

Environmental Report 2024



Capitec Bank Holdings Limited
(Capitec or the group or the company)

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protecting our planet, our home

3 centuries after the British philosopher John Locke first said, "there is no planet B", these words are echoing louder in everyone's minds day by day. We only have 1 earth, 1 home.

Capitec is committed to doing its part to protect our planet against the impacts of climate change and its delicate relationship with the natural environment and its ecosystem and biodiversity.

It is for this reason we align our core business strategy with several of the UN's SDG's.

Message from the chief executive officer

As a business driven by innovation and technology, Capitec's focus has always been to provide simplified, accessible and affordable banking and financial services to our clients through a personalised experience. The bulk of our products are available through paperless and highly digitalised channels, contributing to our low environmental footprint.

In the past year, our retail client base grew to 22.2 million (2023: 20.1 million), of which 12.5 million (2023: 11.4 million) are actively using our digital banking solutions.

Our Stellenbosch head office photovoltaic (PV) solar array reduced our carbon-heavy electricity consumption, generating 690MWh (2023: 506MWh) during the past 12 months.

Capitec believes that everything we do must add value to our stakeholders, both internal and external. It is in this spirit that we identify, assess and manage climate and nature-related risks in pace with the just transition to a lower-carbon economy. As a responsible corporate citizen, we continue to align with regulatory and societal expectations.

While some of our clients may be more vulnerable to the impacts of climate change (physical and transition risks), we will continue to identify and manage existing and emerging environmental risks. Capitec also monitors potential opportunities for operational efficiencies and financial solutions for our clients and other stakeholders to ensure our business remains sustainable and resilient.

Climate change and its impact on biodiversity are becoming more visible. On a positive note, the collective knowledge, availability of data and tools are also increasing. Capitec is leveraging these resources and expanding our institutional knowledge to craft a strategy that delivers on the expectations of all our stakeholders while playing our part in protecting the planet. It is for this reason that we voluntarily disclose our progress and goals around addressing the impact of climate change and protecting biodiversity.

Gerrie Fourie
Chief executive officer (CEO)

For security and privacy purposes, we have removed the CEO's signature from this document.

Running a successful business should not be at the expense of the environment or society. We therefore integrate sustainability and environmental, social and governance (ESG) principles into our overall business strategy.



Foreword from the sustainability office

This report builds on Capitec's climate-related financial disclosures published annually since 2022. Considering the relationship between natural systems and climate change, this report moves beyond climate-related financial risk and now also includes information on biodiversity. Capitec is guided by leading frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) and will continue to mature and improve alignment to these frameworks. We anticipate more harmonisation and alignment as the TCFD recommendations will be incorporated into the International Sustainability Standards Board's (ISSB) IFRS S2 Climate-related Disclosures standard.

Capitec's goal is to contribute meaningfully to the collective worldwide effort to limit the increase in average global temperature to well below 2°C above pre-industrial levels, but preferably limited to 1.5°C.

This infographic aims to demonstrate the close relationship between climate change and biodiversity loss.

The 28th annual United Nations (UN) Climate Change Conference (COP28), convened from 30 November to 13 December 2023 in Dubai, saw nearly 200 countries, including South Africa, pledge their transition away from fossil fuels and increase investments in renewable energy.

The South African government, as a signatory to the Paris Agreement, remains committed to the global effort towards net zero carbon emissions by 2050, through its Just Energy Transition (JET) plan.

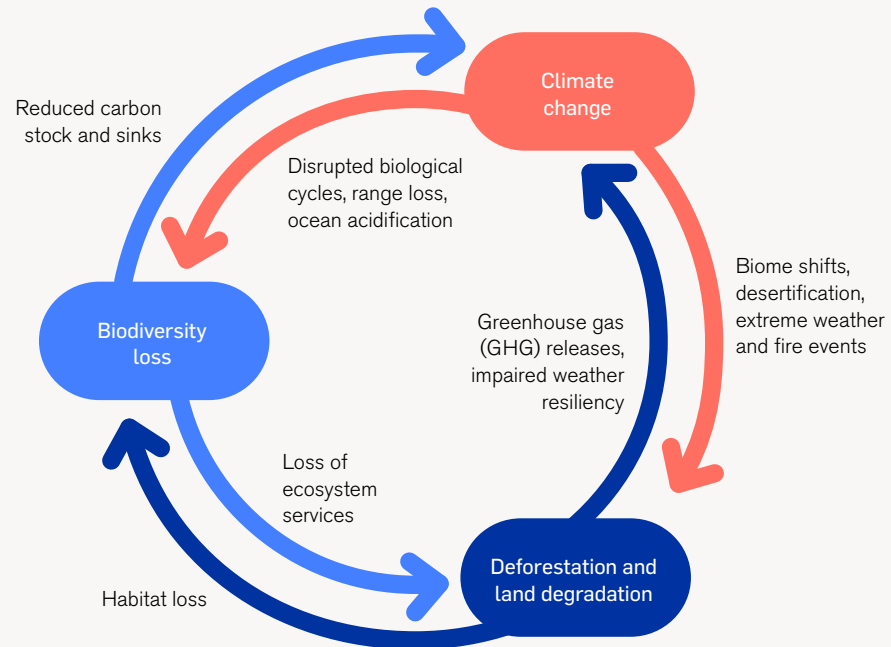
Considering that 2023 was already an exceptionally warm year globally, and with all indications that 2024 is expected to be the hottest year on record, one where globally we might very well breach the average global temperature 1.5°C threshold, even if only temporarily, it came as no surprise that the World Economic Forum's Global Risks Report 2024 once again shows environmental risks (extreme weather events, pollution and

biodiversity loss and ecosystem collapse) dominating the top 10 list of risks in both the short (2-year) and long (10-year) term.

The investment community is increasingly focused on sustainability and incorporating relevant aspects into their investment decisions. This report is therefore an important source of information for the investment community to inform their decisions and client disclosure requirements.

Capitec acknowledges that climate and nature-related risks are present in our value chain, both upstream and downstream. As a result, we continuously monitor and evaluate same for opportunities to implement appropriate mitigation and/or adaptation measures.

The social, ethics and sustainability committee (SESCO) has significantly increased its focus on climate-related risks and opportunities, empowering the sustainability committee in operationalising the sustainability framework, policies and strategies.



Source: BloombergNEF, United Nations Environment Programme

Foreword from the sustainability office continued

As a responsible corporate citizen, Capitec remains committed to:

- sound corporate governance principles, based on transparency
- driving business strategies to reduce any material negative impact our operations might have on the environment and

society, while at the same time endeavouring to continue to improve on our positive contribution to same

- embedding robust risk management practices to identify, evaluate and manage environmental risks

- continuously improving the accuracy and completeness and expanding the scope of our environmental footprint accounting to set reduction targets and compile a practicable transition plan to reduce our environmental footprint in line with that of the Paris Agreement.

Capitec's sustainability journey

	Governance	Strategy	Risk management	Metrics and targets
Accomplishments in prior financial years (2023 and earlier)	<ul style="list-style-type: none"> • Established a sustainability committee • Published first stand-alone climate-related financial disclosure in 2022 • Improved sustainability-related disclosure in integrated annual report, evidenced by the exponential year-on-year improvement in our ESG scores • Sustainability-related executive short-term incentive (STI) key performance indicators (KPIs) approved by the human resources and remuneration committee (REMCO) for the 2024 financial year 	<ul style="list-style-type: none"> • Exponential improvement in ESG scores across several leading global ESG rating agencies • Demonstrate integration of climate risk and opportunities in overall business strategy • Became a member of the National Business Initiative (NBI) • Internal skills development and capacity-building 	<ul style="list-style-type: none"> • Participated in high-level South African Reserve Bank (SARB) common scenario stress test (CSST) • Conducted initial climate risk assessment within our operations and financing activities • Performed high-level biodiversity and water risk assessment 	<ul style="list-style-type: none"> • Engaged with external industry experts to review our current environmental footprint accounting practices and implemented proposed improvements
Accomplishments during the financial year ended 29 February 2024	<ul style="list-style-type: none"> • Published second stand-alone climate-related financial disclosure • Further improvement in sustainability-related disclosure in integrated annual report • Launched dedicated ESG page on corporate website, with additional policy disclosures • Internal sustainability awareness campaign • Further refinement of executive STI KPIs for the 2025 financial year 	<ul style="list-style-type: none"> • Continued improvement in ESG scores • Internal capacity building and skills development 	<ul style="list-style-type: none"> • Performed more granular biodiversity and water risk assessment • Performed physical climate risk assessment of owned and financed assets 	<ul style="list-style-type: none"> • Continued improvement in accuracy and completeness of environmental footprint accounting practices, including additional Scope 3 GHG emissions categories

We are committed to improving the transparent disclosure of our policies, many of which relate to topics covered within this environmental report. This is evidenced in the sustainability-related information disclosed in our latest integrated annual report at <https://www.capitecbank.co.za/financial-results/2024/>, as well as the dedicated ESG page at <https://www.capitecbank.co.za/esg/> on our corporate website.

Sustainability remains a high priority for our board and senior management. Capitec remains steadfast in our endeavour to improve on related public disclosures and to embed robust business-wide risk management practices to ensure our business remains relevant and resilient.

Preamble

This environmental report covers Capitec, listed on the Johannesburg Stock Exchange Limited (JSE), and our 100%-owned and controlled subsidiaries, as well as Capitec Life, Business bank, Retail bank and Capitec Rental Finance.

This is Capitec's first environmental report, building on the past 2 years' climate-related financial disclosures. Scientists agree that there is a very close relationship between nature and climate. This report therefore aims to go beyond climate and include information on biodiversity, although the latter is still in its infancy. We remain committed to improving and continually expanding our sustainability reporting including our alignment with the recommended disclosures and practices of both the TCFD and TNFD.

Relevant frameworks and legislation informing Capitec's approach to environmental reporting are expanded upon in the governance section.

Assurance statement

This report's narrative was reviewed and approved by our SESCO, while our internal audit department performed a sample-based audit of environmental footprint source data prior to publication.

No third-party assurance was provided on any quantitative metrics or targets.

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How to read this report

This report is structured around 4 thematic areas that are core to how organisations disclose climate and nature-related risks and opportunities, namely governance, strategy, risk management and metrics and targets. Any reference to 'environment' will include both climate and nature (biodiversity and ecosystem) considerations unless otherwise specified.

In these sections, Capitec sets out our approach to managing environmental risks and opportunities where the relevant processes and structures have already been implemented or are still in the process of being implemented.

Governance

The board's role in overseeing environmental risks and opportunities and management's role in assessing and managing same

Strategy

Actual and potential impacts of environmental risks and opportunities on Capitec's businesses, strategy and financial planning


Metrics and targets

Metrics and targets Capitec uses to continuously assess and manage relevant environmental risks and opportunities

Risk management

How Capitec identifies, assesses and manages our environmental risks across all our risk categories



	12.6
Adopt sustainable practices and integrate sustainability information into our reporting cycle	

Realities of climate change and its impact on biodiversity and ecosystems

Climate change is very real, with scientific evidence showing that the earth's average surface temperature in 2023 was the warmest on record. In fact, in a study conducted by the National Oceanic and Atmospheric Administration, the earth's land and ocean surface temperature in 2023 was 1.18°C above the 20th century average. Looking ahead, there is a 1-in-3 chance that 2024 could even be warmer than 2023.

Globally, storms have increased in frequency and intensity, and wildfires have destroyed thousands of hectares of forests and farmlands. Combined, these events have led to the loss of human and animal life and the destruction of fragile ecosystems, all contributing to the world now having surpassed 6 of its 9 planetary boundaries. (Scientists have long since noted 9 planetary boundaries beyond which we cannot push earth systems without putting our societies at risk: climate change, biodiversity

loss, ocean acidification, ozone depletion, atmospheric aerosol pollution, freshwater use, biogeochemical flows of nitrogen and phosphorus, land-system change and release of novel chemicals.) The diagrams below show the evolution of the planetary boundaries framework.

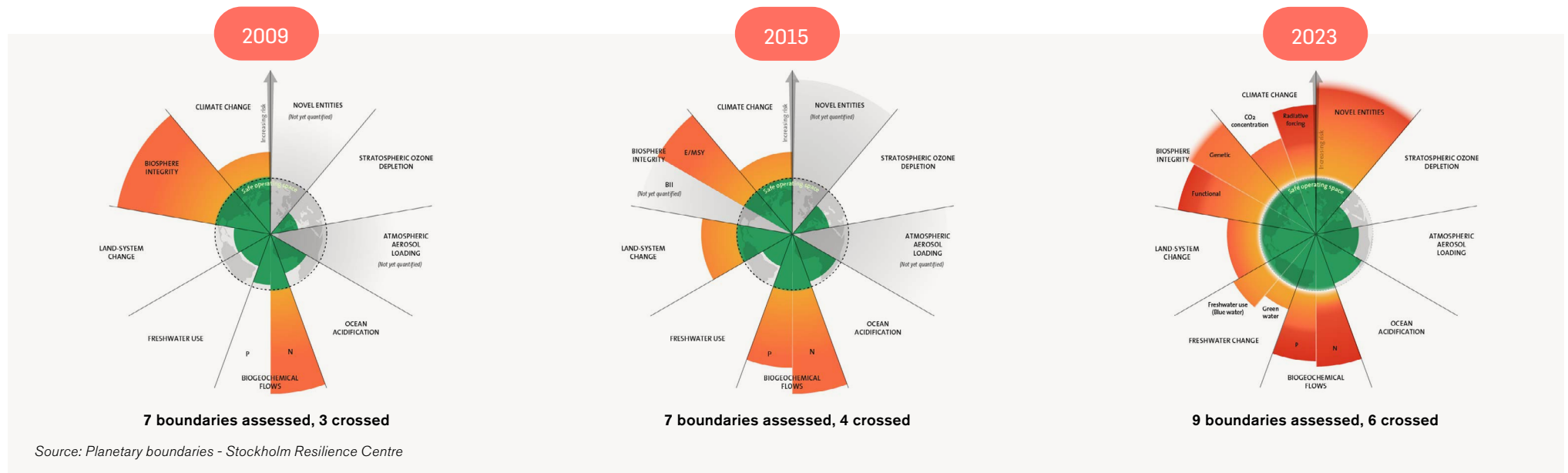
There is a very strong correlation between climate change and biodiversity loss and/or ecosystem collapse. Climate change has already altered oceanic, land and freshwater ecosystems around the world. It has caused the loss of species, increased diseases and driven mass mortality of plants and animals, resulting in the first climate-driven extinctions (source: <https://www.stockholmresilience.org/research/planetary-boundaries>).

On land, higher temperatures have forced animals and plants to move to higher elevations, many moving towards the earth's poles,

with far-reaching consequences for ecosystems. The risk of species extinction increases with every degree of warming.

Elizabeth Mrema, Executive Secretary of the UN Convention on Biological Diversity in 2022 said, "Climate change is a primary driver of biodiversity loss. And climate change depends on biodiversity as part of the solution. So clearly the 2 are linked and cannot be separated."

It is in this vein that, this year, we do not only report on climate-related risks and opportunities (as recommended by the TCFD) but started to incorporate nature-related risks and opportunities as well, albeit at a high level, until our knowledge and understanding of the recommendations mature (as recommended by the TNFD), while both will remain a focus area for us in the years to come.



01

governance



Governance

Regulatory landscape

This report was compiled within the ambit of the following frameworks and legislation:

Draft Climate Change Bill [B9B – 2022]

The Bill seeks to enable the development of an effective climate change response and a long-term, just transition to a low-carbon and climate-resilient economy and society for South Africa in the context of sustainable development.

The Climate Change Bill was formally introduced to parliament on 18 February 2022 and passed by the National Assembly on 24 October 2023. The Select Committee on Land Reform, Environment, Mineral Resources and Energy is in the process of reviewing written submissions.

When effected, the legislation will require the Minister of Forestry, Fisheries and the Environment to, within 1 year from the effective date, publish a list of the GHG-emitting sectors and subsectors that will be subject to sector-wide emissions targets, in addition to private sector carbon budgets. We expect further regulatory expansion and will continue to monitor developments as this ultimately aims to set South Africa's GHG emissions trajectory in line with its Nationally Determined Contribution (NDC) goals.

Nationally Determined Contribution

In line with the Paris Agreement, South Africa submitted its updated NDC in 2021, committing itself to a 31% reduction and a fixed target for GHG emissions levels of 398-510 metric tons carbon dioxide equivalent (CO₂e) by 2025 and 350-420 metric tons CO₂e by 2030, respectively.

King IV™ Guidance Paper: Responsibilities of Governing Bodies in Responding to Climate Change (published in July 2021)

The King IV™ Guidance Paper provides boards with valuable guidance on climate-related reporting and broader ESG reporting

in the context of the King IV Report on Corporate Governance for South Africa, 2016™ (King IV™). Capitec intends to use the guidelines to help navigate best practice sustainability reporting among the various global reporting frameworks available.

JSE's Climate Change Disclosure Guidance (published in June 2022)

The JSE Guidance aims to assist issuers with climate disclosure and can be used on a voluntary basis. It does not constitute any disclosure or reporting obligations. Capitec continues to use this as a reference point for reporting.

IFRS S2 Climate-related Disclosures (published in June 2023)

Following an extensive public consultation process, the IFRS S1 (sustainability) and IFRS S2 (climate) standards were officially issued on 26 June 2023. These standards aim to establish more consistent, complete and comparable and verifiable financial reporting on sustainability and climate-related matters.

