit risk can cause a considerable loss in revenue and a decline in the total asset value when assets are liquidated, and the exposure is paid or written off.

The operating context affecting credit risk

The impact of COVID-19 seems to have tapered off during the year; however, global and southern African economies remain under pressure. For Namibia, the past two years have been challenging, especially for the tourism, retail and related industries. Efforts to provide relief to businesses and individuals, such as reduced interest rates and payment holidays, have provided short-term relief to customers.

The Russia-Ukraine war impacts the Namibian economy through inflationary pressures and the subsequent impact on interest rates, driven by spiking food and energy prices. Inflation peaked at 6.0 %, a five-year high.

Although rainfall was uneven across the country, some parts of Namibia have received above-average rainfall this season, bringing some relief to the struggling agricultural sector.

High levels of unemployment and debt remained for the period.

In Botswana, credit risk remained under pressure due to the post-pandemic effects, especially for businesses. The NPL ratio deteriorated in line with expectations, mainly due to the impacts of the pandemic. Customers' arrears statuses are being managed proactively, and efforts are being made to restructure loans.

The banks implemented additional measures to ensure that credit risks are proactively managed and mitigated and selectively onboard new borrowers. Regulators in Namibia and Botswana continue to provide relief through local regulations to enable banks to assist individuals and businesses during these difficult times.

How we mitigate this risk

Credit risk is managed through a comprehensive management framework encompassing regulations, Basel standards, International Financial Reporting Standards ("IFRS"), sound industry practice, and board risk appetite, including the continuous monitoring of risk profiles and concentration risk of the overall portfolio. Analyses, predictive models, and stress testing are used to enhance the understanding and management of credit risk in all the steps in the credit process, i.e., application vetting, credit assessment, sanctioning and payaway, repayment monitoring, debt collection, and write-offs. A continued focus will be placed on managing ESG risks through the Environmental and Social Management System ("ESMS") and using it in the loan application process to ensure responsible, sustainable lending.

We mitigate increased credit risk through credit management and collections processes and the following measures:

- Investigating and implementing digitised credit management and collections processes.
- Continuous development and enhancement of qualitative statistical tools to enable proactive management.
- Embedding and refining risk grading and pricing, supported by emerging risk analytics.
- Enabling broad-range credit management through developing monitoring, detecting, and assessment tools and reports.
- Improving employee engagement and collaboration through various electronic training and shared-learning activities.

Governance oversight

Credit risk is monitored at and managed by the entity credit risk forums, executive management team, risk committees, board credit committee, board audit, and board risk and compliance committees.

Priorities for 2022 and progress made

- Monitoring of NPLs and enhancement of early warning mechanisms.
- Improved management information to improve the legal collections process.
- Portfolio-level analysis and credit risk management were further enhanced in the areas of risk-adjusted profitability measures and optimised IFRS 9 provisions.
- Implementation of an integrated stress test model to perform comprehensive stress tests.

More information

Read more about credit risk in the section on credit risk in the integrated annual report on page 55 and note 3.2 in the annual financial statements.

How we mitigate this risk continued

The following actions were conducted as a result of the pandemic:

- Engaged the top 100 borrowing clients proactively in the most affected industries (tourism, transport, retail) to determine how they can be assisted.
- Extended reviews for two months where information was still outstanding.
- Determined the potential consequences of "force majeure/acts of God" on our loan agreements and facility letters.
- Specified the possibility of deferments, refinancing, and extensions of credit agreements.
- Raised provisions due to new regulations as well as proactive management.

Current and future focus areas:

- Developing and implementing digitised and automated credit approval, management, and collection processes.
- Continued focus to execute on credit management and collections processes.
- Pro-active and focused management of stage 2 clients.
- Continued focus and implementation of collateral centralisation and optimisation actions.
- Optimise credit processes for proactive problem detection and remediation.
- Embed credit stress recovery plan.

Key risk indicators

Key regulatory credit risk figures	2022 (June)	2021 (June)	Variation
NPL as a percentage of gross loans and advances (%)	5.39 %	5.22 %	3.32 %
IFRS 9 stage 3 provision/specific impairment provision (N$'000)*	943 875	969 904	(2.68 %)
Impairment charges in the income statement (N$'000)	278 971	375 951	(25.80 %)

* Includes IIS.

Outlook for this risk

The short-term outlook for credit risk remains negative mainly due to the inflationary pressures and rising interest rates, affecting customers' repayment ability. In addition, the longer than anticipated impact of the pandemic persists, although to a lesser extent than in 2021. However, economic growth might recover slightly during 2023 and subsequent years, favouring the long-term outlook for credit risk.

Pressure on irregular and NPLs is expected to remain in the short to medium term, negatively impacting arrears, provisions, and bad debt.

The following focus areas will be fundamental to credit risk management for the next year: the proactive and efficient management of this risk, the embedment of online applications, pre-approvals, centralisation of key processes and functions, and the incorporation of mathematical models will be actioned.

Residual risk

Red – the operating environment remains uncertain and exposed to unpredictable risks. The framework, controls and new initiatives are continuously assessed, enhanced, and implemented to mitigate the uncertainty.

Cyber risk

Cyber risk is any risk associated with financial loss, disruption or damage to an organisation from failure, unauthorised or erroneous use of its information systems.

How we mitigate this risk

Cyber risk is an inherently high risk escalating due to the increased prevalence of digital platforms and inter-connectedness. The increasing threats place sensitive data and organisational security at risk. Cyber attacks are increasing worldwide, and banking institutions are key targets. Cyber risk is a significant risk that is receiving strong focus and support from the board.