Public and private companies can voluntarily apply IFRS S1 and IFRS S2 for all financial years starting on or after 1 January 2024. Some jurisdictional authorities may decide to declare disclosures mandatorily. This is not yet the case in South Africa. Given IFRS S2's incorporation of TCFD, Capitec will consider whether to become an early voluntary adopter of the standards.

Basel Committee on Banking Supervision (BCBS) consultative documents

The BCBS published several consultative documents to be applied by the SARB Prudential Authority (PA):

- Climate-related risk drivers and their transmission channels
- Principles for the effective management and supervision of climate-related financial risks
- Disclosure of climate-related financial risks.

SARB PA Guidance Notes on climate-related disclosures and risk management practices

The SARB PA, in its communication 10 of 2022 on climate-related risks dated 3 August 2022, first affirmed its view on climate-related risks and their potential impact on financial institutions under its supervision. This was followed by the publication of draft Guidance Notes on climate-related disclosures and risk management practices, for both banks and insurers, on 3 August 2023. Capitec submitted comments on the draft Guidance Notes through the Banking Association South Africa (BASA) which submitted a consolidated written response on behalf of the banking industry. A high-level summary of the 2 Guidance Notes is provided below.

Disclosure of climate-related risks and opportunities

Proposed climate-related disclosures are aligned to the original disclosure recommendations of the TCFD, the ISSB and the GHG Protocol, under the 4 thematic areas of governance, strategy, risk management and metrics and targets.

Capitec already uses these as a guide to its climate-related financial disclosures.

Risk management practices, including capital and liquidity assessments

The guidance notice is divided into 2 main sections. Firstly, requirements of the board and executive management (oversight, assigning clear roles and responsibilities to identify, monitor, manage and report on climate-related risks), and secondly, management, in general, has to ensure a robust risk management approach is followed, involving not only operational risk, but also disciplines from compliance, legal and internal audit, all underpinned by robust climate-related risk policies and processes.

Capitec follows an integrated, enterprise-wide risk management approach, where climate risks are identified, monitored, managed and reported in the risk categories where losses can manifest such as credit, business, capital and liquidity, insurance, market,

Governance continued

operational or reputational risk. Capitec will continue to improve its risk management practices as part of our sustainability strategy for the upcoming financial year.

Taskforce on Nature-related Financial Disclosures (published in September 2023)

The TNFD launched their set of disclosure recommendations on 18 September 2023. These recommendations are voluntary and focus on biodiversity. They follow the same 4-pillar approach as the TCFD namely governance, strategy, risk management and metrics and targets.

Environmental incidents and fines

During the past financial year, Capitec experienced no environmental incidents that caused harm or potential harm to the environment i.e. air, water, land, wildlife or local habitat.

Capitec also remained compliant with related legislation and has received no environmental-related complaints, fines or sanctions.

Carbon tax

South Africa's Carbon Tax Act, Act 15 of 2019, came into effect on 1 June 2019. Its aim is to reduce GHG emissions in a sustainable, cost-effective and affordable manner, giving effect to the polluter-pays principle.

Carbon tax is levied on the CO₂e of Scope 1 GHG emissions from installed thermal capacity for combustion activities. The tax is levied per metric ton of CO₂e and is expected to increase annually from 1 January 2026. The tax is levied in respect of a tax year i.e. every calendar year, from 1 January to 31 December. Carbon tax returns must be submitted, along with any payment, in July of the year following the relevant tax period.

On an annual basis, Capitec will determine whether we are liable for carbon tax. This is determined by the installed thermal input capacity for combustion activities that result in emissions of 10MW or greater during phase 1, which threshold validity is expected to increase on an annual basis from 1 January 2026.

For the past calendar year, Capitec's installed thermal input capacity remained below the threshold. Capitec is therefore not liable for carbon tax.

Sustainable leadership

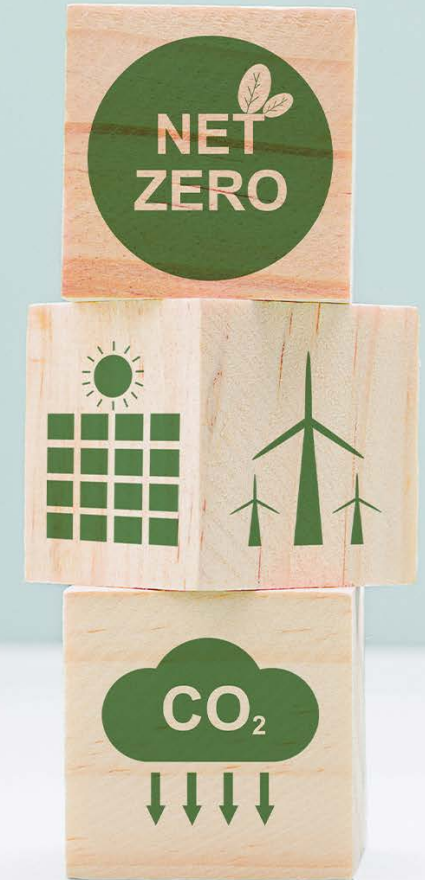
The prioritisation of sustainability starts with the board and top management through the setting and execution of our business strategies. Successful execution of business strategies does not just generate shareholder value but also value to the environment, society and the economy in general. To embed the sustainability strategy, Capitec integrates sustainability into its core business strategies.

Sustainable leadership will contribute to the attraction and retention of quality investors and clients, as well as talent.

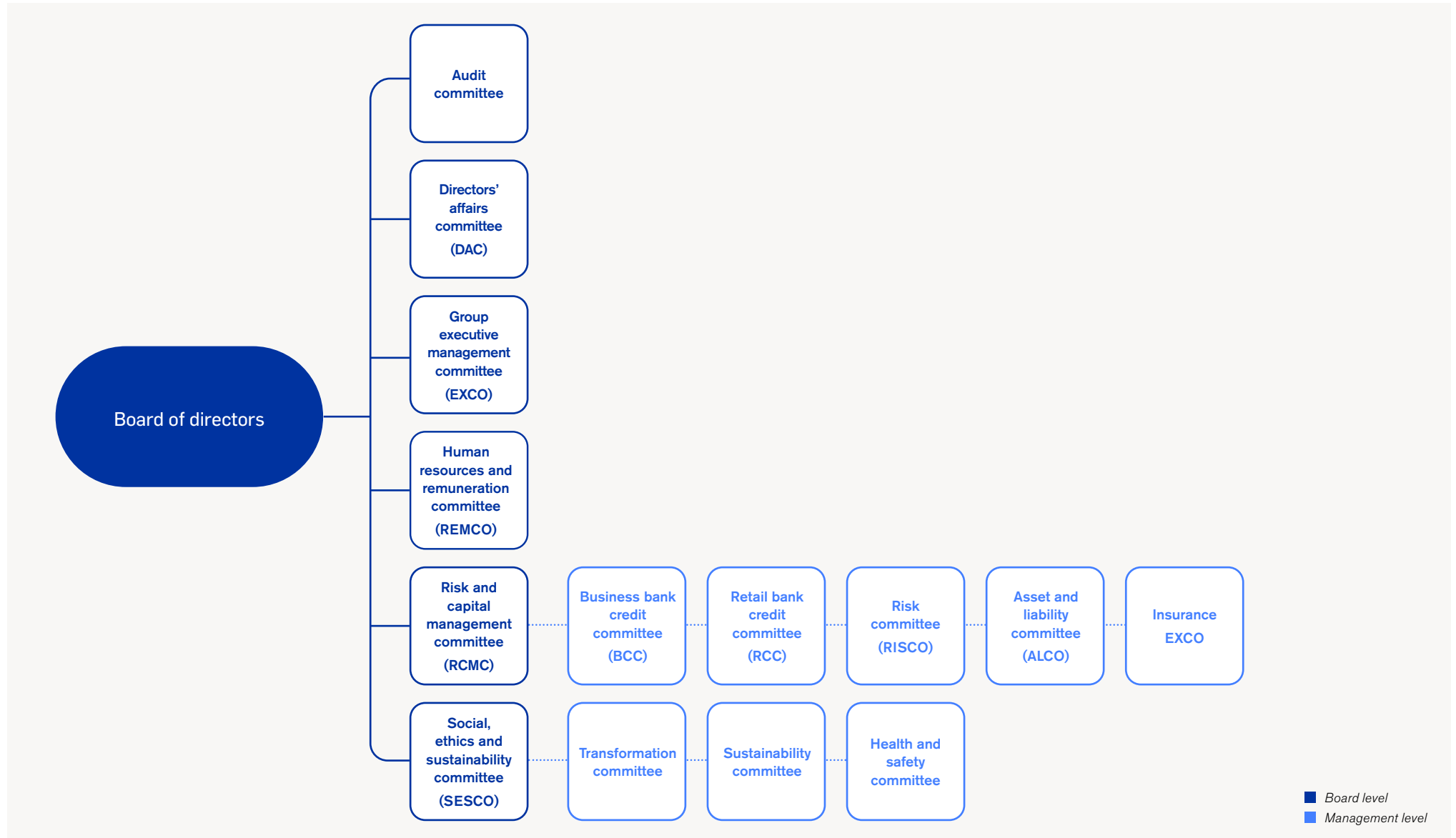
We understand the importance of demonstrating sustainable leadership for investors. The UN Principles for Responsible Investment require active participation from investors to meet their objectives and disclosure requirements. A company's investment value proposition is also increasingly evaluated based on its sustainability strategy as a proxy for management quality and long-term organisational resilience.

Sustainable leadership can only be successful if it is characterised by:

- a strong sense of purpose and a willingness to balance short-term gains with long-term sustainability
- an ability to observe and continuously connect and engage with relevant internal and external stakeholders to understand and focus on the bigger picture
- a commitment to change and the willingness and ability to adapt
- effective communication, especially the ability to motivate and convince stakeholders to join in the sustainable journey and help make the world a better place for all.



High-level corporate governance structure



Governance continued

Board of directors

The board has the ultimate responsibility to ensure that Capitec conducts business in a responsible and sustainable manner that considers and actively endeavours to improve the environment and society. This includes monitoring the identification, evaluation and management of environmental risks and opportunities.

The board exercises effective oversight over sustainability-related matters through board-appointed committees, such as the EXCO, the RCMC and the SESCO.

Board committee	Relevant aspects of committee charter	Frequency of meetings	Board representation
EXCO	<ul style="list-style-type: none"> Operational decision-making Implementation of board-approved strategic decisions 	Weekly and monthly	2 x executive directors (CEO, chief financial officer (CFO))
RCMC	<ul style="list-style-type: none"> Evaluates the adequacy and efficiency of risk and capital management systems and processes Monitors key risks (including environmental risks) 	Quarterly	3 x independent non-executive directors (4 from 1 March 2024) 2 x non-executive directors 1 x executive director (CFO)
SESCO	<ul style="list-style-type: none"> Sets strategic objectives for sustainability, socio-economic development and transformation and health and safety Monitors ESG management (which includes environmental risks and opportunities and societal impacts) Monitors activities relating to social and economic development, good corporate citizenship and the environment Tracks the impact of the group's activities and services Monitors efficiency and performance for occupational health and safety programmes 	Triannually	2 x independent non-executive directors (3 from 1 March 2024)

Committee members are presented with ESG issues at each meeting. These routinely include associated risks and opportunities, strategy implementation progress and short- and medium-term action items.

The SESCO also oversees budget and resource allocation to support delivery on our business strategies, additional capacity and knowledge building, and broadening the scope of ESG ratings participation.

At board level, the primary responsibility for monitoring environmental risks lies with independent non-executive director Stan du Plessis (chairman of the RCMC), with governance and oversight primarily delegated to the SESCO, chaired by independent non-executive director, Cora Fernandez. Strategy implementation is the responsibility of senior management and members of the sustainability committee which reports to the SESCO.

Governance continued

Ensuring effective board oversight requires board members with requisite qualifications, knowledge and experience. Capitec is fortunate to have such members on our board, as indicated in the skills matrix below, an extract from the more complete version disclosed in our integrated annual report.

Director	Qualifications	Finance	Risk management	Banking industry	Insurance industry	Technology	ESG expertise	Corporate memory	Mobile	Credit	Health and safety
NF Bhattay	BBusSci (PGDA), CA(SA)	○	○			○	G		○		
SL Botha	BEcon (Hons)	○	○	○	○		SG		○		
SA du Plessis	BCom (Mathematics), PhD (Economics), AMP	○	○			○	EG				
CH Fernandez	BCom, BCompt (Hons), CA(SA)	○	○		○	○	G				
N Ford-Hoon	BCom (Hons), CA(SA)	○	○		○		SG		○		
GM Fourie	BCom (Hons), MBA		○	○	○	○	G	○	○	○	○
GR Hardy	BCom (Hons), CA(SA)	○	○	○	○		G			○	○
MSdP le Roux	BCom LLB, DCom (hc)		○	○	○		G	○		○	
V Mahlangu	BSc (Chemical Engineering), MBA	○	○				G				
PJ Mouton	BCom (Mathematics)	○	○	○	○		G	○		○	
CA Otto	BCom LLB	○	○	○	○		G	○		○	
JP Verster	BCompt (Hons), CA(SA), CFA, CAIA	○	○		○		G		○	○	

E = Environmental

S = Social

G = Governance

Governance continued

Management

The CEO takes ultimate executive responsibility for all environmental and sustainability matters. He is supported by several management committees, most notably the credit committees (Retail and Business bank), the RISCO and the sustainability committee.

Management committee	Relevant aspects of committee charter	Frequency of meetings	Highest position represented
BCC	Oversee credit strategies and objectives and credit risk management, including credit policy and reviewing the quality and performance of the credit portfolio	Monthly	2 x executive directors (CEO, CFO)
RCC		Monthly	2 x executive directors (CEO, CFO)
RISCO	Considers risks, including environmental risks, which could have an impact on the business	Bimonthly	2 x executive directors (CEO, CFO)
Sustainability committee	Assists the SESCO in developing our strategy, standards, processes and approach to ESG and ethics-related matters that could affect Capitec's business activities, assets, performance and reputation and monitors the implementation and execution of environmental risk management practices and the ethics policy	Triannually	Head: operational risk (reports into the executive: risk management)

At the February 2024 meeting, the REMCO approved changes to Capitec's remuneration policy to further expand on executive STI KPIs which continued to include the non-financial performance measure pertaining to sustainability.

Targets for executives are set annually and their performance is assessed at the end of the year by the REMCO and reported in the next integrated annual report.

Failing to reach personal performance targets will result in either a reduction in or no bonus.

Capitec does not reward sustainability performance with non-monetary incentives at present. Executives are also currently the only employee group eligible for sustainability-related incentives.

Sustainability committee

The sustainability committee is the primary management committee responsible for the identification, assessment, monitoring and management of environmental risks and opportunities and the implementation of appropriate mitigation and adaptation strategies. This committee is chaired by the head: operational risk, who presents a report to the SESCO. The charter is reviewed and approved annually and future meetings will be convened triannually.

The sustainability committee comprises the following members of management:

- Chief risk officer: insurance
- Group company secretary
- Head: compliance
- Head: corporate social investment and financial education
- Head: credit portfolio management (Business bank)
- Head: operational risk (chairman)
- Head: talent acquisition and assessments
- Manager: credit employer intelligence (Retail bank)
- Manager: operational resilience and ESG oversight (secretary)
- Special project engineer
- Treasurer.

4 members are also permanent management attendees of the SESCO.

In addition to sustainability committee meetings, workshops are convened throughout the year to monitor strategy implementation. An update is also included in the document pack of the monthly EXCO and the bimonthly RISCO meetings. Updates routinely include a review of associated risks and opportunities, strategy implementation progress and short- and medium-term action items.

02 strategy



Strategy

Capitec's strategic approach

While traditional accounting principles only consider financial materiality i.e. addressing the needs and interests of investors and shareholders in terms of value creation, for sustainability, the board and management take a broader view on materiality. This is referred to as double materiality. The plan is therefore to commence stakeholder engagements towards a sustainability double-materiality assessment in the coming year. This will guide high-level decision-making with consideration of the needs of investors and other stakeholders including clients, civil society and employees. Double materiality is when companies consider both how their actions impact people and the planet and how sustainability issues can impact the financial well-being of the company.

Capitec's past and future business strategy has been and always will be based on 4 business fundamentals: simplicity, affordability, accessibility and personalised experience. The same fundamentals apply to how we monitor and manage the risks and opportunities emanating from the environment – the planet (with specific current focus on climate change and biodiversity) and society in general.

Our 4 fundamentals



Simplicity



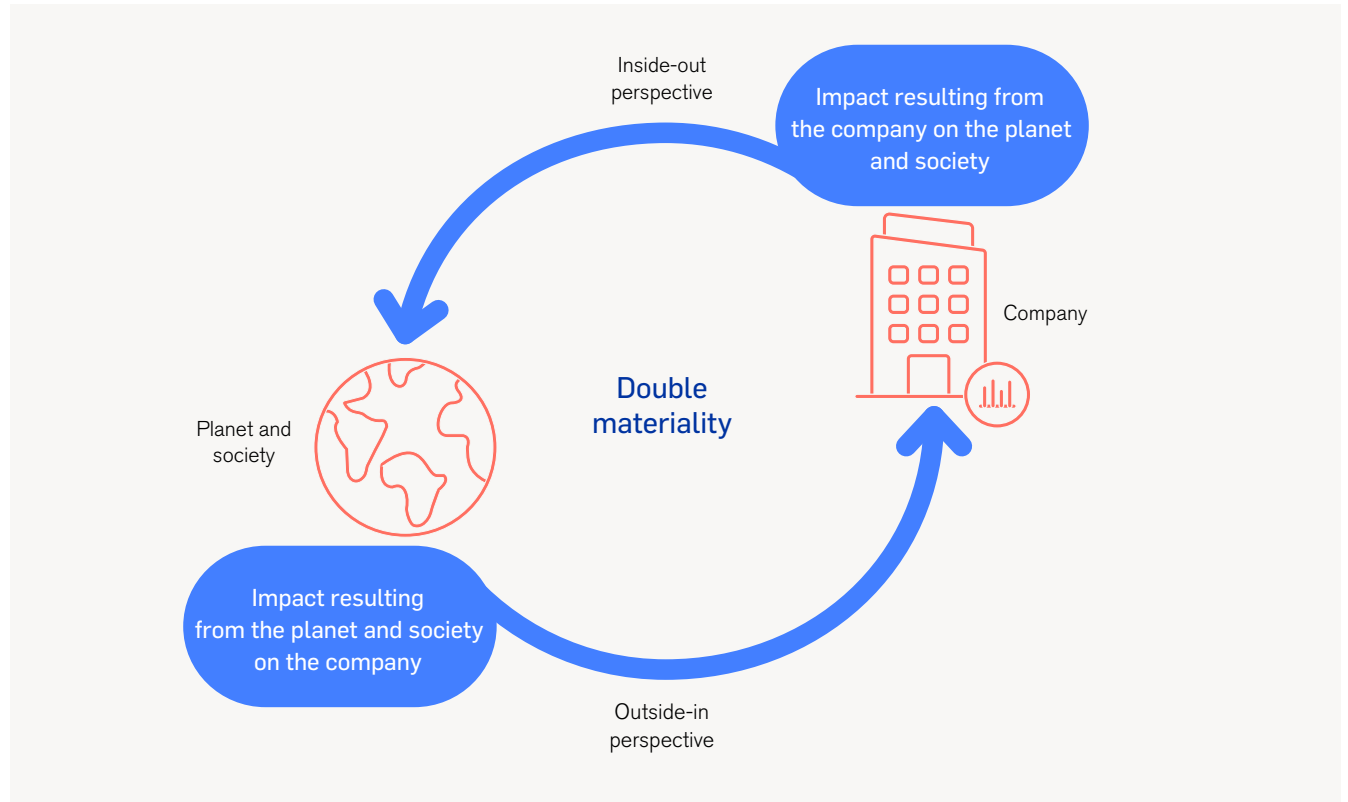
Affordability



Accessibility



Personal experience



Strategy continued

Integration of sustainability considerations into our overall business strategy

Capitec increasingly incorporates sustainability considerations into our core business strategy. Many of our strategic objectives at divisional level can be connected to 1 or more of the 9 UN SDGs that were identified as having relevance to Capitec. These are demonstrated in the mapping below.



Strategic objectives for FY2025

	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	13 CLIMATE ACTION
Business bank									
Launch GlobalBiz products	○					○			
Enable clients to take up savings and investment products on digital channels and order cards on the app									○
Deliver the capability to order a merchant device online through our digital channels						○			○
Drive client and employee adoption of new digital channels									○
Scale self-help scored, unsecured lending by expanding our unsecured, scored client overdraft to the app as well as new-to-bank clients as an extension of remote onboarding						○			○
Build and launch a new unsecured, scored term loan which will take clients' account turnover into account, beyond just their point-of-sale turnover						○		○	
Emerging markets: launch minimum viable product pilot and learn from the experience	○					○	○		
Deliver card machines efficiently						○			
Insurance									
Launch Capitec Life Cover – provide accessible life cover and educate clients on the differences between funeral and life cover	○					○			
Simplify and improve our policy agreements to make claiming and interacting with us easier for our clients						○			
Claims optimisation and automation – include the WhatsApp channel in the claims solution for all 3 products (currently only funeral is included)						○			○
Strategic initiatives									
Implement a simple and affordable data and airtime product offering	○					○	○		
Enable clients to get airtime advances to stay connected	○					○			○
Make quality handsets available to our clients through competitive pricing and device financing	○					○	○		

Strategy continued



Strategic objectives for FY2025

Retail bank

Foster positive client behaviour by promoting cash to electronic transactions										○
Establish family banking to cater for the unique financial needs of families and expand our range of savings products	○									
Implement new granting for clients with diverse income streams	○					○	○			
Optimise and extend branch and cash distribution and accessibility						○				
Launch our innovative life cover	○					○				
Equip our people with the tools to manage their overall well-being			○			○				
Become the hero in the communities we operate in by supporting meaningful corporate social investment (CSI) projects and through our employee volunteerism		○	○	○	○					
Scale internal mobility and unlock growth through deliberate headcount management and retention				○	○	○			○	
Equip our leaders to #LeadBetter				○	○	○			○	

Shared services

Complete the data migration to Amazon Web Service (AWS)										○
The app rewrite and single onboarding for Retail and Business bank clients will provide a modern and integrated experience for our clients	○					○				○
Position Capitec as the top brand in the youth, affluent and small- and medium-sized enterprises (SME) market segments	○			○		○	○			
Complete the buildout of our Centres of Mastery, supported by the iAcademy, to support employee onboarding and career development				○	○	○			○	
People capacity – facilitate internal mobility and appoint from within				○	○	○			○	
People capability – equip our leaders and develop the next generation of leaders through the Leadership Academy				○	○	○			○	
Encourage and support our employees and communities through financial education, meaningful community investment initiatives and the Capitec Foundation	○	○	○	○	○	○			○	

Refer to the 2024 integrated annual report for more detail on Capitec's strategic objectives.

Strategy continued

Financing exclusion list

Part of Capitec's strategic objectives as they pertain to financing activities, is its financing exclusion list which sets out the activities and businesses Capitec in principle will not finance as its contribution to global efforts to protect the environment, in particular its biodiversity and delicate ecosystems. Some of these businesses include, and are expanded on in the metrics and targets section:

- Production or trade in any product or activity deemed illegal under the laws of the Republic of South Africa or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, polychlorinated biphenyls, wildlife or products regulated by the Convention on International Trade in Endangered Species of wild fauna and flora
- Activities prohibited by national legislation or international conventions related to the protection of biodiversity resources or activities contributing to significant conversion or degradation of critical habitat and protected areas, as described below:
 - Critical habitat: Geographical area containing physical or biological features essential to the conservation of a listed species (which is essential to the survival of the species) or an area that may require special management considerations or protection
 - Protected areas: Those areas of land and sea that are protected by law and managed primarily for biodiversity conservation
- Activities that have a negative impact on the United Nations Educational, Scientific and Cultural Organisation World Heritage Sites
- Unsustainable fishing methods such as drift net fishing in the marine environment using nets in excess of 2.5km in length and blast fishing
- Businesses that are involved in illegal deforestation and logging activities.

Carbon pricing

Capitec does not currently apply internal carbon pricing.

Time horizons

When considering environmental risks and opportunities, Capitec uses the following time horizons:

Time horizon	Start year	End year	Explanation for the choice of time frame
Short term	0	< 3 years	The largest part of our credit book consists of short-term credit
Medium term	3	< 7 years	The period to 2030, in line with South Africa's planned carbon reduction trajectory
Long term	7	7+ years	The period to 2050, in line with the Paris Agreement time frames

Environmental risks and their impact on business strategy and financial planning

Environmental risks can impact an organisation's business strategy and financial planning through macro and micro-economic transmission channels:

- Businesses and households may suffer from the economic costs and financial losses resulting from the increasing severity and frequency of physical climate risk events or the decline of ecosystem services, both of which can be either acute or chronic
- As economies seek to reduce GHG emissions as a contributing factor to climate change, and manage changes in land and sea-use, over-exploitation of natural resources, levels of pollution and the spread of invasive alien species, transition risks are likely to follow.

Capitec monitors its exposure to adverse weather events (physical climate risks) and sectors most vulnerable to the shift towards a lower-carbon economy (transition climate risk) – not only to better understand their potential impacts, but to proactively and timeously adapt our credit granting policies to minimise any associated credit risks and leverage business opportunities arising from same.

Going forward, Capitec will review how it can identify, assess, monitor and manage the physical risks associated with the degradation of nature, including its biodiversity and the loss of ecosystem services. The process should also include transition risk i.e. the impact of misalignment of actions aimed at protecting, restoring and/or reducing the negative impact economic actors have on nature.

As part of Capitec's risk management process, we are expanding our ability to identify environmental risks and opportunities through tracking same at regional and sectoral levels. Understanding which sectors contribute the most to global warming and the degradation of nature, thereby increasing risk exposure, and which pose decarbonisation opportunities, will be helpful in informing Capitec's future business strategy and financial planning.

Refer to the risk management section for more details.

Environmental risks in financing and investment activities, including expected time horizons

Through Capitec's enterprise risk management (ERM) processes, a number of environmental risks have been identified. The following table summarises environmental risks (physical and transition) and their potential impact on business strategies and financial planning within each risk category as well as the time horizons during which they are expected to materialise.

Strategy continued

Risk category	How physical risk ⁽¹⁾ can materialise within Capitec	How transition risk ⁽²⁾ can materialise within Capitec	Impact on business strategy and financial planning (measures to potentially mitigate physical and transition risks)
<p>Business risk</p> <p>Not meeting strategic objectives or the consequences of executing inappropriate strategies, increased competition, changes in government policy or changing stakeholder expectations that will negatively impact profitability and threaten the business' long-term sustainability</p>	<p>Impact of incorrect assumptions, inadequate planning or poor business strategy execution</p> <p>Potential exposure to operational risk losses and supply chain disruptions</p>	<p>Impact of inability to quickly adapt and execute business strategies to address changing regulatory requirements and/or client or investor demands</p> <p>Potential for missed business opportunities</p>	<p>Ongoing scenario analysis to adapt business strategy and financial planning to different trajectories</p>
<p>Capital and liquidity risk</p> <p>Capital risk refers to the potential financial loss due to inadequate capital to cover own liabilities or unexpected losses, while liquidity risk refers to the risk that we may not be able to meet our financial obligations due to an inability to convert assets into cash (stranded assets) or obtain sufficient funding in the open market</p>	<p>A run on deposit balances, unexpected increases in unfunded commitments and a decrease in access to stable funding providers, transmitted through general macroeconomic or industry-specific impact</p>	<p>Impact of clients needing more liquidity to fund capital expenditures and other investments in response to environmental-related regulatory changes or losses suffered</p>	<p>Identify sources of capital and/or liquidity risk and develop appropriate key risk indicators (KRIs) to act as early warning mechanisms</p> <p>Leverage industry risk assessments to monitor concentrations in funding sources</p>
<p>Credit risk (business and retail)</p> <p>Potential financial loss due to the inability or failure of a borrower or counterparty to meet its financial obligation to repay their loans, credit facilities or overdrafts</p>	<p>Disruption in client operations and/or supply chains impacting its cash flows and ability to repay or service debt</p> <p>Physical property or infrastructure damage resulting in decreased asset collateral values leading to higher probability of default and loss given default for impacted assets</p>	<p>Potential negative impacts to client revenue, income, cash flow, assets or collateral values due to higher transition costs and shifting consumer demand as well as the potential for stranded assets. This could lead to a higher probability of default and loss given default for impacted assets</p>	<p>Assess physical and transition risks per sector and geolocation and proactively and timeously adjust credit policy where needed</p> <p>Extensive use of CSSTs to identify and timeously address credit book exposure vulnerabilities</p>
<p>Insurance risk</p> <p>Potential financial loss due to experience being different from assumptions used in pricing or reserving including assumptions related to severity, frequency, trend or volatility</p>	<p>Maintain sufficient reserves for severe singular extreme weather events leading to mass casualties</p> <p>Increased insurance cost for asset insurance</p>	<p>Certain sectors and/or companies are more likely to be impacted by the transition to a lower-carbon economy that could increase the likelihood of retrenchments</p>	<p>Assess physical and transition risks per employer sector and proactively and timeously adjust business strategies where needed</p> <p>Extensive use of CSSTs to identify and timeously address areas with a higher likelihood of incorrect assumptions used in pricing with due consideration of emerging or novel insurance risks</p>

⁽¹⁾ Physical risk (climate-related), already present and growing, includes both acute (extreme singular weather events) and chronic (changing weather patterns and rising mean temperatures leading over time to among others extended droughts and sea level rises) risks. Similarly, physical risks (nature-related) include both acute (environmental shocks such as oil spills or forest fires) and chronic (gradual changes such as pollution and climate change) risks. Acute physical risks are expected to manifest between 0 and 7 years, while chronic physical risks are expected to manifest anywhere from 0 years and into the future.

⁽²⁾ Transition risk includes current and emerging government policy and regulations (legal/litigation and compliance risks), technology development (substituting existing products and services for lower emissions options or ones with a lesser impact on natural capital resources), market risk and reputational risk (stakeholder sentiment). Transition risks are expected to start materialising from 3 years onwards, but especially as the net zero threshold deadline of 2050 approaches.

Strategy continued

Risk category	How physical risk ⁽¹⁾ can materialise within Capitec	How transition risk ⁽²⁾ can materialise within Capitec	Impact on business strategy and financial planning (measures to potentially mitigate physical and transition risks)
<p>Market risk</p> <p>Potential financial loss due to fluctuations in market variables such as interest rates or exchange rates, which could adversely impact the value of assets or liabilities</p>	<p>Negative repricing of financial assets values, transmitted through general macroeconomic or industry-specific impact</p>	<p>Differentiated market pricing based on environmental characteristics of the underlying security or issuer</p>	<p>Incorporate environmental (ESG) risk considerations into new product reviews and financing and investment decision processes</p>
<p>Operational risk</p> <p>Potential financial loss resulting from inadequate or failed internal processes, procedures or systems, people or external events</p>	<p>Disruption of own operations through damage to physical assets, supply chain interruptions and/or occupational health and safety events, impacting the ability to deliver important business services</p>	<p>Higher costs and possible operational disruptions due to the transition of own operations to lower-carbon infrastructure</p> <p>Third-party and outsourced risks should these parties' practices not meet set industry standards</p>	<p>Enable internal stakeholders to identify and address environmental risks within their areas</p> <p>Ensure sufficient insurance is in place for physical assets, especially those more vulnerable to physical risks</p>
<p>Legal and compliance risk (operational risk)</p> <p>Legal or regulatory sanctions, material financial loss or damage to the business' reputation arising from the failure to comply with the requirements of applicable laws, rules and regulations (current or emerging) or internal policies and procedures, potentially leading to litigation</p>	<p>Workplace disruptions' impact on the ability to comply with internal policies and procedures</p>	<p>Current and emerging requirements for classification and disclosure being very extensive in the absence of sufficient internal knowledge, experience and/or capacity</p> <p>Potential fines or sanctions for non-compliance</p> <p>Costs associated with environmental-related litigation</p>	<p>Established risk functions (compliance and legal) to oversee environmental-related regulatory monitoring, interpretation, implementation and appropriate response</p> <p>Active participation in relevant industry forums</p> <p>Sectors and subsectors' emissions targets in addition to private sector carbon budgets, within 1 year of the Climate Change Bill becoming law</p>
<p>Reputational risk</p> <p>The risk of stakeholders perceiving us in a negative way either due to collective action or inaction, misconduct by a business representative in the public domain or through our association with a third party</p>	<p>Impact of perceived inadequate management of environmental risks</p>	<p>Impact of negative perceptions regarding financing of high-emitting industries or ability to achieve climate commitments</p>	<p>Maintain transparency over environmental risks and opportunities</p> <p>Regular engagement with stakeholders</p> <p>Continuously endeavour improvement in ESG scores</p> <p>Expand product offering to include 'green' products (keep up with clients' changing behaviours and expectations)</p>

⁽¹⁾ Physical risk (climate-related), already present and growing, includes both acute (extreme singular weather events) and chronic (changing weather patterns and rising mean temperatures leading over time to among others extended droughts and sea level rises) risks. Similarly, physical risks (nature-related) include both acute (environmental shocks such as oil spills or forest fires) and chronic (gradual changes such as pollution and climate change) risks. Acute physical risks are expected to manifest between 0 and 7 years, while chronic physical risks are expected to manifest anywhere from 0 years and into the future.

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Strategy continued

While environmental-related risks are often perceived as 'long-term', arising in 7+ years, transition risks such as policies and regulations, technology development and market and reputational risks are already materialising earlier than this, and acute physical risks, including the frequency and intensity of storms, floods and droughts, are recognised risks today. Given the current state of accelerating climate change and its impact on biodiversity and ecosystems, Capitec therefore views the likelihood of most environmental-related risks identified as 'likely' to 'possible' in terms of its RCMC-approved risk matrix, meaning they are expected to materialise between 0 and 3 years.

Although we have commenced with the quantification of the potential impact of some environmental risks on our business operations, revenue and/or expenditure, this is an area that is still under development.

We are also still in the process of reviewing context-specific mitigation and/or adaptation plans for location-based environmental risks.

Climate-related physical risks in operational and financing activities

There are several different ways in which physical risks can impact the business. To better understand climate-related physical risks, Capitec made use of several open-source physical risk assessment tools to assess our current risk exposure under 2 representative concentration pathways (RCP): RCP 2.6 and RCP 6. These pathways were selected as they most closely align with the Network for Greening the Financial System (NGFS) scenarios to be used in the SARB PA climate risk stress test (CRST) to be conducted during 2024 – RCP 2.6 represents the orderly and disorderly scenario where temperatures are expected to be maintained between 1.5°C and 2°C, and RCP 6 represents the hothouse scenario with temperatures likely to increase well above 2.5°C. We applied this risk assessment on owned and rented properties and supplier warehouses where assets are stored.