The Group mitigates cyber risk through various technical and non-technical controls, including:

- Cyber Resilience Programme that drives and enhances the maturity of cyber capabilities.
- Cyber risk management process. Cyber risk is a principal risk in the Group.
- Third-party Cyber Risk Management Programme.
- Cyber incident response plans and procedures.
- Security Operations Centre ("SOC").
- Employee security awareness programme.
- Cyber management information system.
- Vulnerability Management Programme.
- Network, perimeter and infrastructure security controls.

Key risk indicators

- External cyber posture
- Internal cyber posture
- Third-party cyber posture
- Various cyber metrics

Outlook for this risk

Cyber risk is expected to increase worldwide, and cyber attacks will continue to be an area of concern. The Cyber Resilience Programme is designed to address current and new cyber risks.

Governance oversight

Cyber resilience reporting, including cyber risks, is presented to subsidiary and Group risk committees, the Group and subsidiary board risk and compliance committees, and the GBITC.

Priorities for 2022 and progress made

- An enterprise-wide Cyber Resilience Programme is maintained containing various workstreams.
- A security operations centre was implemented.
- An intelligence-led targeted attack simulation was executed.
- A cyber crisis management playbook and plan were created.

Residual risk

The residual risk is rated as amber due to the cyber resilience journey still underway via the Cyber Resilience Programme.

Finance and tax risk

Finance risk is the risk of inaccurate financial reporting and disclosure, while tax risk relates to non-compliance to taxation laws and regulations in our operating regions.

How we mitigate this risk

The Group maintains suitably designed controls implemented Group-wide to ensure the completeness and accuracy of all transactions from inception to reporting. These controls include, amongst others:

- All transactions are initiated and approved per the authority matrix, tailored for the Group entity and each subsidiary, ensuring appropriate segregation of duties.
- Reconciliation of financial accounts are prepared and reviewed monthly.
- Management accounts are prepared and reviewed monthly by the management team and reported to the various audit committees and boards every quarter.

The design and implementation of these controls are monitored by internal audits conducted during the financial year on internal control processes within the finance departments across the Group.

The Group's approach is to employ suitably qualified and skilled individuals with knowledge of applying IFRS and tax legislation in our regions. The Group utilises internationally recognised accounting software, which is subject to annual general and application control audits by external auditors. Our auditors' annual external audit engagement, PricewaterhouseCoopers, ensures compliance with IFRS on a separate and consolidated basis.

The risk of non-compliance with tax legislation is mitigated by properly implementing controls and processes. The processes are adequately supervised, including reviewing and approving all direct and indirect tax calculations and reports before submission. External tax specialists are consulted when there is uncertainty about certain tax matters. Additionally, periodic internal audit reviews and external audit procedures are conducted by tax specialists of PricewaterhouseCoopers.

Future focus areas

To prevent mistakes related to human error in the manual processes, the Group is focusing on automating certain processes and controls.

Governance oversight

Monthly risk reports are submitted to risk committees. A quarterly risk report is compiled from subsidiary information and reported to the Group risk committee and the Group BARC.

Priorities for 2022 and progress made

Accounting for IFRS 16 "Leases" has been automated directly in the Group's accounting software. Before this, IFRS 16 adjustments were calculated manually and posted in manual journals, and automating this process significantly reduces the risk of human error in lease accounting.

Outlook for this risk

Compliance with IFRS and tax legislation remains a top priority for the Group. The Group will remain compliant with all relevant IFRS and tax legislation by ensuring all controls are effectively designed and implemented.

Residual risk

Green

Financial crime risk

Financial crime risk entails fraud, dishonesty, misconduct, misuse of information relating to a financial market, handling the proceeds of crime or financing terrorism. Financial crimes may involve fraud (cheque fraud or credit card fraud), theft, scams or confidence tricks, tax evasion, bribery, embezzlement, identity theft, forgery and counterfeiting, computer crime, phishing, burglary and armed robbery.

How we mitigate this risk

Losses due to financial crime remained low. Preventative measures include Risk Culture building, ethics training and fraud awareness, which form part of the formal financial crime prevention approach. New products and services or major changes to existing products and services must undergo a formal risk assessment before changes are implemented.

Fraud risk assessments are conducted to inform our Risk and Control Framework. The framework adheres to standard practices for operational risk in respect of risk and control assessment, key risk indicator monitoring, risk incident reporting and issue remediation.

Financial crime risk is managed through proactive and reactive methods. Proactive methods use technology to identify behaviour patterns, whereas reactive methods involve forensic investigations. The Group employs specialists to combat financial crime. Enhancements to these processes are made continuously as opportunities for improvement are identified through our monitoring and assurance processes.

Progress made

We promoted awareness of the importance of ethical conduct in middle management through appropriate ethics training and Risk Culture training. We created a guideline for managers on the handling and confidential treatment of reports to ensure the safety of communication channels for reporting unethical behaviour.

We defined senior leadership messaging, including the tagline "Doing the Right Thing", to be incorporated into speeches and messages from corporate spokespeople and board members.

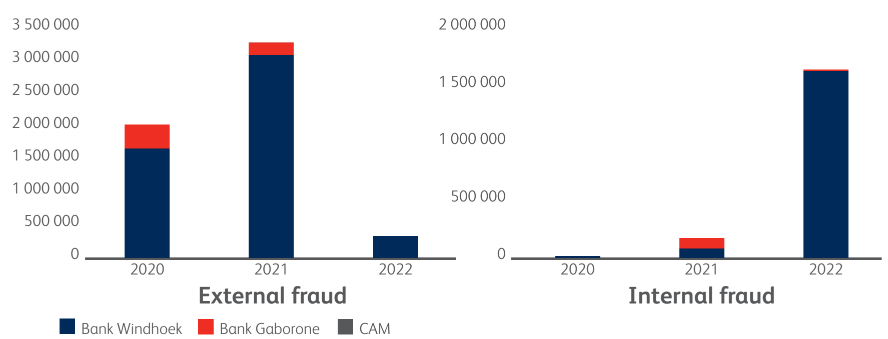
We included ethics as an agenda point on the board agenda and Group management committee.

The focus on awareness and perceived safety of communication channels for reporting unethical behaviour were enhanced through a review of all relevant policies and the inclusion thereof as a topic in the management guidelines.

Enhanced the Tip Off Anonymous line process in the following areas:

- Acknowledge receipt of a disclosure in writing to reporters (where the report's identity is known) or to the whistleblowing hotline service provider (where the reporter is anonymous).
- Provide written feedback to reporters about the investigation's findings without disclosing the contents of the investigation report, and the action taken on the findings.
- Provide statistics to employees about sanctions implemented thanks to safe reporting in a bi-annual communique from the Group ethics sponsor.

Net losses due to financial crime (N$)



For the year 2022 we have seen an increase in internal fraud, as opposed to external fraud, accounted for by 25 larger incidents of internal fraud this year.

Governance oversight

Monthly risk reports are submitted to risk committees. A quarterly risk report is compiled from subsidiary information and reported to the Group risk committee and Group BARC.

Priorities for 2022 and progress made

- Conduct a dipstick ethics risk assessment through the Ethics Institute of Southern Africa.
- Implement ethics training aligned to the outcomes of the ethics risk assessment.
- Corporate theatre sessions have been recorded to be rolled out Group-wide, addressing certain alleged unfair people practices identified during the ethics risk assessment.
- Conduct an ethics risk procurement assessment.

Outlook for this risk

The inherent risk of financial crime is expected to increase as our digitisation programme is deployed and in line with the increasing global trends for cybercrimes.

Residual risk

Green with a stable trend.

Legal risk

Legal risk is the risk of loss primarily caused by (a) defective transactions; (b) a claim being made or another event that results in a liability for the Group or other loss; (c) failure to take appropriate measures to protect assets (for example, intellectual property) owned by the Group; (d) changes in law and (e) exposure to fines and penalties resulting from supervisory actions.

How we mitigate this risk

The Group developed a Risk Management Framework to manage legal risk. The framework adheres to standard practices for operational risk in respect of risk and control assessment, key risk indicator monitoring, risk incident reporting and issue remediation.

An automated workflow and contract management system was implemented in both Bank Windhoek and Bank Gaborone to manage expiration dates and high-risk clause identification, as well as automated approvals for contracts in line with the authority matrices. Intellectual property management is centralised, and a system is used to manage record-keeping and expiration dates of trademarks.

Outlook for this risk

The trend for legal risk is stable, with a stable forecast for the next year. The in-house legal functions in bigger subsidiaries have matured and embedded legal processes and procedures. Smaller subsidiaries use external legal service providers approved by the board procurement committee for legal service delivery.

Governance oversight

We submit monthly risk reports to risk committees. A quarterly risk report is compiled from subsidiary information and reported to the Group risk committee and BARC.

Priorities for 2022 and progress made

- A contract management system was embedded in Bank Gaborone.
- Implementation of reviewed legal documentation was completed for both Namibia and Botswana.
- The initial migration of agreements for Capricorn Asset Management ("CAM") was completed.

Residual risk

Green

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations as they fall due. It is also the risk that the Group may not be able to liquidate assets fast enough or without incurring excessive cost. Liquidity risk is inherent in the Group's business endeavours. It represents its ability to fund increases in assets and meet financial obligations while complying with all statutory and regulatory requirements.

How we mitigate this risk

Liquidity must at all times be sufficient to meet current obligations, both on- and off-balance sheet, as they become due, while at the same time attempting to minimise the cost of obtaining liquidity. The Liquidity Risk Management Framework and Contingency Funding Plan is documented and formally approved by the BARC. Liquidity risk is monitored and managed by a complete list of quantitative and qualitative triggers listed in the Contingency Funding Plan and serves as early warning signs and action triggers. The Group's overall liquidity position is monitored and managed in conjunction with the plan to ensure sound liquidity of all operating units. The liquidity risk is managed by monitoring various identified variables, which include:

- The level of understanding of demand and supply for liquid assets.
- The level of adequacy and ability to access funding (established lines of funding) in a short period of time.
- Relationships with depositors.

In addition to a buffer liquid assets portfolio at Bank Windhoek, the Group maintains a N$1 billion contingency funding facility available to its banking subsidiaries. The contingency funding facility is invested in highly liquid assets in South Africa, so it is not affected by local market liquidity conditions while eliminating any foreign exchange risk. Annual contingency funding line testing is performed, and the test was successful in the current year. Additionally, Bank Windhoek performed a thorough and successful liquidity stress testing simulation exercise in April 2022. The simulation is a regulatory requirement to be performed by an external facilitator every third year.

The lingering impact of the pandemic, which aggravated the pre-existing economic issues in the region, continues to impact liquidity levels in all regions where we operate. Market liquidity in Botswana hit a 2022 low in April 2022 and liquidity remains under strain due to delayed and reduced government disbursements to local authorities and parastatals. The government continues to raise funds via monthly bond auctions, putting a strain on market liquidity due to the long delay before funds are utilised. Government bonds are being allotted at increasing rates, adding pressure for deposit takers to offer higher returns to investors, ultimately negatively affecting the bank's funding cost.

Tax payments in Namibia largely affected market liquidity over June 2022. However, it still showed improvement since May 2022. Namibia is experiencing a steep yield curve with market demand focussed more on longer-term instruments, while treasury bill auctions have seen lower demand. Again, Bank Windhoek needs to compete with higher pricing in the market, which causes a narrowing in the net interest margin due to the high cost of funding. All subsidiaries remained resilient during times of volatile liquidity and increased funding costs with sufficient buffers and contingency funding sources.