Each property's geolocation (latitude and longitude) was used to perform the assessment.

Property	Estimated total value at risk
Assets stored in supplier warehouses	R58.8 million
Business centres	R58.3 million, with 38% of total exposure located in Gauteng
Cash devices	R3 billion, with 31% of total exposure located in Gauteng
Residential and commercial mortgage portfolio	<ul style="list-style-type: none"> • 2 833 residential properties with a total credit exposure as at 29 February 2024 of R3.6 billion • 995 commercial properties with a total credit exposure as at 29 February 2024 of R4.7 billion
Retail branches	R3 billion, with 30% of total exposure located in Gauteng

The physical risk assessment will be updated and expanded as deemed necessary, but we aim to do it at least annually. The results of the physical risk assessment will be used to:

- investigate any impact on the insurance portfolio
- determine any risk of loss due to the potential impact on the value of collateral asset values for secured financing
- evaluate the potential future impact on arrears and/or bad debts.

The results of the physical risk assessment are shown on a map of South Africa. The geolocations are plotted in a gradient of colours to indicate the level of physical risk at that particular location.

National climate-related physical risk assessment

The Climate Impact Explorer tool shows how the severity of climate change impacts will increase over time based on the chosen RCP: under RCP 2.6, the assumption is a 66% to 90% likelihood that global warming will be limited to below 2°C by 2100, and under RCP 6, that global temperatures will likely rise 3°C to 4°C by 2100.

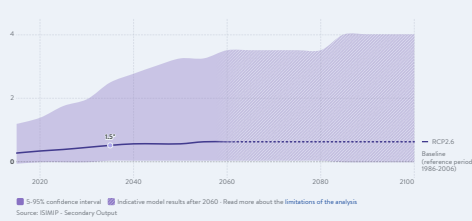


Strategy continued

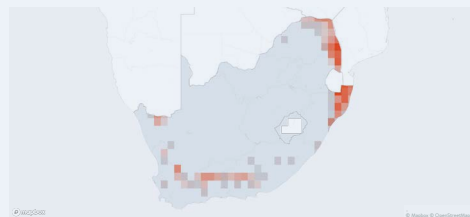
Acute physical climate risks – heatwaves and wildfires

The graphs show how changes in land fraction annually exposed to the specific physical risk (expressed in percentage points) will play out over time in South Africa at different global warming levels compared to the reference period of 1986 to 2006, based on the chosen RCP.

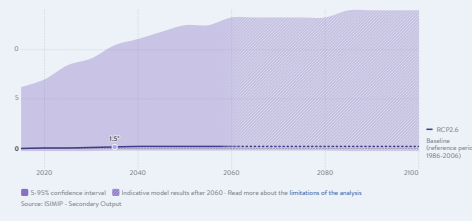
**RCP 2.6
Heatwaves**



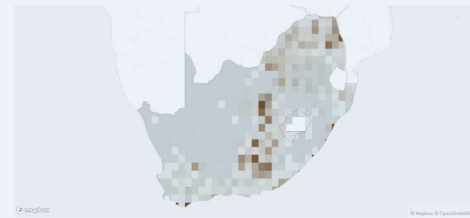
How is Land fraction annually exposed to Heatwaves affected by 2.0°C of warming?
This map shows the change in Land fraction annually exposed to Heatwaves (expressed in percentage points) at 2.0°C of global warming compared to the reference period 1986-2006.



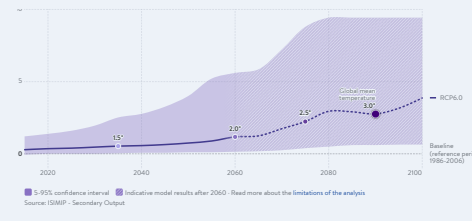
Wildfires



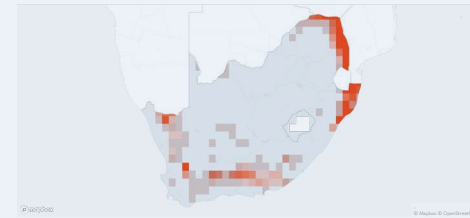
How is Land fraction annually exposed to Wildfires affected by 2.0°C of warming?
This map shows the change in Land fraction annually exposed to Wildfires (expressed in percentage points) at 2.0°C of global warming compared to the reference period 1986-2006.



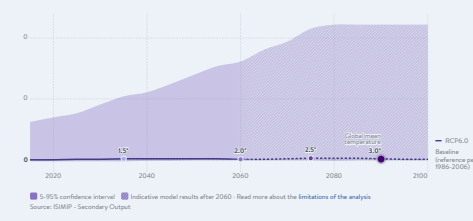
**RCP 6
Heatwaves**



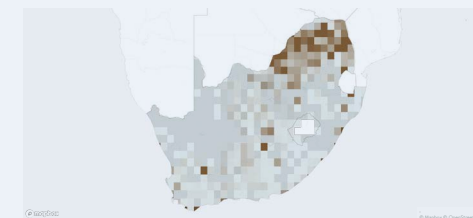
How is Land fraction annually exposed to Heatwaves affected by 3.0°C of warming?
This map shows the change in Land fraction annually exposed to Heatwaves (expressed in percentage points) at 3.0°C of global warming compared to the reference period 1986-2006.



Wildfires



How is Land fraction annually exposed to Wildfires affected by 3.0°C of warming?
This map shows the change in Land fraction annually exposed to Wildfires (expressed in percentage points) at 3.0°C of global warming compared to the reference period 1986-2006.

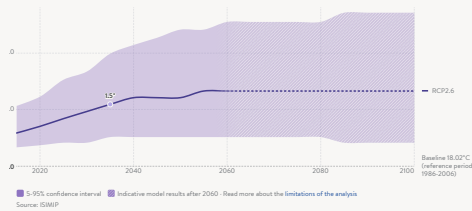


Chronic physical climate risks – mean air temperature (reference period of 1986 to 2006) and precipitation

The graphs show how absolute changes in the specific physical risk (expressed in percentage points) will play out over time in South Africa at different global warming levels compared to the reference period of 1986 to 2006, based on the chosen RCP.

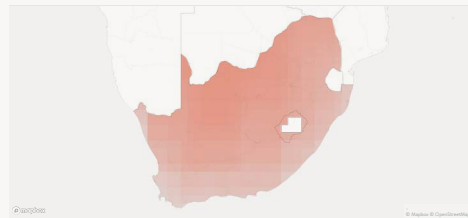
RCP 2.6

Mean air temperature

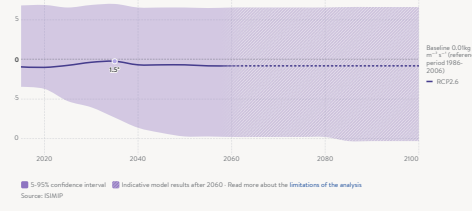


How is Mean Air Temperature affected by 2.0°C of warming?

This map shows the absolute change in Mean Air Temperature (expressed in degrees Celsius) at 2.0°C of global warming compared to the reference period 1986-2006.

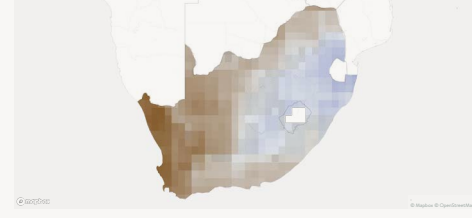


Precipitation (% change)



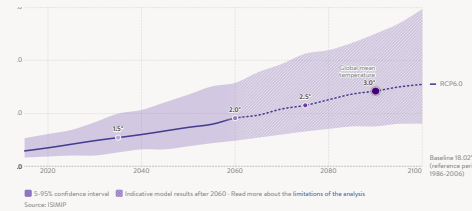
How is Precipitation affected by 2.0°C of warming?

This map shows the relative change in Precipitation (expressed in percent) at 2.0°C of global warming compared to the reference period 1986-2006.



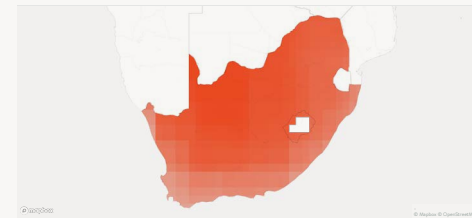
RCP 6

Mean air temperature

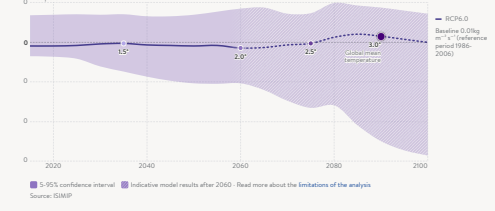


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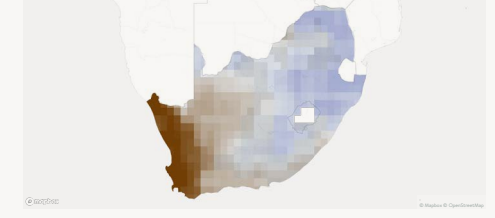


Precipitation (% change)



How is Precipitation affected by 3.0°C of warming?

This map shows the relative change in Precipitation (expressed in percent) at 3.0°C of global warming compared to the reference period 1986-2006.



Strategy continued

Retail branches' climate-related physical risk assessment

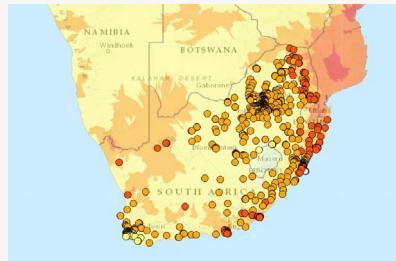
Based on estimated asset replacement values of retail branches, business centres and cash devices, Capitec's national distribution shows a significantly larger risk exposure towards retail branches (49.91% of the total estimated replacement value). Using the World Wide Fund for Nature's (WWF) risk filter suite, a separate current risk-based climate-related physical risk assessment was performed for retail branches.

Extreme heat

This indicator assesses the threat of extreme heat during a 5-year period.

Extreme heat has an obvious impact on human health, but it is also relevant to a wide array of economic activities and industries, including the built environment. With climate change, the frequency and intensity of abnormal weather and extreme temperature patterns have dramatically increased, and the shift to warmer temperatures, driven by climate change, will only exacerbate this phenomenon.

Very high-risk areas on average experience a very high daily temperature (32°C).

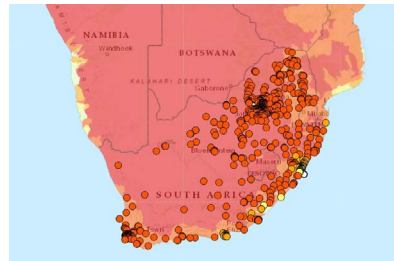


Wildfire hazard

This indicator assesses the potential threat of wildfires due to fire weather intensity.

Wildfires impose significant risks to human lives and economic activities. In extreme fire weather events, strong winds and wind-borne debris may even weaken the integrity of infrastructure. Climate change may further increase the frequency of fire weather occurrences, including an increase in temperature, greater variance in rainfall and an increase in fire season duration. Climate projections indicate that there could also be an increase in the severity of fire.

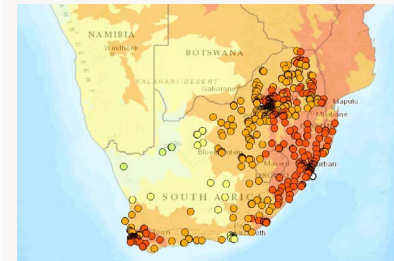
Very high-risk areas have a very high maximum predicted fire weather intensity (>120) over a 10-year period.



Estimated flood occurrence

This risk indicator is based on empirical evidence of large flood events since 1985 to present, registered by the Dartmouth Flood Observatory's Global Active Archive of Large Flood Events. It includes floods due to overflowing rivers, lakes or oceans; caused by heavy rainfall, rapid snowmelt, dams or levees break, or storm surge from tropical cyclones or tsunamis in coastal areas. The data is derived from a wide variety of news, governmental, instrumental and remote sensing sources.

Flood events can impact businesses' own operations as well as across their value chain by causing supply chain or transportation disruptions or increased capital costs.

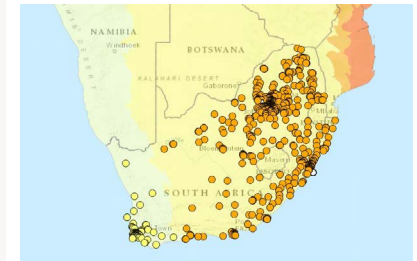


Tropical cyclones

This indicator assesses the predicted maximum wind speed (kph) over a 50-year period.

Storms can impact companies and value chains through a variety of ways, including building and property damage, flooding or power outages, which may lead to temporary or permanent company closures and loss of revenue.

Very high-risk areas are predicted to experience very high maximum wind speeds (>190kph) on a 50-year return period.



Strategy continued

Residential mortgage portfolio

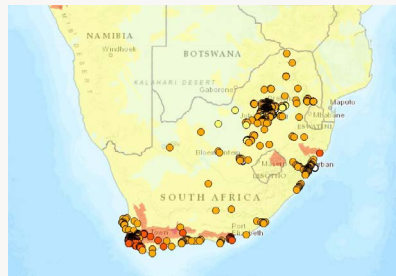
Using the WWF risk filter suite, a current climate-related physical risk assessment was performed for Business bank's residential mortgage portfolio as at 31 December 2023.

Landslides

This indicator assesses the potential threat of rainfall- and earthquake-triggered landslides.

Landslides impose significant risks to human lives and economic activities. Landslides have become more prevalent because of anthropogenic disturbances, such as land-cover changes, land degradation and expansion of infrastructure. These are further exacerbated by more extreme precipitation due to climate change, which is predicted to trigger more landslides and threaten sustainable development in vulnerable regions.

Very high-risk areas have a high landslide susceptibility according to rainfall patterns, terrain slope, geology, soil, land cover and (potentially) earthquakes that make localised landslides a frequent phenomenon.

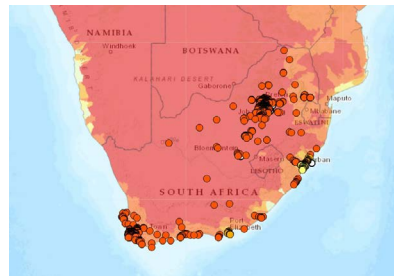


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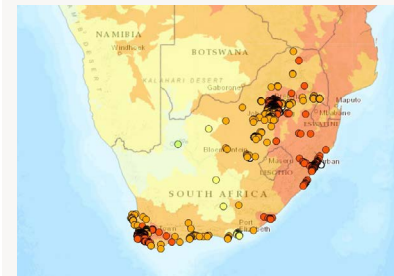
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Flood events can impact businesses' own operations as well as across their value chain by causing supply chain or transportation disruptions or increased capital costs.

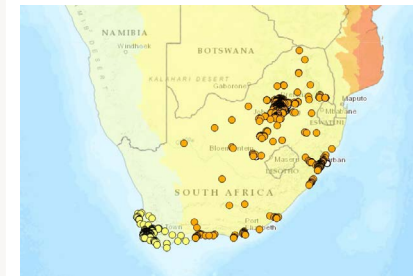


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Very high-risk areas are predicted to experience very high maximum wind speeds (>190kph) on a 50-year return period.



Strategy continued

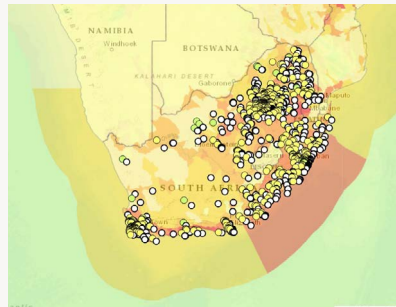
Biodiversity and water risks in operational activities

A similar exercise as previously outlined was conducted using the WWF's risk filter suite. The only difference is that this assessment for now excludes our residential and commercial mortgage portfolio and was not performed across different RCPs.

Pressures on biodiversity

Businesses may negatively impact biodiversity and reduce ecosystem services through several direct drivers or pressures. The maps below demonstrate pressures on biodiversity based on:

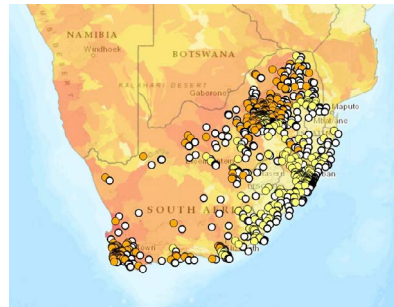
- land, freshwater and sea use change
- forest canopy loss
- invasive species
- pollution.



Water scarcity

Water scarcity refers to the lack of freshwater resources.

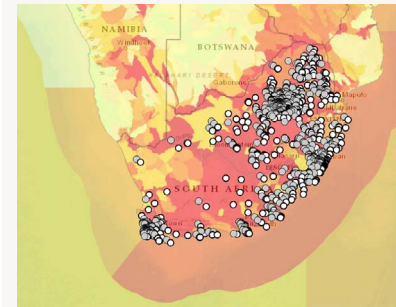
It can significantly impact business such as production/supply chain disruption, higher operating costs and growth constraints. Water scarcity is human-driven and can be aggravated by natural conditions (e.g. drought periods). It is generally calculated as a function of the volume of water use/demand relative to the volume of water available in a given area. However, water scarcity does not consider whether water is accessible and/or fit for use.



Ecosystem condition

Ecosystem condition indicates whether the natural environment is intact and connected.