Future focus areas

An increased focus on the loan-to-funding ratio will remain as the banks compete for funding against government securities. The Group's treasury functions remain committed to procuring stable funding sources and holding sufficient excess liquid asset buffers over and above regulatory requirements.

Governance oversight

Each entity monitors liquidity risk daily and manages it daily by each entity, overseen by Group ERM and Group Finance through daily reports. Furthermore, liquidity risk is monitored and managed (a) daily and proactively by the bank treasury departments; (b) monthly, at the bank liquidity and market risks forums, bank ALCO and Group ALCO meetings and (c) quarterly, through reports to the bank and BARC and Group risk committee.

Priorities for 2022 and progress made

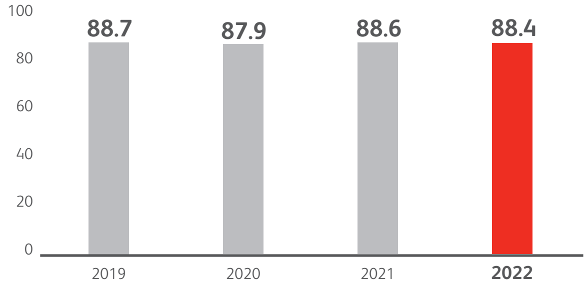
- Reducing the loan-to-funding ratio to mitigate liquidity risk. Despite the pandemic's economic impact, the loan-to-funding ratio was adequate.
- Diversifying the funding base.
- Maintaining healthy liquidity levels during times of rising interest rates as a result of the geopolitical tensions in Ukraine.

More information

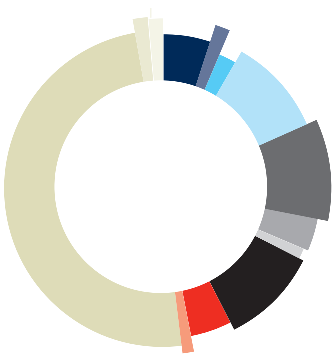
- Read more about liquidity risk in note 3.4 in the annual financial statements from pages 82 to 88.

Liquidity risk:

Historical loan-to-funding ratios (%)

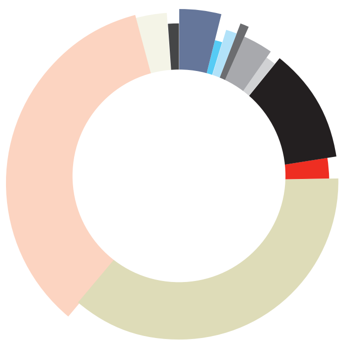


Bank Windhoek deposit portfolio per sector



Bank Windhoek	
Water, gas and electricity	5.03 %
Transport, storage and communication	1.41 %
Trade, accomodation and food services	2.14 %
Real Estate and Business Services and Professional	9.92 %
Other	9.70 %
Mining	3.39 %
Manufacturing	1.08 %
Individual	9.97 %
Government services	4.38 %
Fishing	1.22 %
Finance and insurance	49.16 %
Business Services and Professional	0 %
Building and construction	1.42 %
Agriculture and forestry	1.18 %

Bank Gaborone’s deposit portfolio per sector



Bank Windhoek	
Water, gas and electricity	0 %
Transport, storage and communication	4.00 %
Trade, accomodation and food services	1.00 %
Real Estate and Business Services and Professional	1.00 %
Other	1.00 %
Mining	3.00 %
Manufacturing	1.00 %
Individual	12.00 %
Government services	2.00 %
Fishing	0 %
Finance and insurance	37.00 %
Business Services and Professional	35.00 %
Building and construction	3.00 %
Agriculture and forestry	1.00 %

Outlook for this risk

Liquidity in the markets where we operate is expected to remain volatile on the back of the lingering economic impacts of the pandemic, where local governments continue to fund their COVID-impacted fiscal deficits from the local market. This is aggravated by rising global interest rates to curb the high inflation brought about by global oil price increases due to the Russia-Ukraine war. For this reason, the cost of funding is expected to remain under pressure.

Residual risk

Amber. Current liquidity levels are within appetite. However, due to the continued pressure on market liquidity and the cost of funding, the profile is expected to remain in the buffer range of amber.

Market risk

Market risk is the risk of potential losses in on- and off-balance sheet exposures from movements in market rates and prices.

The following risks may arise:

- **Interest rate risk:** The risk of loss resulting from changes in interest rates, including changes in the shape of yield curves.
- **Currency risk:** Also known as foreign exchange risk, which arises from fluctuations within the currency market.
- **Equity risk:** The risk of potential losses due to adverse changes in stock prices.

How we mitigate this risk

Market risks are actively monitored at Bank Windhoek and Bank Gaborone. The emphasis is on foreign currency fluctuations and managing the book's interest rate in an uncertain interest rate environment. Market risk will remain a key focus area, given the probability of further changes to interest rates, increased volatility in foreign currency markets and the deteriorating macroeconomic environment, amplified by global stagflation, developing recessionary conditions and the geopolitical disruption caused by the Russia-Ukraine war.

The ALCO is responsible for optimising, controlling, directing and setting strategies for the Group's day-to-day balance sheet management, as per the risk appetite statement and the prudential regulatory requirements.

The interest rate committee is a sub-committee of the ALCO whose sole role is to guide discussions and debate the current global and local economic climate in conjunction with the latest yield curve to reach an agreement on the most likely scenario for interest rates over the next 12 months. The committee also recommends strategy to the banks via ALCO and in terms of the mix of assets and liabilities, hedging and other risk management strategies based solely on future expectations of interest rates and economic fundamentals.