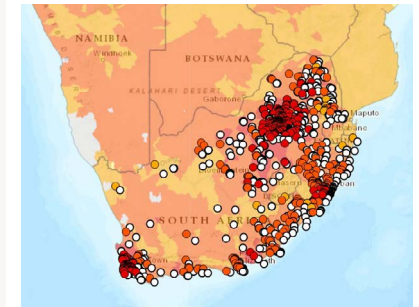
Poor ecosystem conditions can result in businesses having restricted access in the long term to the quantity and quality of resources and enablers needed for their activities as well as other ecosystem services they rely on. The preservation and restoration of terrestrial, freshwater and marine habitat is a key component in addressing biodiversity risk and to achieve sustainable development goals.



Surface water quality index

The surface water quality index is based on a combination of monitoring data and a machine learning prediction model. It comprises 3 water quality parameters with well-documented direct and indirect negative effects on water security for both humans and freshwater biodiversity.

The below map is based on biological oxygen demand, a widely used umbrella proxy for overall water quality. This risk subindicator is based on predictions of biological oxygen demand in rivers, as an annual average.



Strategy continued

Natural capital asset dependencies and impacts

Based on the Global Industry Classification Standard (GICS), Capitec's business activities are categorised as follows:

Sector	Industry group	Industry	Subindustry
Financials	Banks	Banks	Diversified banks ⁽¹⁾
	Insurance	Insurance	Life and health insurance ⁽²⁾

⁽¹⁾ Large, geographically diverse banks with a national footprint whose revenues are derived primarily from conventional banking operations, have significant business activity in retail banking and small and medium corporate lending and provide a diverse range of financial services.

⁽²⁾ Companies providing primarily life, disability, indemnity or supplemental health insurance.

Using Capitec's GICS classification allows us to use the web-based exploring natural capital opportunities, risks and exposure (ENCORE) tool to determine the business' level of nature-related risk and its natural capital dependencies and impacts.

The financial services industry's nature-related dependency risk is considered low because its operations should be able to continue even in the event of full disruption of the ecosystem service. The impact risk, however, is rated medium due to the fact that offices and service centres often produce a substantial amount of solid waste, especially without sufficient recycling programmes.

Capitec's natural capital dependencies and impacts are as follows:

Dependencies on ecosystem services	Contribution to impact drivers
<p>The business is potentially dependent on only 1 of the 21 ecosystem services, mass stabilisation and erosion control, rated at a materiality level of low. To reduce damage or avoid costs associated with potential landslides impacting its own asset values or operations, or asset values offered as collateral for secured finance granted, the business is dependent on the following 3 natural capital assets:</p> <ul style="list-style-type: none"> • Habitats (mostly towards the east of South Africa) • Land geomorphology • Soils and sediments (mostly in the central regions of South Africa). 	<p>The business has no impact drivers considered very high or high. However, it has one impact driver rated at a materiality level of medium: solid waste. By its very nature, solid waste could potentially negatively impact 7 of the 27 natural capital assets, acting as a driver of environmental change:</p> <ul style="list-style-type: none"> • Species • Habitats • Atmosphere • Soils and sediments • Water • Land geomorphology • Minerals.



Strategy continued

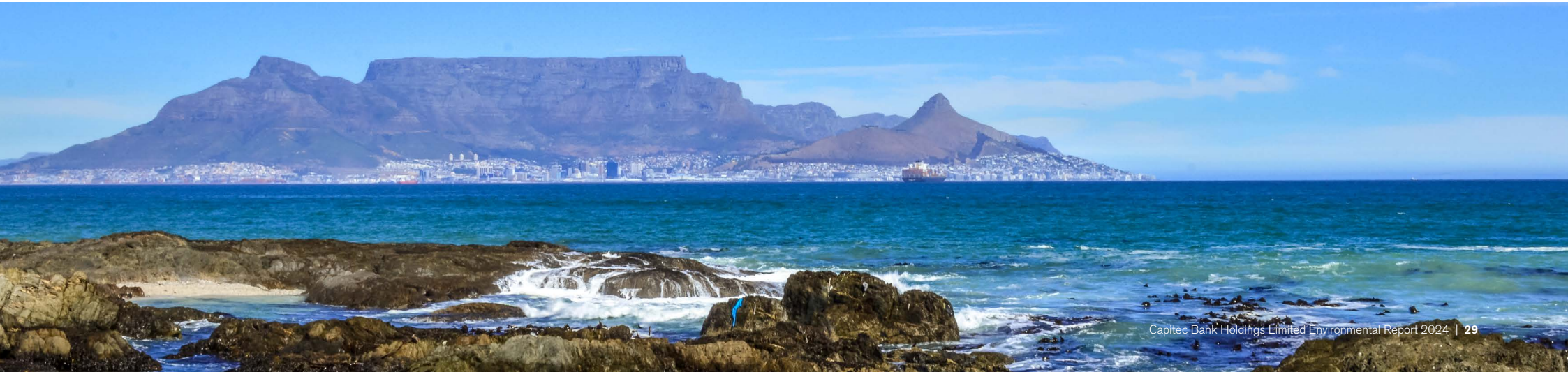
Climate-related transition risks in financing activities: inherent credit risk profile per industry (transition risk heat map)

Capitec's largest transition risk exposure is in the retail credit book through financing provided to clients employed in the metals and mining sector. The table below categorises sectors in accordance with their inherent risk not only due to the physical impact of climate change thereon, but also due to the extent it will be affected by the transition of supply chains, technological shifts and market demands during a transition to a lower-carbon economy.

Transition risks are continuously monitored to enable proactive adjustments to our credit granting policy and/or credit insurance (retrenchment) policy pricing.

Industry	Direct emissions cost	Indirect emissions cost	Low-carbon capital expenditure	Revenue	Overall
Agriculture	Yellow	Yellow	Yellow	Yellow	Yellow
Industrials	Yellow	Orange	Yellow	Light Green	Yellow
Metals and mining	Orange	Orange	Yellow	Light Green	Yellow
Oil and gas	Red	Light Green	Orange	Red	Red
Power generation	Orange	Yellow	Orange	Yellow	Orange
Real estate	Light Green	Yellow	Yellow	Light Green	Yellow
Services and technology	Light Green	Light Green	Light Green	Light Green	Light Green
Transportation	Orange	Yellow	Yellow	Yellow	Yellow
High	Moderate high	Moderate	Moderate low	Low	

Inspired by: UNEP FI, 2020. Beyond the Horizon: New Tools and Frameworks for transition risk assessments from UNEP FI's TCFD Banking Program

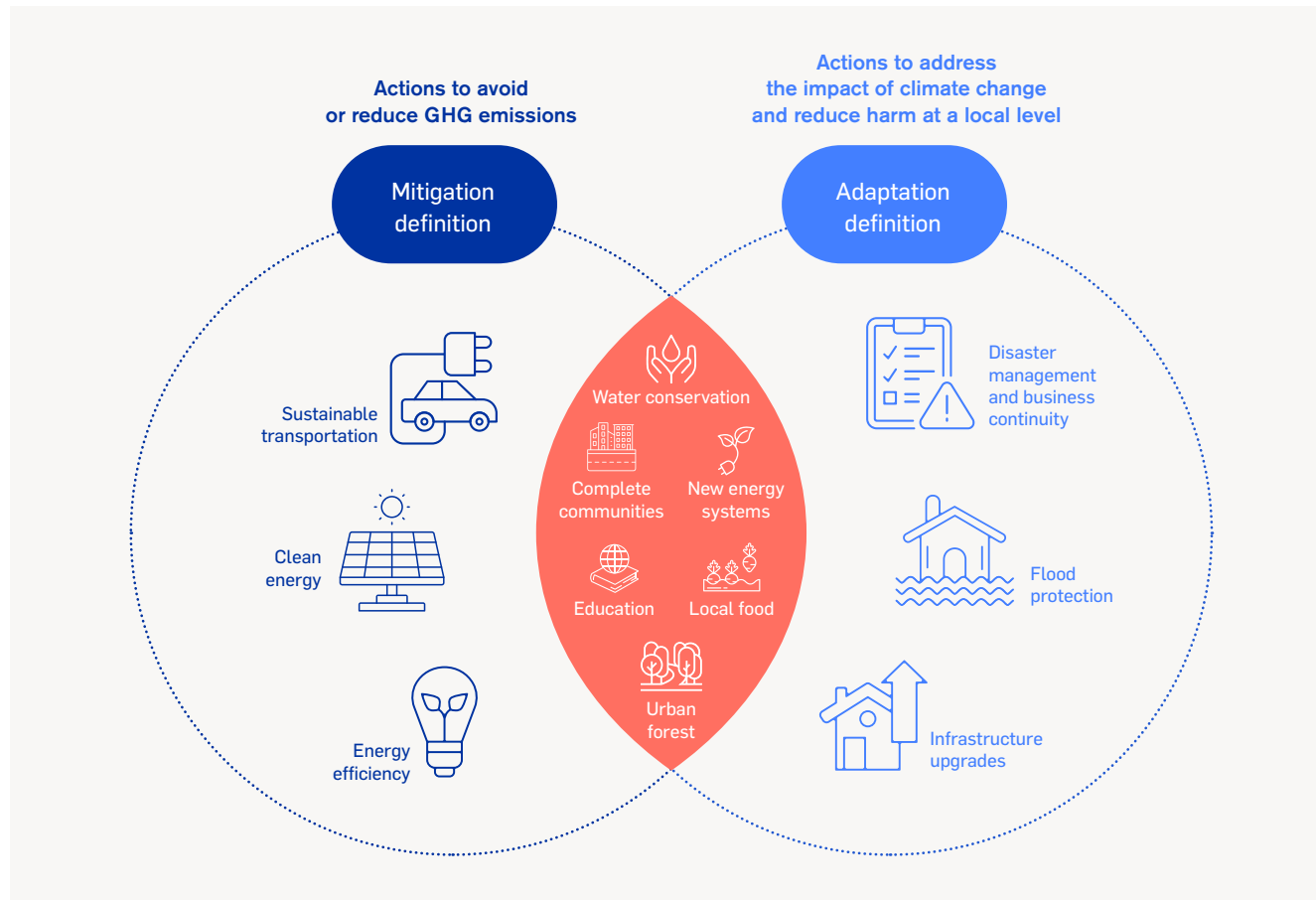


Strategy continued

Mitigation and adaptation

Capitec's ERM policy prescribes 4 treatment options for risks: avoidance, transfer, acceptance and mitigation (which includes environmental mitigation and adaptation measures). Regarding environmental risks, we have implemented several mitigation and adaptation measures to reduce risk exposure and will continue to treat risks appropriately.

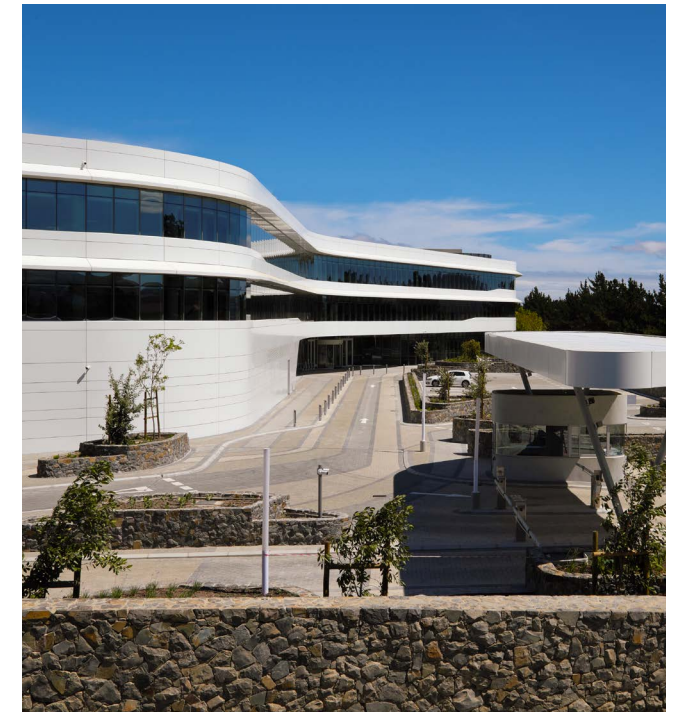
With a continued focus on reducing Capitec's environmental footprint, we continue to explore and implement various mitigation and adaptation measures. In the next section, we explore Capitec's existing operational efficiency measures.



Capitec head office, Stellenbosch





Completed in 2020, Capitec's head office was purposefully designed and constructed to incorporate environmental protection:

- Window glazing to reduce the amount of ultraviolet light streaming in, reducing the need for artificial cooling
- An open plan design with large overhead skylights to reduce the need for artificial lighting
- Motorised blinds, powered by solar energy, opening and closing automatically to manage the amount of heat entering the building
- A cooling system which produces and stores ice during the night to optimise cooling during the next day
- Indigenous, water-wise plants.



Strategy continued

We covered the environmentally friendly specifications of the new head office building in detail in our climate-related financial disclosure for 2023 at <https://www.capitecbank.co.za/globalassets/pages/esg/annual-published-reports/2023/climate-related-financial-disclosure-2023.pdf>. Some of the key specifications of the building are summarised below, with some of these measures also implemented at other business premises where reasonably practicable.

Contribution to impact drivers		
	6.4	Increase water-use efficiency
	7.2	Increase the share of renewable energy in the global energy mix
	7.3	Improve energy efficiency
	12.5	Reduce waste generation through prevention, reduction, recycling and reuse
	13	Climate action

Actions to avoid or reduce our GHG emissions i.e. climate change mitigation

- Energy efficiency
- Light-emitting diode (LED) lights
 - Motion-sensor light switches to align with the occupancy in the building

- Renewable energy
- Rooftop PV solar array, with a generation capacity of 715kWp



Actions to reduce or mitigate any negative impact on natural capital, including climate change adaptation

- Extensive recycling programme
- Dedicated bins to recycle glass, plastic and tins
 - Dedicated on-site waste sorting to maximise waste recycled
 - Responsible recycling of electronic equipment
- Addressing water scarcity
- Low-flow and/or motion-sensor sanitary fittings
 - Rainwater harvesting for irrigation, supplemented by borehole water
 - Grey water system
 - Waterless air-conditioning
- More efficient modes of transport
- Carpooling is encouraged
 - Dedicated undercover storage for bicycles and parking for motorcycles
- Reduced paper usage
- Limited traditional paper file storage available
 - Meeting packs distributed in soft-copy digital format
 - Number of printers reduced, with secure shredding and recycling repositories provided

Capitec's PV solar array, with a generation capacity of 715kWp, was commissioned on 25 August 2022 at a cost of R13.5 million. During the past 12 months, this facility provided Capitec with 690MWh of energy, reducing emissions by an estimated 717.2 metric tons of carbon dioxide (CO₂) and providing an estimated saving of R1 006 816 in operational expenses.

Strategy continued

Recycling electronic equipment

Capitec partnered with a reputable third-party service provider to destroy and recycle redundant electronic equipment securely and responsibly. For the financial year ended 29 February 2024, it recycled 17 741kg of electronic equipment in this manner.

Branch efficiency

Since its launch in June 2020, Capitec's paperless initiative removed most paper-based documents from branches. Testament to its success is the cumulative number of client conversions to paperless which as at 29 February 2024, is at 19 542 768 clients (28 February 2023: 17 687 300).

To provide further perspective, let us explore its impact on the 64.7 million agreements generated during the past financial year:

	Agreements generated		Number of A4 sheets ⁽¹⁾
eSignature (paperless)	60 256 839	93.13%	129 089 202
Paper-based signature	4 445 212	6.87%	9 535 639

⁽¹⁾ Double-sided printing.

Based on the following assumptions regarding A4 paper:

Paper length is 297mm.

Aligning the saved paper, short sides against each other, it comes to **38 340km**.

Putting that into perspective, our earth's circumference is 40 070km.



We saved 258 178 reams of paper with an average estimated price of R67.33 per ream (exclusive of value added tax).

We therefore saved **R17 383 124.74**.

A tree is estimated to produce 8 333 sheets of paper, so we saved **15 491 trees** (source: 8 Billion trees).

<https://8billiontrees.com/trees/how-many-trees-cut-down-each-year/>



Strategy continued

Going paperless across more business activities just makes sense:

- **It makes us all feel good about ourselves.** Not only are we doing the environment a favour, we are also improving our personal and professional lives by transitioning into the digital age which is the way of work of the future.
- **We save time.** Searching for the location of a document, or a specific piece of information in a report, takes much longer than opening a soft-copy file saved in an organised online folder system, and using your laptop keyboard shortcuts to find the exact word you are looking for.
- **And space.** Not only do paper documents increase clutter, but important ones are also generally stored away in large filing cabinets which take up valuable floor space.
- **And of course, we save money.** Not just by using less paper, but also the costs associated with printer ink.
- **Our data is protected.** Paper copies are often lost or misplaced, which is why digitising is the way to go. You can protect sensitive information by encrypting your documents with passwords and saving copies of your work in the cloud.
- But most importantly, **we save trees!**

Branches

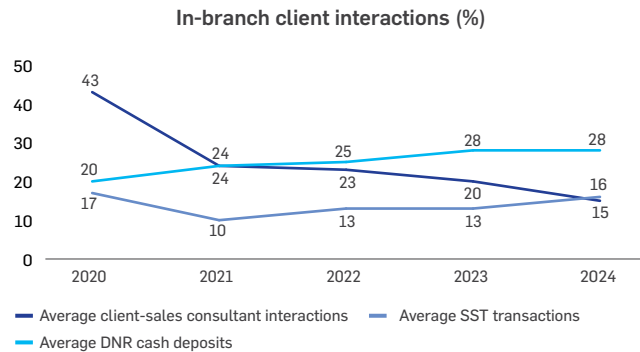
Alternative electricity supply

During the past year, Capitec replaced most fuel generators across the retail branches and business centres with inverters and lithium-ion batteries. This solution is still dependent on the South African power grid, the generation of which is predominantly coal-based. However, reliance on fossil fuels will reduce in line with the power utility's JET plan. The solution provides continuity during periods of electricity load shedding. Refer to the metrics and targets section for more details.

In-branch client interactions

Capitec implemented various strategies over the years to reduce the necessity for clients to visit a branch. The expansion of our digital transaction capability (Capitec app, internet banking and USSD) and client communication channels (conversational banking), branch self-service terminals (SST) as well as contact centre capacity and efficiency made this possible. This reduces the GHG emissions from road transport, and in so doing, improves the air quality at a local level.

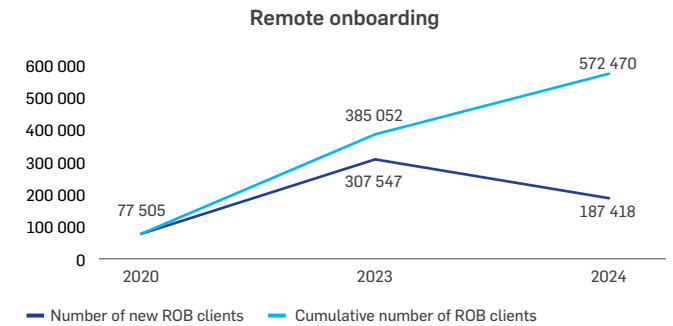
The graph below shows the number of in-branch client-sales consultant interactions expressed as a percentage of the total number of active clients. We also show the extent to which clients were enabled to perform self-help transactions through SSTs and dual note recycler (DNR) cash deposits.



Although a dip in in-branch client interactions was to be expected in 2021 due to the various levels of lockdown during the COVID-19 pandemic, many clients still prefer the personal experience of face-to-face client service delivery. The new Capitec app was launched in October 2019 and enabled the business to offer more products and services on the app which is a major driver in reducing the need for face-to-face client interaction.

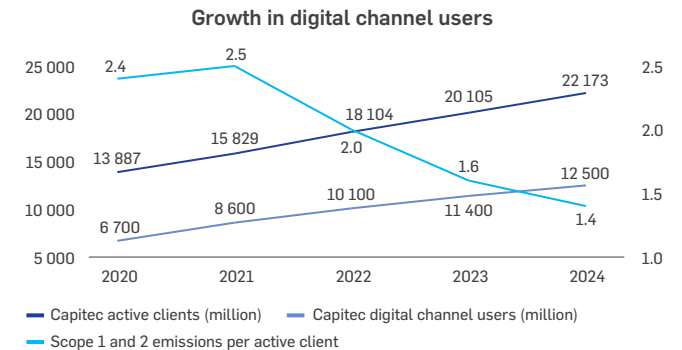
Onboarding and optimisation

Capitec launched remote onboarding on 15 March 2021, enabling prospective clients to open an account with Capitec without having to visit a branch. Since then, 572 470 clients have been onboarded through this new functionality, of which 187 418 were in the past year.



Capitec app and digital transaction strategy

The continued growth in active digital clients from 2.7 million at the end of our 2016 financial year, to 12.5 million on 29 February 2024 is key to growing our business volumes in an environmentally friendly way. This is demonstrated when calculating our GHG emissions carbon intensity per active client.

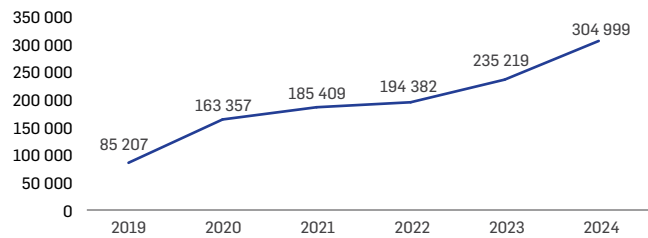


Strategy continued

Since 2017, Capitec has paid for data usage on behalf of our clients using the app which further improved access and client conversion towards digital channels.

Since making funeral policy sales available on our app, users of this channel have grown exponentially year-on-year.

Number of funeral policies sold over the app



Cash efficiency

Capitec commenced the roll-out of DNR devices in January 2016. A DNR is an automated teller machine (ATM) that can receive cash deposits and dispense the same cash during withdrawal transactions. This reduces the dependency on cash-in-transit (CIT) services to transport bulk cash and reduces the accompanying risks and GHG emissions.

For the financial year ended 29 February 2024, 47% of cash dispensed through Capitec ATMs and DNRs was sourced from DNR deposits. Since January 2016, more than R418.5 billion in cash has been recycled which would otherwise have been replenished via CIT services.

Third-party suppliers and service providers

Capitec's supplier code of conduct outlines our expectations of our suppliers and third parties regarding environmental sustainability. Requirements include the reduction in environmental footprints, conducting business in an environmentally responsible way and offering environmentally responsible products and services where applicable.

Capitec transferred a lot of on-premises servers and data processing capabilities to cloud infrastructure and co-located data centres to reduce our environmental impact by leveraging the scale and efficiency of specialist vendors. The vendors we partner with for our cloud and data centre infrastructure are consistently striving towards improving operational efficiencies, thereby reducing their energy consumption and environmental footprints. The service providers for our co-located data centres, for example, improved the efficiency of their data centres by implementing more energy and water-efficient cooling systems.

AWS, Capitec's primary cloud service provider, is well on its way to meeting their objective of using 100% renewable energy by 2025 and to reaching net zero carbon across all operations by 2040.

AWS is also committed to becoming water positive by 2030 i.e., returning more water to communities and the environment than they use in their operations and to reducing waste.

Research found that moving from traditional on-premises infrastructure to AWS can typically reduce organisations' carbon emissions by nearly 80%, and up to 96% once AWS is 100% powered by renewable energy. (source: <https://aws.amazon.com/compliance/data-center/environmental-layer/>).




Strategy continued

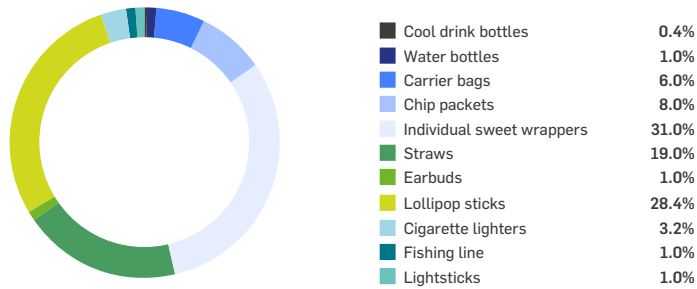
CSI and employee volunteerism

All Capitec employees are entitled to 3 days of paid leave per annum for volunteerism in the community. Capitec's CSI strategies focus on education, while volunteering initiatives create opportunities to include environmental projects.

In support of environmental-related SDGs, below is an example of an environmental initiative pursued:

- The Beach Co-op, Queen's Beach clean-up: 15 volunteers, 200m of beach cleaned, 11.5kg of litter removed.

	14.1	14.8
	Reduce marine pollution from land-based activities	Increase scientific knowledge and research for ocean health



Analysis of waste collected showed the biggest contributors to the 11.5kg of litter removed to be individual sweet wrappers, lollipop sticks and straws. All waste collected was correctly disposed of by the City of Cape Town afterwards.





















Other than reducing, reusing and recycling, the team learnt that people can consider greener alternatives for everyday consumables. The infographic below demonstrates the alternatives available to plastic straws. Which reusable straw is right for you?

<p>Stainless steel</p> <ul style="list-style-type: none"> • Use with caution in hot beverages • Recyclable • Super durable • Dishwasher safe • Modern, sleek look 	<p>Paper</p> <ul style="list-style-type: none"> • Only for cold drinks • Compostable • Great for outdoor events 
<p>Bamboo</p> <ul style="list-style-type: none"> • Great for hot or cold drinks • Compostable • Naturally antibacterial • Dishwasher safe 	<p>Glass</p> <ul style="list-style-type: none"> • Great for hot or cold drinks • Recyclable • Clear – easy to clean • Dishwasher safe 

Strategy continued

Environmental opportunities and their impact on business strategy and financial planning

Through engagement with internal subject matter experts, Capitec has identified a number of environmental opportunities it can leverage over the short, medium and long term. The table below sets out each opportunity type as well as the time horizon over which each of these is likely to be realised.

Opportunity type	Environmental opportunities	UN SDG	Short term (0 to 3 years)	Medium term (3 to 7 years)	Long term (7+ years)	Opportunity type	Environmental opportunities	UN SDG	Short term (0 to 3 years)	Medium term (3 to 7 years)	Long term (7+ years)
Resource efficiency	Enabling the use of more efficient modes of transport (carpooling is encouraged)		Yes*	Yes	Yes	Products and services	Develop low-emission products and services	 	No	Yes	Yes
	Extensive recycling of paper, tins, glass, plastic and the responsible disposal of electronic equipment		Yes*	Yes	Yes		Develop new products or services through innovation (establish clear innovation priorities to realise carbon reductions)	 	No	Yes	Yes
	Use of environmentally friendly office space ('green' head office, considering similar options for contact centres in the short to medium term)	   	Yes*	Yes	Yes		Diversify business activities		No	Yes	Yes
	Reduced water usage and consumption (low-flow and/or motion-sensor sanitary fittings, rainwater harvesting, boreholes, grey water systems)		Yes*	Yes	Yes		Reputational benefits of 'green' product offering resulting in increased demand for products and services	 	No	Yes	Yes
Energy systems	Use of lower-emission sources of energy (LED and motion-sensor lighting)		Yes*	Yes	Yes	Markets	Increased demand from investors for their funds to be invested in sustainable companies (be transparent about goals, progress made and challenges experienced)		No	Yes	Yes
	Use of supportive policy incentives (collaborate with industry through BASA sustainability forums)		No	No	Yes		Development of new revenue streams from new/emerging environmental markets and products		No	Yes	Yes
	Participate in carbon market (reduce own carbon footprint before considering the use of carbon credits)		No	No	Yes		Improved scores by sustainability/ESG rating agencies		Yes*	Yes	Yes

* Environmental opportunity already realised.

Strategy continued

Opportunity type	Environmental opportunities	UN SDG	Short term (0 to 3 years)	Medium term (3 to 7 years)	Long term (7+ years)
Resilience	Continued adoption of energy-efficiency measures in operations		Yes	Yes	Yes
	Resource substitutes/diversification (expand on existing recycling initiatives)		Yes	Yes	Yes
	Develop sustainable and innovative products and services to remain relevant in the market and in so doing, ensure organisational resilience	 	No	Yes	Yes

Although we have identified several environmental opportunities and their expected time horizons, we have not yet quantified their potential for generating substantive positive changes in our business operations, revenue or expenditure.

Organisational resilience through scenario analysis

The SARB PA published Directive 4 of 2023 on 1 June 2023, requiring all banks to comply with the BCBS Principles for Operational Resilience by 31 December 2024. Capitec has over the years developed a robust business continuity management programme. The main outcome of this programme is a business continuity plan (BCP) for all business areas which identified resource dependencies to improve service delivery to our clients. While BCPs provide recovery strategies for specific severe, but plausible, disruption scenarios, they traditionally did not include climate-related scenarios such as localised flooding.

Looking forward, Capitec better understands the connection between operational resilience and sustainability and will consider including specific scenarios, as needed, from acute and/or chronic physical climate risks to transition risks.



Strategy continued

Common scenario stress test: climate risk

The impact of climate change can be modelled to provide valuable insights into the potential future impact which can be incorporated into Capitec's business strategy, financial planning and ERM processes. It provides a quantitative outcome for risk-based scenarios, ideally covering both physical and transition risks, across time horizons.

Evaluating and quantifying the impact of climate change can yield the following benefits:

- Ensure value chain resilience
- Optimise costs and maximise revenues
- Reassure investors and attract capital investment
- Reassure regulators of business resilience by incorporating CSST results into the own risk and solvency assessment and annual internal capital adequacy assessment process
- Understand the impact of adverse climate events on clients and their needs.

It is worth noting that the accuracy, validity and value of CSSTs are subject to the quality of the underlying external climate-relevant data which can be challenging to find. As Capitec's climate journey progresses, with access to appropriate internal and external data improving, our scenario analyses will also mature to include appropriate RCPs.

SARB PA CSST – 2021

As part of the 2021 banking industry CSST, the SARB Financial Stability Department (FSD) required banks to perform a qualitative CSST, incorporating both physical and transition climate risks.

For the CSST, a high-level assessment of the financial impact of a severe drought scenario was added to an adverse stress testing scenario. The severe drought scenario was as follows:

- a 40% reduction in the average annual rainfall in 2021, followed by
- a 21% reduction in average annual rainfall in 2022 and 2023.

The assessment quantification was based on historical data that assessed the relationship between a reduction in annual average rainfall and Capitec's default rates. We used the Retail bank and Business bank credit book values on 31 December 2020 as a starting point (basis) for the stress test.

The simulated drought experience illustrated an 8% increase in credit losses over a 3-year period compared to the stress testing base. The agriculture sector was the most sensitive to the drought scenario with a 28% increase in credit losses, however, it comprises only 1% of the total credit portfolio. Large sectors such as Sovereign (government), wholesale and retail and other showed limited increases in credit losses and made up 83% of the total credit book.

The results from the climate stress test confirmed Capitec's resilience to an adverse climate risk event.

Industry	Stress credit loss increase over 3 years (%)	Dec 2020 Total credit balance exposure distribution Retail and Business (%)	Feb 2024 Total credit balance exposure distribution Retail and Business (%)
Agriculture, hunting, forestry and fishing	28	1	1
Electricity, gas and water supply	20	1	1
Manufacturing	15	10	6
Mining and quarrying	24	9	8
Other	8	32	30
Sovereign	0	37	41
Wholesale and retail trade	0	9	12

Strategy continued

Retail bank credit risk

Based on the United Nations Environment Programme Finance Initiative (UNEP FI) transition risk heat map for all major industries, Capitec's retail credit book has limited exposure to industries inherently considered high-risk (in terms of environmental risks).

Our retail credit risk exposures are increased or reduced based on forward-looking variables. Our credit teams perform extensive research and model future scenarios for specific sectors and companies. Credit exposure for clients employed at businesses with unfavourable prospects is reduced or avoided based on advanced quantitative analyses. This mechanism is very useful in managing transition risk at an idiosyncratic level. Our systems are designed to enable quick changes to the credit granting model.

Industry	Balance (%)
Agriculture, hunting, forestry and fishing	1
Community, social and personal services	52
Construction	2
Electricity, gas and water supply	1
Financial intermediation and insurance, real estate and business services	12
Manufacturing	6
Mining ⁽¹⁾	10
Other	1
Transport	4
Wholesale and retail trade	11
Total	100

⁽¹⁾ Mining represents credit extended to individuals employed in the mining industry, and not directly to finance mining activities.

Business bank credit risk

Our Business bank division does not offer corporate or investment banking finance (including project financing) for large businesses such as coal mines. Its core focus is on SMEs and entrepreneurs.

Capitec's Business bank credit book also has limited exposure to industries inherently considered high-risk (in terms of environmental risks) such as oil and gas, power generation, metals, mining and quarrying or transportation.

A conservative approach has always been followed where coal-related financing is concerned, steering clear of direct coal mining, and with limited exposure to related plant and machinery, equipment, tools and commercial vehicles. When advancing credit for large commercial vehicles, proper due diligence procedures are followed to ensure borrowers' businesses have a diversified portfolio not limited to the transport of coal. Exposure to pure coal transport as at 29 February 2024 is only 1.2% of the total commercial vehicle (transport) portfolio.

Industry	Balance (%)
Agriculture, hunting, forestry and fishing	1
Business services	4
Community, social and personal services	7
Construction	8
Electricity, gas and water supply	1
Financial intermediation and insurance	12
Manufacturing	8
Mining ⁽¹⁾	1
Other	2
Private households	15
Real estate	20
Transport	5
Wholesale and retail trade	16
Total	100

⁽¹⁾ Mining represents credit extended to individuals employed in the mining industry (primarily in the form of residential mortgage loans) and commercial vehicle asset financing (transport), and not directly to finance mining and quarrying activities. In fact, financing was provided in the Western Cape towards specialised rigs to transport wind turbines as part of the government's renewable energy programme (credit exposure at 29 February 2024 amounted to R42.7 million).

SARB PA CRST – 2024

The SARB FSD issued a discussion paper in May 2023 on a proposed macroprudential CRST to be conducted during 2024. It will encompass physical and transition climate risks and is expected to cover 3 scenarios, closely aligned with those of the NGFS. The exercise will assist the SARB PA and Capitec to understand the maturity of existing CRST frameworks and our preparedness to remain resilient irrespective of any future climate-related risk event.