The liquidity management risk forum is another ALCO sub-committee. It is a pre-ALCO working forum consisting of key bank role-players that actively debate the structure of the balance sheet, interest rate and funding considerations, and bank strategy under current economic circumstances. Issues and recommendations are then escalated to the ALCO.

Detailed key risk indicators and limits aligned to the bank's risk appetite are monitored daily and reported to key stakeholders, governance committees and the central bank as required. Each entity manages its funding book according to the following:

- Actual market information.
- Market expectations on the state of the local economy (Central government borrowing plan, Bank of Namibia quarterly review and GDP).
- Expected future monetary policy changes.

Foreign exchange risk is managed by closely monitoring the limits set out in the Market Risk Framework. Both on-balance and off-balance sheet foreign currency exposure are measured and reported against the bank's qualifying capital to manage the risk within the risk appetite. Models and stress tests are used to better understand the market risk environment. Foreign exchange positions are managed via stop-loss orders and derivatives in the spot market to close or hedge unwanted exposure.

Future focus areas

Implement a new treasury management system to improve our real-time ability to manage this risk. The new treasury management system will also assist in market risk limit management and monitoring and provide us with an improved view of accurate mark-to-market valuation on derivatives for margin maintenance on collateral accounts with counterparties.

Key risk indicators

Maximum duration value, currency exposures and interest rate mismatches are some key risk indicators monitored.

Outlook for this risk

Interest rate risk: The world emerged from COVID-19 only to enter a geopolitical shock causing inflation to rise alongside regulated pricing. Inflationary pressure will result in higher rates in the medium term and further hikes of at least 100 to 200 basis points over the next 12 months. Interest rate basis risk is experienced on assets linked to the Namibian prime rate and a portion of the liability book linked to the three-month JIBAR. South Africa's monetary policy committee ("MPC") meeting is one month before the Namibian MPC, which negatively affects Bank Windhoek on an upward cycle of interest rates. The importance of an optimal funding mix is continuously stressed to mitigate this lag.

Currency risk: Continued volatility in currency markets is expected over the next year as global inflation and potential recession are exacerbated by the uncertainty around Russia-Ukraine.

Governance oversight

Market risk is monitored and managed at each banking subsidiary and Group ALCO, and there is oversight at the subsidiary and Group BARCs.

Priorities for 2022 and progress made

- The banks have implemented a bank-wide integrated forecasting and stress testing model which will better understand the banks' solvency and other performance and risk indicators, over five-year, forward-looking stress conditions.
- The integrated forecasting and stress testing model coupled with the new treasury management system will enhance market risk management capabilities for all bank internal and external stakeholders.

More information

- Read more about market risk in the financial review in the integrated annual report from page 50.

Residual risk

Amber. Although very robust, the market risk management process is currently relatively manual. Introducing a built-for-purpose, best-in-class treasury system will provide better automated processes, real-time information, and enhanced risk analytics.

Operations risk

This is the risk of failure to deliver the intended outcome regarding facilities, data, processes, business continuity, physical cash management and payment management. Losses due to payment errors or theft due to poor physical security are examples of this risk.

How we mitigate this risk

Operations risk is managed according to the standardised approach to operational risk management under Basel II. Qualitative and quantitative tools are applied to identify, assess, set appetite and manage operations risks. The Group continues to ensure that operations risk is effectively managed through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

The low levels of operational risk losses in the banking subsidiaries continue due to deliberate efforts to reduce losses from errors and the Group-wide implementation of Risk Culture building and risk training.

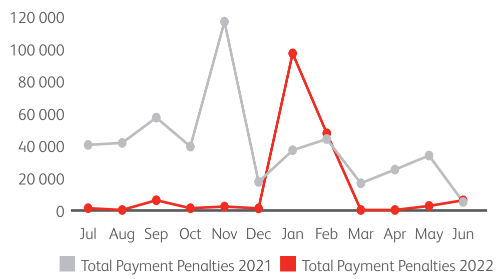
Future focus areas

- Data quality and process optimisation aim to achieve and maintain high data quality and reduce or eliminate time and resource wastage, unnecessary costs, bottlenecks, and mistakes while achieving the process objective.
- Payments, implement continuous measures to ensure that customer transactions are effected in real-time reliably, in a safe and secure environment.
- Customer contact centre capability enhancements to improve contact centre performance, boost customer satisfaction and take-up of self-service, and increase return on investment.
- Automate cash services to improve the efficiency and profitability of cash deposit and cash withdrawal service processes.
- Back-office automation and centralisation of key scalable activities to eliminate inefficiencies from the back office legacy systems, siloed data sources, and manual and disconnected paper-based processes.
- Enhance and formalise remote working and effective use of resources to address the risks of remote working.

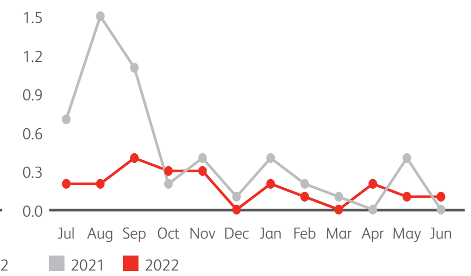
Key risk indicators

- Service level agreement ("SLA") monitoring to ensure adequate service delivery.
- Risk incidents.
- Business process management.
- Operational losses.

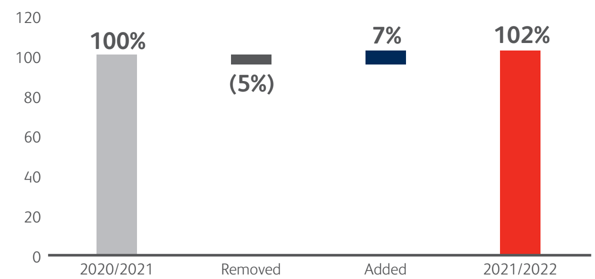
BW Payment Losses due to Penalties



BW Payment Losses due to Penalties



Number of processes



Governance oversight

We submit monthly risk reports to risk committees. A quarterly risk report is compiled from subsidiary information and reported to the Group risk committee and BARC.

Priorities for 2022 and progress made

- Implemented automated workflows in international operations business for quicker processing times and ensuring fewer manual interventions.
- Installed touchless sanitiser dispensers at 140 Bank Windhoek automated teller machines (ATMs).
- The various business units are continually exposed to the deployment of updated methodologies as well as testing and training to ensure increased capacity to deal with interruptions to business.
- Contingency and recovery plans for core services, key systems and priority business processes have been developed. They are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant.
- All existing electronic fund transfer ("EFT") transactions are now submitted via the new NamPay EFT service.
- Facilities adhere to minimum standards as required by the business and the regulator. All lease agreements are in place and managed according to the internal process when due for renewal. Annual inspections were conducted for all facilities, and overdue fitness certificates due to COVID-19 were obtained.

Outlook for this risk

We have a process that enables operations risks to be identified and assessed and requires implementing mitigation plans where gaps are identified. This enables appropriate risk taking, aligned with the Group's risk appetite, to achieve strategic objectives. Operations risk activities remain resilient and focus on unlocking operational efficiencies, simplifying operating models and becoming more deeply connected to the customer.

We will continue to enhance our management and mitigation of operations risk, specifically emphasising more agile development and delivery. From the outset and given the stated risk appetite per the Operations Risk Framework, this is properly assessed and within acceptable tolerances with an expected stable trend.

We are reviewing our processes to deliver stable, optimised processes in a controlled environment and increasing the automation and digitisation of our controls as part of our digitisation programme to transform our business into a future-fit distribution model. We also embed customer centricity in our design and execution to establish competitive advantage, leveraging data and digital.

The pandemic has had a profound impact on our way of working and has also changed the way our employees view their work practices and environment. Some of the changes we introduced were intended to be short-term and will not be sustainable over the longer term. We will evaluate our ways of working with a longer-term focus.

Residual risk

Amber. Our digitisation programme introduces significant changes in our operational practices and procedures, and these changes will have to be managed to ensure a safe and responsible transition.

People risk

This is the risk of failure to achieve the Group's business objectives due to difficulties arising from people-related matters. The People Risk Framework is linked to the Group strategy and is measured and reported as such. The framework was refined and is consistently applied. Measurements include the risk process related to all people practices and the consistent application of policies and procedures. Our people practices are evolving fast, and constant evaluation from a Risk Culture perspective is critical.

How we mitigate this risk

The people risk profile is stable across all the entities in terms of responses to mitigate potential risk exposures. From a strategic perspective, the focus has been on implementing a Talent Investment Framework, adopting a standardised succession process, implementing consistent performance management principles across the Group and emphasising our culture as a foundation. This includes reviewing and standardising policies and procedures pertaining to the people dimension.

The number of audit findings/observations increased for the reporting period as a deliberate focus was placed on reviewing key processes related to people risk. This was a key learning opportunity; the highlighted areas have already been remediated, and standard operating procedures have been put in place to ensure consistency and sustainability.

Employee engagement is key to understanding underlying people issues. The annual engagement survey didn't highlight any risk matters that are not yet addressed as part of our normal people agenda.

The Group's Risk Culture Building programme and Risk 101 e-Learning Programme provide training for all employees to be risk aware and have basic risk management skills to apply on the job.

The People Risk Framework has been adopted across the Group and describes best governance practices and clarifies roles and responsibilities while addressing risks associated with employee behaviour, capability and attitude towards risk management.

The Group mitigates its people risk through:

Spheres of control	Risk mitigation	Measurement
Culture change	> Linking the People Risk Framework to the Group's strategic choices. > Transitioning employees to the new way of working (leadership, team and culture intervention). > Working closely with external partners to address our employees' overall wellness, specifically social, emotional and mental health during the pandemic. > Targeting a high-performance culture by redefining our talent investment approach. > Focusing on a people growth strategy, including sustainable e-learning programmes within the people development capability. > Accelerating innovation through automated processes throughout the human capital value chain. > Focusing on diversity, equity and inclusivity as a dedicated strategic choice.	Culture initiatives focus on leaders, an inclusive workforce, and employee engagement. This is measured through our engagement survey, and we have increased engagement levels in the organisation from 83% to 86%. The Group has further adopted a formalised Talent Investment Framework that spans the employee lifecycle. This has been adopted across all entities. The adoption of e-learning as a concept is still not mature. Several key interventions have been launched, focusing on leadership development and wellness training. Work is underway to further enhance this way of learning. Several automation initiatives happened during the reporting period, specifically utilising MyCapricorn employee app. Diversity, equity and inclusivity is a dedicated programme with specific plans for all entities. A survey was conducted, and the Group achieved an inclusion score of 7.2 out of 10 and a diversity score of 7.4.

Governance oversight

Detailed risk reports are submitted to risk committees post engagement with the respective people risk owners in the respective entities. A quarterly risk report is compiled from subsidiary information and submitted to the Group risk committee, BARC and the Group board human resources ("HR") committee.

Priorities for 2022 and progress made

Regularly reviewing and updating the risk framework to ensure that it aligns to micro and macro-changes, for example, to include the impact of COVID-19 and align it to risk tolerance levels.

Some of the recent adjustments include:

- Transitioning employees to new ways of working (social distancing, teams and cultural diversity).
- Implementing and embedding the new working model (including remote working).
- Focusing on leadership development to strengthen leaders to deliver against the organisation's strategic objectives.
- Strengthening positive union relationships, including ongoing engagement with union leaders and resolving issues through formal engagement structures.
- Sustainable wellness initiatives.
- Investing in real-time information via our MyCapricorn employee app.
- The implementation of a diversity, equity and inclusivity framework and programme.
- Pay equity review to ensure fair pay practices.
- Implementation of standard operating procedures and adjustment of policies to mitigate audit findings.