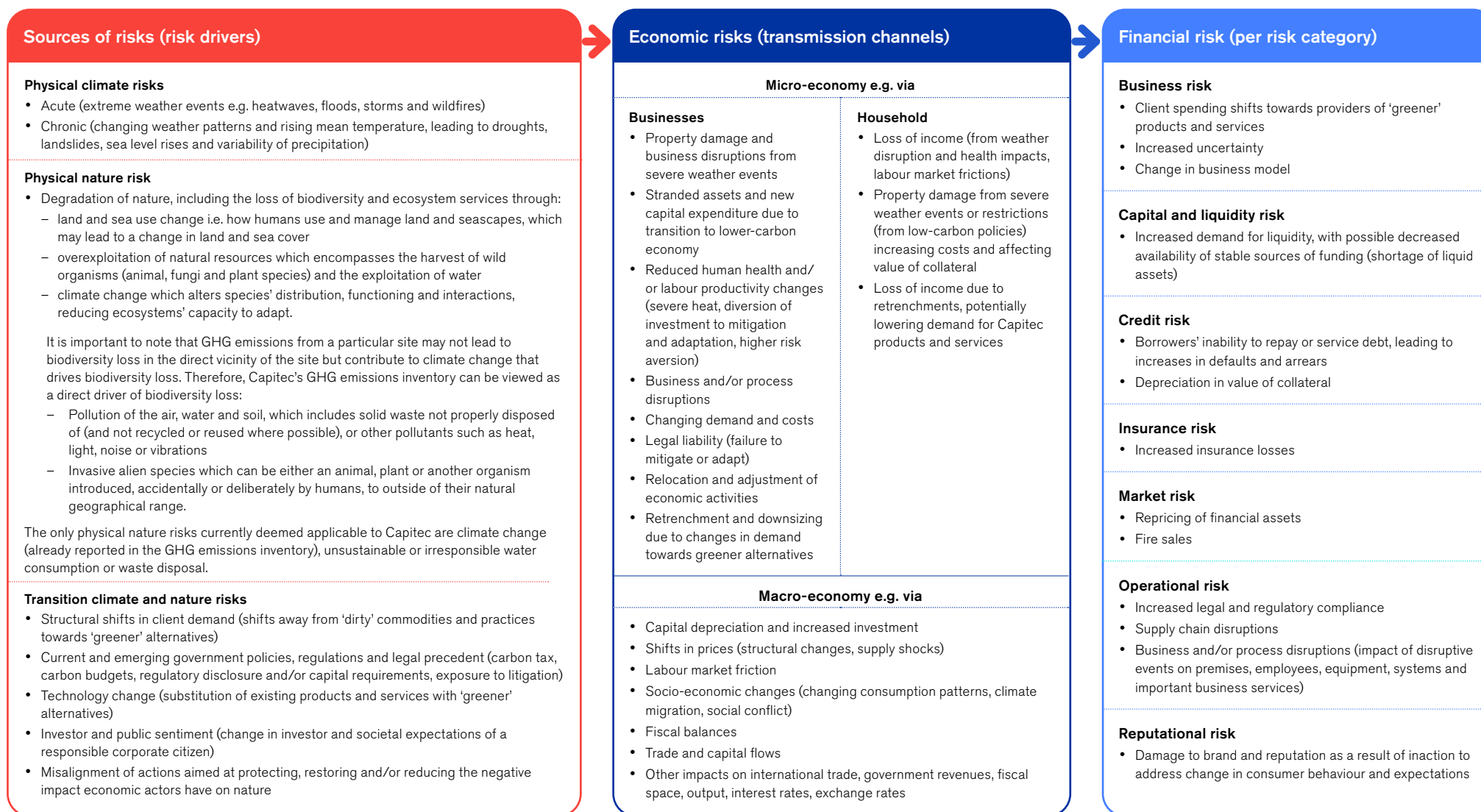
03 risk management



Risk management

Climate-related risks, both physical and transition, can impact Capitec through both micro (impacts on businesses and households) and macroeconomic (impacts on the economy overall) transmission channels, realise across all 7 of our risk categories and impact both our upstream and downstream business operations, potentially leading to financial loss.

Risk drivers and transmission channels



Risk management continued

Risk culture and change management

Risk culture

Capitec recognises that risk culture is a key enabler for effective risk management in the business.

Risk culture is measured through a quantitative maturity assessment incorporated into internal audits and reported on the management operating system (MOS). This measurement assesses the attitudes and behaviours that translate into respect for risk, transparency, recognition and responsiveness to risk. The assessments are used as the basis for driving further risk culture maturity.

Risk culture maturity is also measured through the annual risk control self-assessment (RCSA) process participation rate and the number of potential risks captured on our ERM system.

Risk management and control of the group is used as one of the non-financial executive KPIs considered when determining their annual STI, which is payable in cash annually in April following the financial year during which performance was measured.

Risk-related goals are also set during the triannual performance period process of risk department employees (line managers and their direct reports). The performance assessment has an impact on the annual salary increase and STI, payable in cash annually in April following the completed financial year during which performance was measured. Specific goals and metrics will depend on individuals' personal risk management portfolios.

In addition to the above, an extensive operational risk maturity assessment questionnaire is completed every 18 months and independently reviewed by internal audit before submission to the SARB. This assessment among others evaluates the implementation and execution of risk management policies and frameworks as well as the maturity of various risk management practices and processes. It is also used to track operational risk maturity internally.

Change management

To entrench risk culture, Capitec has policies and procedures governing the review of new or materially changed or enhanced products, services, business activities and technologies. These provide guidance on the evaluation of aspects that may potentially

introduce additional risks, thereby affecting the business' risk profile. All projects are therefore subject to the Capitec recipe (way of working) which highlights the various processes, stakeholder involvements and risk practices applicable to and during the implementation of initiatives. In addition, the risk management department developed a delivery risk assessment to assist business areas in identifying which risk department to include throughout every part of the project life cycle.

Risk governance

We have an extensive, multi-layered risk governance structure. The Capitec board is ultimately responsible for risk management in the group to ensure that risks are adequately identified, evaluated, treated, monitored and reported.

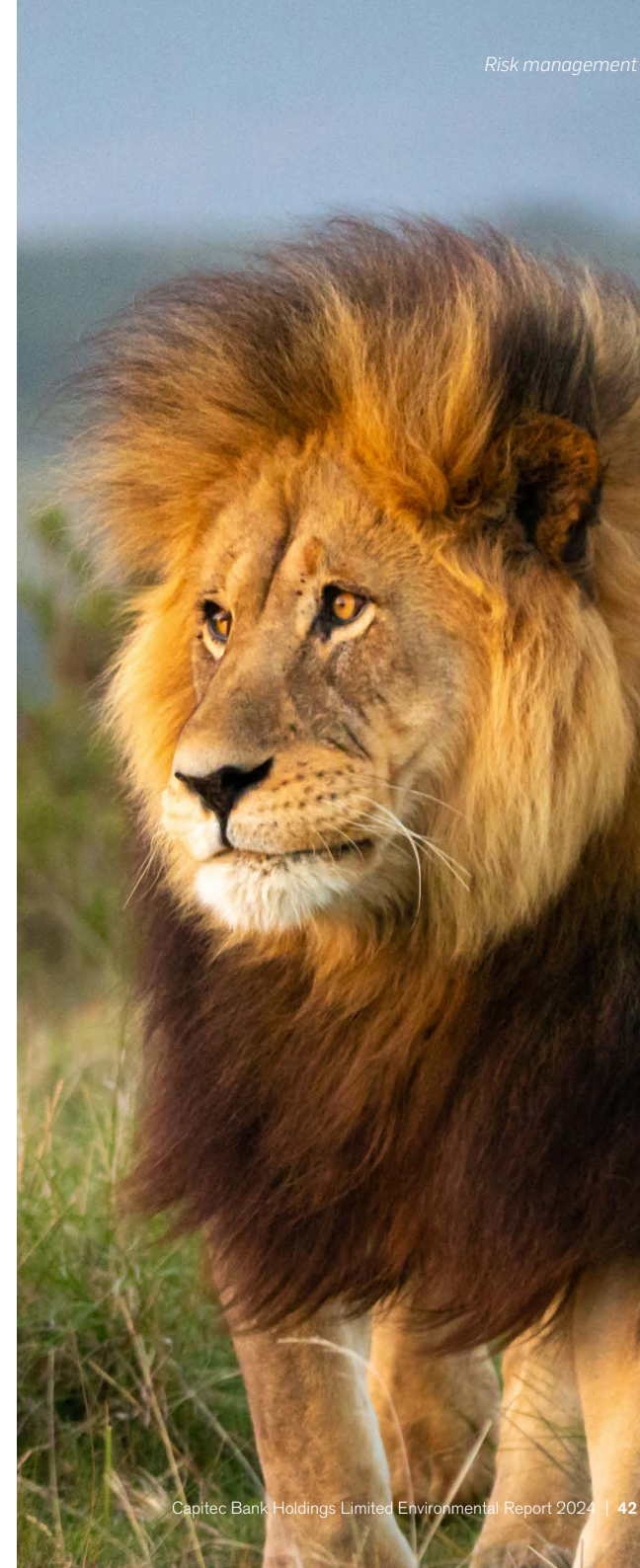
The RCMC monitors the implementation of the overall risk management strategy, approves the risk appetite and tolerance levels and ensures that risks are managed within appetite and tolerance levels.

The DAC ensures that the composition of the board is reviewed continuously and that board members have the right expertise, experience and industry knowledge, especially where risk management is concerned.

Our risk management department comprises several risk disciplines, with the heads of each department reporting to the executive: risk management, who in turn reports to the CEO. Risk management therefore has a separate reporting line, independent of operations, to provide objective monitoring of risks.

Further, the executive: risk management is the highest-ranking risk official who serves as a member of the EXCO and the RCMC.

Capitec's risk universe consists of 7 risk categories that are managed by the EXCO, the RISCO, the RCC, the BCC and the ALCO. These committees report to the RCMC and/or the audit, risk and capital management committee, which is mandated by the Capitec board to oversee risk management of the group. The EXCO is responsible for implementing the board's risk management strategy and decisions through the implementation, execution and monitoring of relevant policies and processes.



Risk management continued

The RCMC, which comprises executive, non-executive and independent non-executive directors, oversees risk management according to a board-approved charter. The committee meets quarterly and includes senior management attendees with representation from risk, credit, compliance, insurance, treasury and internal audit.

Environmental risk identification and evaluation

Our ERM system enables all employees to report potential risks on the enterprise risk register (ERR) available on the company intranet. This allows the operational risk department to provide prudent second line risk oversight using our iterative 5-step process to risk management.

01

Risk identification

Risks can be identified and raised by any employee, although the first line of defence as risk owners, carries the primary responsibility for owning and managing day-to-day risks as part of the delivery of their area's products and/or services to clients.

Identified risks are formally documented in risk registers and have designated risk owners.

RCSAs are conducted by the first line of defence and supported by the second line risk management function as necessary.

02

Risk evaluation

The board-approved risk matrix allows for consistency in the evaluation of risk. Risks are evaluated in terms of impact and likelihood. We consider inherent and residual (current) risks.

The risk management department supports the business by providing independent oversight and monitoring risks across the group on behalf of the board.

03

Risk treatment

Risks are accepted, transferred, mitigated or avoided based on the outcome of risk evaluation. If mitigated, then mitigation plans are tracked and monitored accordingly.

04

Risk monitoring

Risks are managed as part of our daily operations according to KRIs. These assess risk against predetermined tolerance levels. KRIs can be found on the MOS and are regularly reviewed. Risk monitoring also includes scheduled mitigation reviews with the risk owners and the identification of emerging risks.

05

Risk reporting

Risk reporting is clear and concise and puts management and the board in a position to make informed risk decisions. To ensure we report the right risks to the right people at the right time, the group adopted the Basel principles for effective risk data aggregation and risk reporting (RDARR) practices under BCBS Standard number 239.

Risk identification

Capitec's risk culture is one that empowers all employees to take ownership of risk identification. It has therefore adopted a dual risk identification and evaluation methodology that considers risks from a business (bottom-up) and strategic (top-down) level. Capitec also considers external sources to identify new and emerging risks. Due to the specialist nature of environmental risks, we use the services of industry experts, industry forums, academic literature and publications and other publicly available information.

Our ERM approach supports bottom-up and top-down risk identification from both internal and external sources. The bottom-up approach follows 2 key processes:

- Ongoing risk identification where risks can be captured through our enterprise risk hub on the company intranet for the ERR 24/7/365 and via the information technology (IT) risk partners for the IT risk register as and when they arise
- Annual business-wide RCSAs through which management and employees identify and assess risks as well as controls within their respective environment.

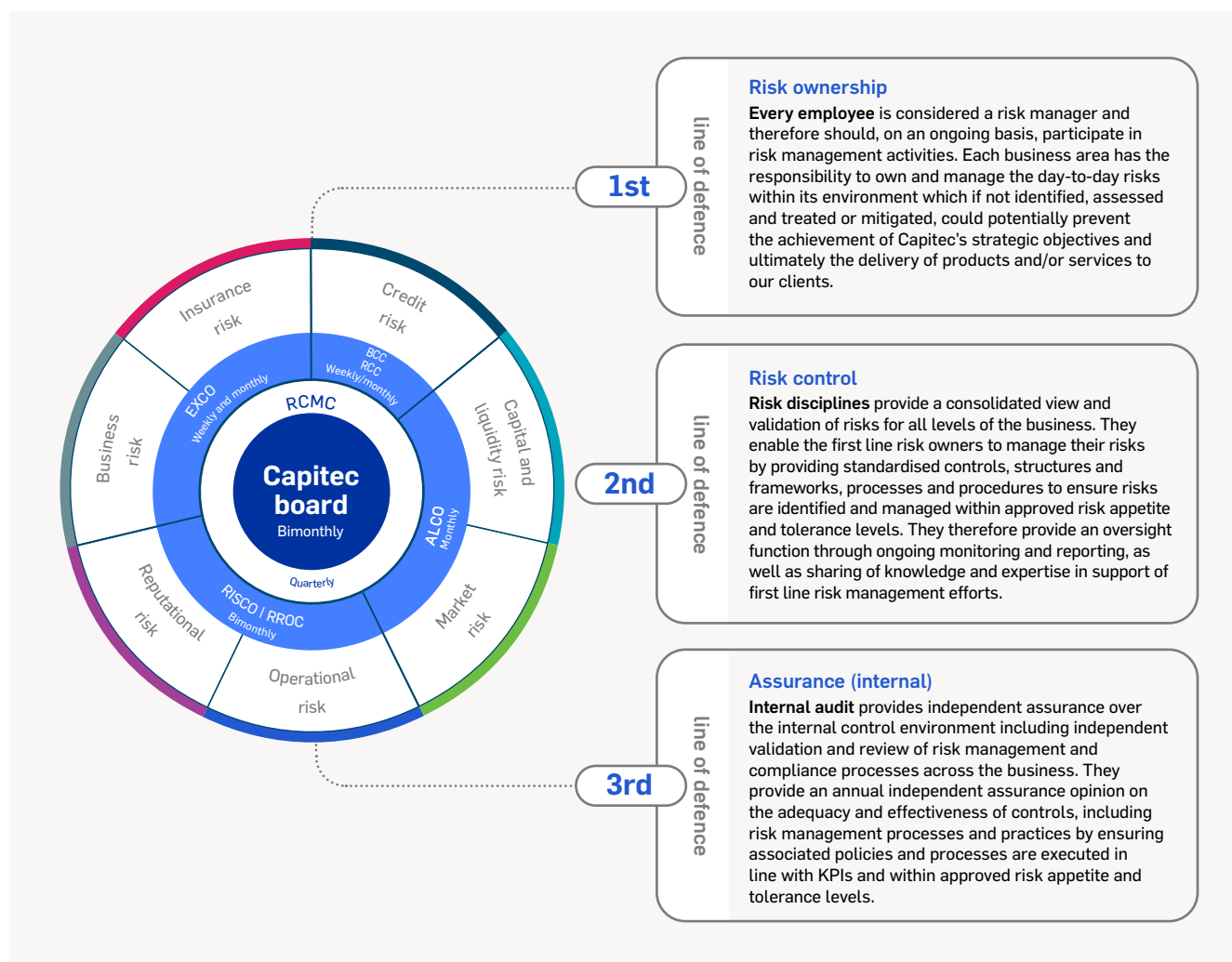
Risk evaluation

Risk evaluation is the process through which the nature of a risk and its characteristics are comprehended to establish the level of risk exposure. It involves a detailed consideration of a 2-criteria approach: likelihood and impact. The consideration includes risk sources, consequences, events, scenarios and controls and their effectiveness. Capitec evaluates risks from an inherent and residual perspective, with the board-approved risk matrix allowing for consistency in the process.

Risk management continued

Management of environmental risks

Capitec subscribes to a 3 lines-of-defence model. This ensures independence of the risk management functions positioned in the second (those who oversee risks) and third (those who provide independent assurance over risks) lines, from the business lines, being the first line of defence (those who own and manage risks).



Risk management continued

Risk appetite and tolerance

Our risk appetite is the level of risk we are willing to accept while pursuing our strategic objectives. Environmental risk is currently included under operational risk for which we have a low risk appetite. This means that minimal risk is accepted and a cautious and conservative approach is taken towards operational risk.

Risk category	Risk appetite
Business risk	Low
Capital and liquidity risk	Low
Credit risk – Business	Low
Credit risk – Retail	Medium
Insurance risk	Medium
Market risk	Low
Operational risk (including compliance and environmental risks)	Low
Reputational risk	Low

Our risk tolerance is the extent to which Capitec is willing to tolerate a deviation from targets set for strategic objectives as a result of a potential or actual risk. It is determined by considering outcome measures for our key strategic objectives. We then consider the range of outcomes above and below acceptable targets. Tolerance is measured by our MOS key risk and performance indicators.

Our operational risk appetite levels are reviewed annually and approved by the RCMC.

Risk treatment

This step of the process consists of selecting and implementing an appropriate response to the risk identified. It involves balancing the potential risk benefits against costs, effort or disadvantages. Risk treatment options include:

- **Risk avoidance:** avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk exposure or choosing an alternative approach to achieve the desired objective
- **Risk transfer:** shift or share risk exposure with third parties through contracts or insurance

- **Risk acceptance:** acknowledging the risk and taking an informed decision to retain the risk exposure while ensuring that appropriate monitoring is in place
- **Risk mitigation:** reducing the likelihood and/or impact of risk through the improvement of management controls, processes and procedures.