How we mitigate this risk continued

Spheres of control	Risk mitigation	Measurement
Ensuring positive relationships with unions	Ongoing employer/union forums and engaging with union leadership.	Engagement and alternative dispute resolution through formal platforms.
Awareness of policies, processes and procedures	Monitor market shifts and practices, which should be adapted and integrated into Group policies and processes. These are managed against Group governance standards.	Training on policies and procedures for all employees across Group entities.
Enhance people risk management (Reported monthly to operational risk forum, reported quarterly to the executive committee)	Ensure that risk management interventions and frameworks are understood throughout the Group and entities.	Conduct ongoing risk assessments to identify and evaluate potential risks and opportunities for reporting.

Key risk indicators

- Vacancies in key positions. This was highlighted in 2022 as the demand for skills in the IT, cyber, financial risk and data space accelerated. An alternative resourcing plan has been drafted and is in the process of being actioned.
- Leave and overtime has increased due to the pressure experienced during COVID-19.
- Employee turnover is stable at below 1%.
- Employee engagement increased by 3%, from 83% to 86%.
- Male and female employees receive equal pay. A significant amount of time has been spent understanding the respective data points. Where needed, remedial action was implemented. This has been incorporated in the yearly remuneration review as a practice going forward.
- Industrial actions (employee grievance, disciplinary hearings, etc.) decreased by 36% during the period.
- Affirmative action measures (Namibia only). The three-year plan is in place, the yearly update to the employment equity ("EE") commissioner has been submitted, and a certificate of good standing has been issued. The Group is green on all reporting elements.

Outlook for this risk

We expect a green outlook with a stable trend. The Group's strategic objectives continue to guide our actions with a key focus on talent, leadership, diversity, equity and inclusivity as the foundation for strengthening our cultural artefacts. We rely on a strong, engaged culture to drive performance in the Group and are monitoring key flags relative to our engagement indicators. The war for talent is a key consideration for the Group's ability to deliver against the organisation's strategy. We have found that a shortage of skills in key areas is a key concern and a risk. Significant effort has been invested in exploring alternative sourcing methods and the personalisation of the retention mechanism.

Residual risk

Green

Reputation risk

Reputation risk is mainly a consequence of other risks materialising, and it is the risk of failing to understand, identify or manage events that harm our reputation. The Group has no appetite for conduct that places its reputation at risk.

How we mitigate this risk

A Group Reputation Risk Framework and strategic stakeholder engagement plan are in place.

Each entity's PRO for reputation risk continuously receives reputation risk management best practices, case studies and tips on dealing with a crisis from a communication and media perspective.

External consultants were contracted to monitor the Group and its subsidiaries' online presence, including traditional and social media channels. Monthly reports are generated and assist in adjusting strategies and responses to mitigate potential reputation risks.

The Group mitigates reputation risk by:

- Continuously monitoring compliance with the brand manual (visual identity guidelines) and brand endorsement strategy among all entities.
- Conducting dipstick brand audits and stakeholder engagement audits to assess the brand's health and stakeholders' perceptions.
- Continuing to implement the Group's strategic stakeholder engagement plan and enhancing the plan with inputs from stakeholders through a comprehensive stakeholder audit.
- Enhancing reputation risk awareness internally with a focus on responding to cybersecurity risks.
- Implementing the brand and communication strategy to address the risks and opportunities associated with the Capricorn Group brand following the outcome of the brand audit.
- Building a strong ethical culture through employee communication and engagement initiatives.
- Using the Capricorn Foundation's ("Foundation") activities and the Changemaker programme (employee community outreach initiatives) to build a positive reputation for the Group as Connectors of Positive Change.

Key risk indicators

- Percentage of negative, neutral or positive reporting on social media
- The number of incidences not reported that had or could have had a reputational impact
- Customer service survey results
- The number of customer complaints
- Percentage of negative media reports on the subsidiary per month

More information

Read more in the Group chairperson's message in the integrated report from page 16 and the BSEC report from page 67.

Outlook for this risk

Reputation risk is expected to remain stable. Banks are under increased scrutiny from customers and broader society, compounded by the worsening socioeconomic conditions. The perceptions of banks and sentiments shared about our banking subsidiaries are closely monitored and appropriately responded to. The nature of reputation risk makes it difficult to predict its likelihood and impact over a medium to longer term, but the policies, processes and tools to manage any potential risk are in place and will lessen the potential negative impact.

Governance oversight

The Group and subsidiary boards receive reports on material reputation risk issues via the BARC or a Group board risk committee (as the case may be). Quarterly reputation risk profiles are compiled for all entities and reported to the BARC.

Priorities for 2022 and progress made

- The Group Reputation Risk Framework was reviewed and enhanced.
- A Crisis communication Playbook was developed, covering a range of possible reputation risk scenarios, with key messages and response plans included
- The Group's Cyber Risk Crisis Management Plan was developed and tested through simulation.
- The Group's Policy Framework is continuously reviewed, and enhancements are made to policies to effectively manage risks.
- Group PRO oversight of reputation risk management improved, and subsidiaries' reporting was enhanced following training interventions.
- Visible improvement in entities' compliance with the Group's brand manual (visual identity guidelines).
- The Foundation is fully established and contributes to building a positive reputation for the Group. The Foundation has aligned its focus areas to the Namibian government's Harambee Prosperity Plan II.
- A comprehensive stakeholder audit was conducted over a three month period in Namibia and Botswana to test the relationship of the Group and its subsidiaries with key stakeholders.
- The Group's strategic stakeholder engagement plan was reviewed and enhanced following the feedback from stakeholders through the stakeholder audit.
- Internal awareness was created on reputation risks, and Group PRO oversight in managing and reporting reputation risk issues was increased.
- The communication plan, which was developed to build a strong ethical culture with the theme "Do the right thing", increased awareness on ethical behaviour.

Residual risk

Green

Strategic risk

Strategic risk is the uncertainty and untapped opportunities created and affected by internal and external events and scenarios that could inhibit the achievement of the Group's strategic intent and objectives.

How we mitigate this risk

During the year, we mitigated strategic risk in three ways:

- Applied governance per the Group Strategic Risk Management Framework.
- Adopted an open strategy development methodology to review the Group strategy.
- Implemented strategy with clear and appropriate actions, outcomes, metrics and performance targets.

Key risk indicators

- Return on equity, gross advances and employee costs as a percentage of expenses
- Various market share metrics
- Customer satisfaction and net promoter score, growth rate, customer contribution, cross-sell and up-sell ratios
- Employee engagement
- Corporate social investment project metrics

More information

Read more in the section on our strategy from page 36 of the integrated annual report.

Outlook for this risk

We expect that both strategic risks and opportunities will increase. Liquidity and funding will remain a focus. Shifting societal values and expectations to participate in the broader shared economy will require corporations, including financial institutions, to re-imagine their value proposition to society. The energy sector in Namibia poses significant potential opportunities and risks and will require robust decision architectures to evaluate risks and returns. The war for talent is intensifying and requires alternative modes of engagement with top talent and a skilled workforce. Technology convergence will bring disruption but also new partnership opportunities. Climate change and other sustainability factors are gaining prominence both in terms of the risks to regulatory compliance and robust risk management will remain imperative.

As we navigate the complexities of our fast-changing operating context, we adopt a more open and inclusive approach in our strategy process.

Governance oversight

The Group and subsidiary boards and entity executive management teams conduct annual strategy sessions to develop and/or approve strategies for the Group and subsidiaries. Managing directors of the entities report progress on the implementation of the strategy at quarterly board meetings.

Priorities for 2022 and progress made

- We remain directionally on track with our strategy execution, with key priority areas being funding, talent management and new growth initiatives.
- CAM and Bank Windhoek met their market share and customer objectives.
- Meeting funding targets remained challenging both in Namibia and Botswana.
- We made steady progress with our digitisation programme, delivering multiple enhancements to our digital channels.
- There was a Group-wide improvement in employee engagement.
- We invested in our talent management and leadership development.
- Defined objectives, goals and action plans for our diversity, equity and inclusivity programme and completed a series of externally facilitated sessions on unconscious bias.
- We initiated a review of the Group strategy through an open and inclusive process.

Residual risk

Amber and stable due to macro-economic uncertainties, geopolitical instability, and limited unmet strategic objectives.

Technology risk

Technology risk is the risk that the strategic technology investment is not aligned to the Group's purpose or business strategy or catastrophic failure of technology to deliver secure IT services that provide critical business services.

How we mitigate this risk

The Group Technology Framework sets out the governance, policies, guidance, and procedures for IT risk management within the Group. The Technology Risk Framework aims to ensure that the current technology risks are adequately identified, analysed, assessed, and treated following the applicable legislation and industry standards; to ensure compliance and increase the benefits derived from the use, ownership, operation, and adoption of technology within the Group. Key technology controls and risk indicators implemented to adequately manage technology risks are managed within the Group Technology Risk Framework. Technology risks are also managed and reviewed through a monthly information technology and security risk committee.

The GBITC governs the Group IT function, and the executive management responsibilities vest with the Group chief information officer. The cybersecurity, IT risk, and compliance teams collaborate with the technology Group PRO and subsidiary PROs to identify risks. These are communicated to managers who are responsible for executing remediation plans. An effective control environment was created to identify critical issues and deal effectively with severe incidents. Risks are tracked and reported within the risk governance structures. The Group employs a standardised architecture to combat threats and reduce the effort required to support and maintain all systems.

The Group mitigates technology risk by:

- Formal governance and policy with regards to technology risk.
- A Technology Principal Risk Framework outlines the key risks, controls and key risk indicators.
- Monitoring of the risk through formal reports, including key indicators with thresholds.
- Continuing to enhance technology key risk indicators.
- Enhancing vendor risk management process and controls.
- Enhancing our development, security, and operations capabilities.
- Enhancing the cyber defence technology capabilities of the Group.

Key risk indicators

- Repeat moderate severity incidents
- System uptime
- Disaster recovery capabilities
- Support call metrics
- IT change metrics
- Patch management capabilities

Outlook for this risk

The technology risk is expected to improve within the current strategic cycle as controls are continuously enhanced. The Capricorn Group IT uses the following drivers to prioritise our initiatives:

1. Cyber security
2. Stability
3. Regulatory and compliance
4. Strategic
5. Business as usual

Governance oversight

Technology risks are reported to subsidiary management risk committees. Quarterly risk reports are submitted to the subsidiary board risk and compliance committees, the Group risk committee and BARC. Material technology risks are reported to the GBITC.

Priorities for 2022 and progress made

- Additional headcounts approved to execute and deliver on the #gobeyond projects.
- IT infrastructure and software are being refreshed.
- Developed effective employee retention and key-man dependency initiatives.
- Design and enhance architectural building blocks to continuously create and improve business value.
- Business and IT stakeholders collaborate, align, and interact in various engagements.
- Projects risk review as part of delivery into production.

Residual risk

Amber with a stable trend. Realising the future state architecture, in line with the strategy, is a continuous process through various strategic and enabler initiatives.

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Details for QR code

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