Risk treatment further extends to devising a risk treatment plan that specifies how the chosen treatment option(s) will be implemented and monitored.

Risk monitoring and reporting

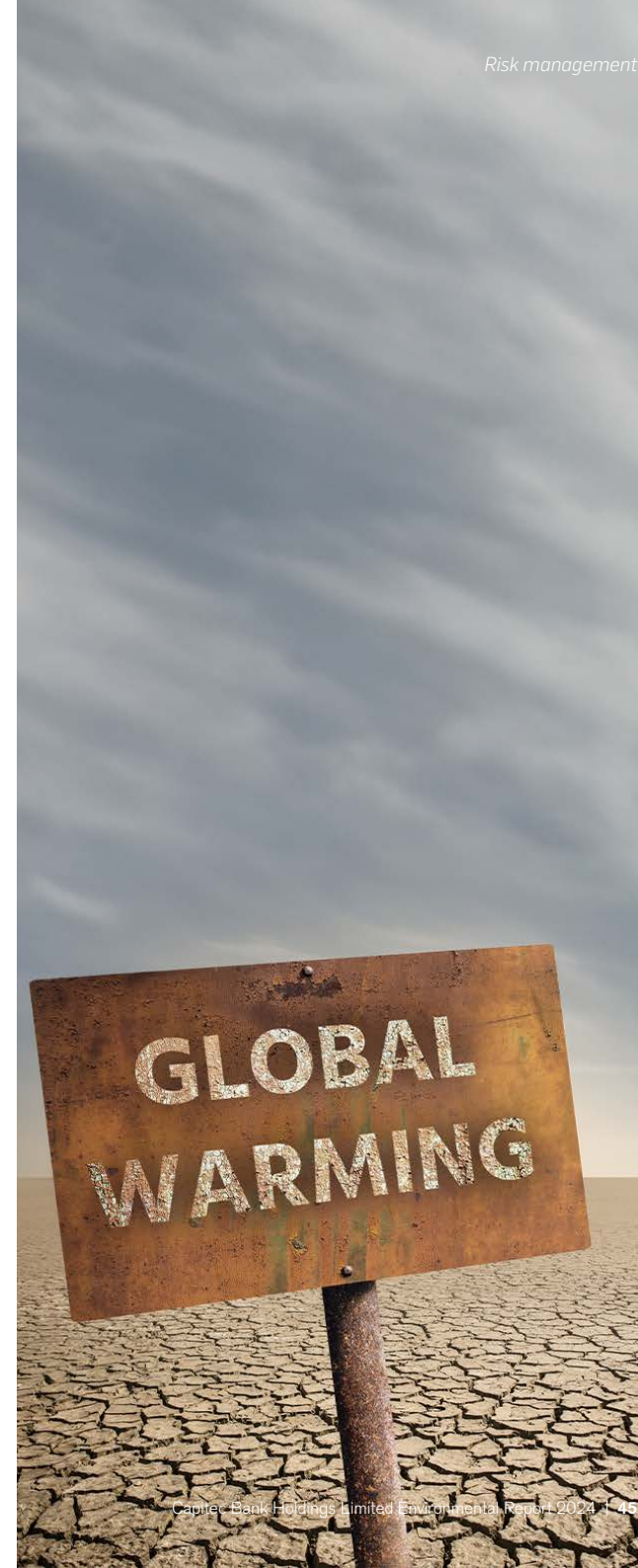
Risk monitoring is an ongoing process of managing risks and includes periodic reviews of risk treatment plans and tracking the effectiveness of risk controls. Monitoring and reviewing risks take place during all stages of the risk management process and include planning, gathering and analysing information, recording results or updates and providing feedback. If ongoing automatic monitoring of a particular risk is necessary, the preferred method is to develop a KRI and/or a KPI on the MOS.

The outcome of the risk management process (assessments) is documented and updated on the ERR.

Integration of environmental risks into overall risk management

As environmental risks are not owned by any one function and can manifest across all 7 risk categories, they are not treated as a stand-alone risk category. They are integrated into each risk category's risk identification, evaluation, monitoring and reporting processes – the foundational principles of our ERM policy and framework.

To prevent this decentralised approach from becoming a barrier in the identification and treatment of new or emerging risks, the operational risk department acts as the central point for collaboration and communication of environmental risks.



04

metrics and targets



Metrics and targets

Disclosure coverage

According to the World Business Council for Sustainable Development and the World Resources Institute's GHG Protocol, 2 distinct approaches can be used to determine corporate reporting boundaries regarding GHG emissions: the equity share or control approaches (operational or financial). Capitec follows the control approach and therefore accounts for 100% of the GHG emissions from operations over which we have operational control. We exclude GHG emissions from operations in which we own an interest but have no control.

This environmental disclosure represents Capitec, listed on the JSE, and its 100%-owned and controlled subsidiaries.

Metrics used to assess environmental risks and opportunities

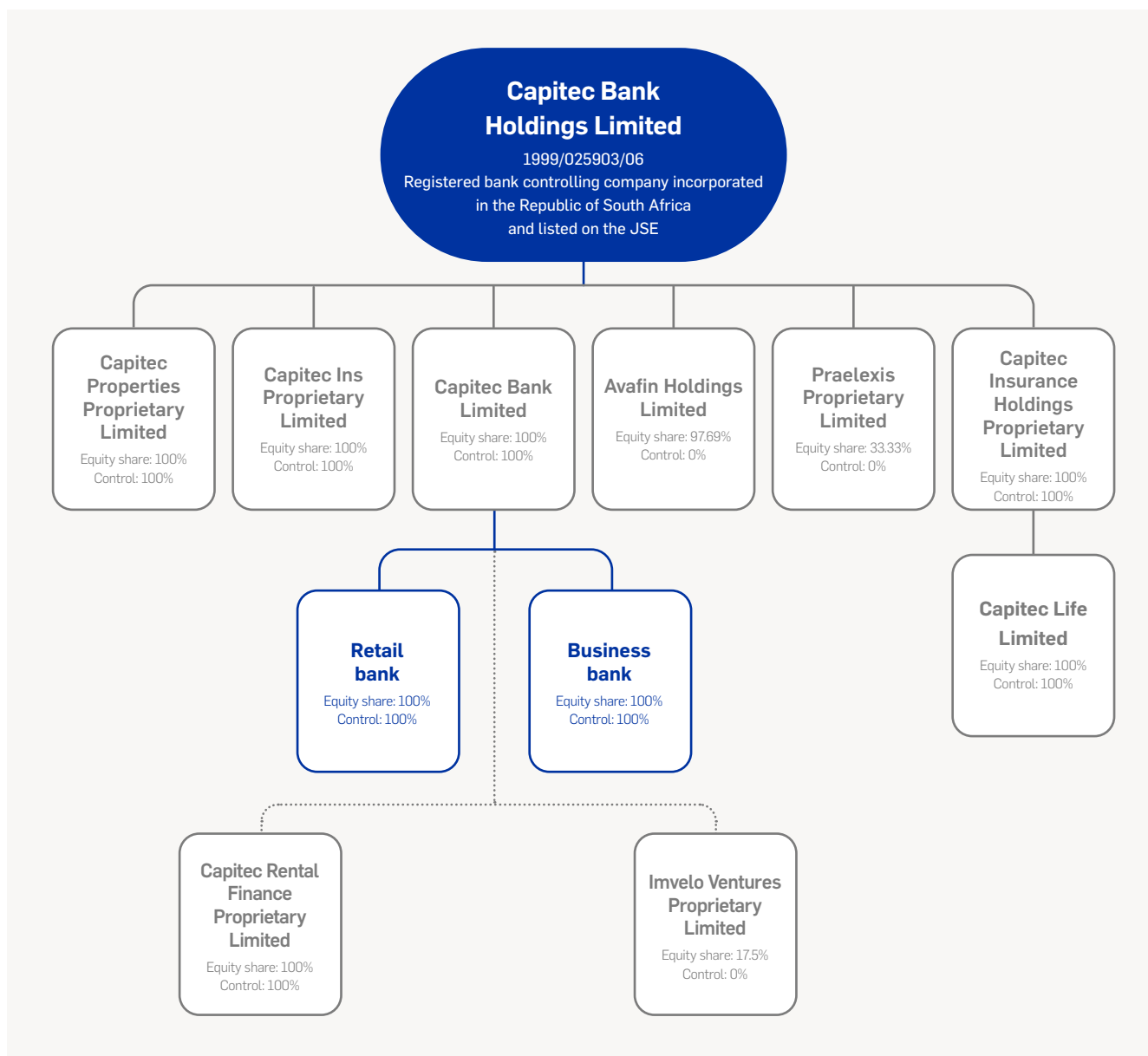
GHG emissions metrics

As a global best practice guideline, Capitec aligns our GHG emissions metrics with those defined in the GHG Protocol's Corporate Accounting and Reporting Standard.

Accordingly, we report on direct and indirect emissions according to Scopes 1, 2 and 3 as defined in the GHG Protocol; emissions are reported in metric tons of CO₂e:

- Scope 1: Direct GHG emissions from sources that are owned or controlled by Capitec, for example, vehicles used for deliveries
- Scope 2: GHG emissions from the generation of non-renewable purchased electricity consumed by Capitec (note: Scope 2 emissions physically occur at the facility where electricity is generated)
- Scope 3: Indirect GHG emissions, which arise as a consequence of the activities of Capitec, not from sources owned or controlled by Capitec, but rather by clients, suppliers or business partners Capitec interacts with throughout our value chain (upstream and downstream activities).

Capitec's emissions are converted using emission conversion factors published by the UK Department for Environment, Food and Rural Affairs as at the end of the latest calendar year.



Metrics and targets continued

We also report GHG emissions intensity ratios using the total number of full-time employees (FTE) as at financial year-end as well as the total square metres of floor space occupied by all in-scope business premises.

Assumptions – Scope 1

- Fuel used in owned or controlled equipment: all fuel used is considered to be diesel-based, except for fuel used in retail branch generators, which are petrol-based

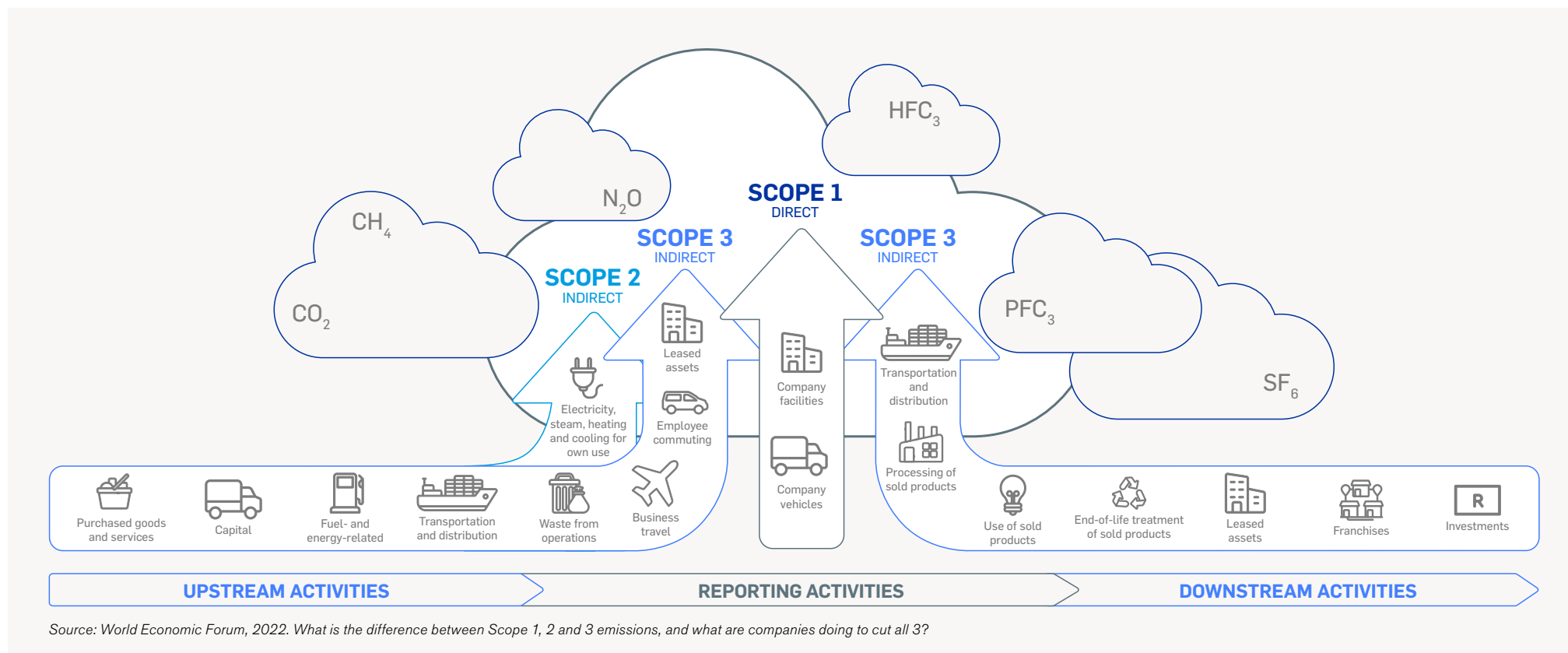
- Fuel used in owned or controlled vehicles: total kilometres travelled are calculated using the average fuel price for the specific month (considering the difference in price per litre in coastal and inland regions) and the assumption that vehicles drive 10km per litre. All fuel used is considered to be petrol-based.

Assumptions – Scope 2

- Total energy usage for the year is multiplied by the emissions factor available in the latest publicly available financial statements of South Africa's primary electricity provider, Eskom.

Assumptions – General

- Third-party data used in the calculation of the GHG emissions inventory is deemed to be accurate, complete and valid
- Where it is not clearly indicated in the source data, or not possible to distinguish between litres of diesel or petrol fuel purchased, the more conservative emissions factor (petrol) is used
- Some limited and immaterial instances required the use of averages or estimates based on historical values due to actual data not being available or verifiable.



Metrics and targets continued

Capitec does not make use of any instruments or contracts (renewable energy certificates, direct contracts, supplier-specific emission rates) involved in getting market-based emissions. Our market-based emissions are therefore the same as our location-based emissions primarily due to South Africa having a sole supplier of electricity.

Water consumption

Water withdrawal and consumption are reported in kilolitres (kℓ) by source (borehole, rainwater harvested and grey water), for business premises where information is deemed relevant, complete, consistent, transparent and accurate. Water consumption will be a focus area for maturing data gathering.

Waste disposal

Waste disposal is measured in metric tons by method of disposal (landfilled or incinerated) with details provided on all waste recycled or reused, per type (paper, tins and electronic equipment), for business premises where information is deemed relevant, complete, consistent, transparent and accurate. Waste disposal will be a focus area for maturing data gathering.

GHG emissions inventory

Emissions scope	2024	2023	2022
Scope 1: Direct emissions	2 571	1 350	847
Fuel used in owned or controlled equipment	1 546	475	101
Fuel used in owned or controlled vehicles	29	16	19
Air-conditioning and refrigeration gas refills	996	859	727
Scope 2			
Scope 2 location-based ⁽¹⁾	28 065	31 284	35 310
Scope 2 market-based ⁽²⁾	28 065	31 284	35 310
Total Scope 1 and 2	30 636	32 634	36 157
Scope 3: Indirect emissions	4 975	4 418	4 379
Upstream			
Category 1 – Purchased goods and services	406	429	336
Category 3 – Fuel- and energy-related activities	0	0	0
Category 6 – Business travel	2 068	2 054	1 866
Category 8 – Upstream leased assets	0	0	0
Downstream			
Category 9 – Downstream transportation and distribution	2 501	1 935	2 177
Total Scope 1, 2 and 3	35 611	37 052	40 536
Electricity consumed (MWh)	28 065	28 967	32 694
Scope 1 (%)	7.22	3.64	2.09
Scope 2 (%)	78.81	84.43	87.11
Scope 1 and 2 (%)	86.03	88.07	89.20
Scope 3 (%)	13.97	11.93	10.80

⁽¹⁾ Location-based reflects the emissions consumed at an operations site or business facility (using mostly average emission intensity or emission factor of the local grid where power is sourced from). It therefore does not factor in any 'green' measures adopted such as renewable energy credits. Instead, everyone on the same power grid is equal – everybody shares the same emissions of the grid based on the amount of electricity they consume. The only way therefore to reduce this number, is to reduce the amount of electricity consumed, or increase the amount of on-site renewable energy generated and consumed.

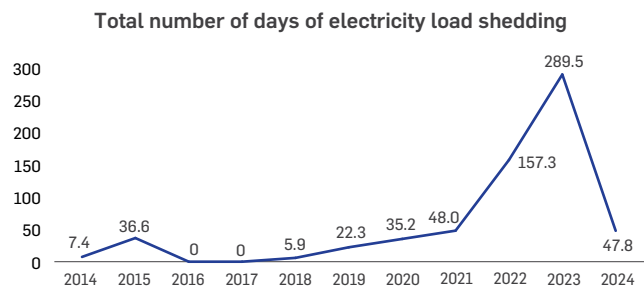
⁽²⁾ Market-based focuses on the individual organisation and its contract agreements in the market. These emissions are associated with energy an organisation purchases, which differed from power the local grid generates. It is therefore electricity that organisations have purposefully chosen (or used due to a lack of choice).

Metrics and targets continued

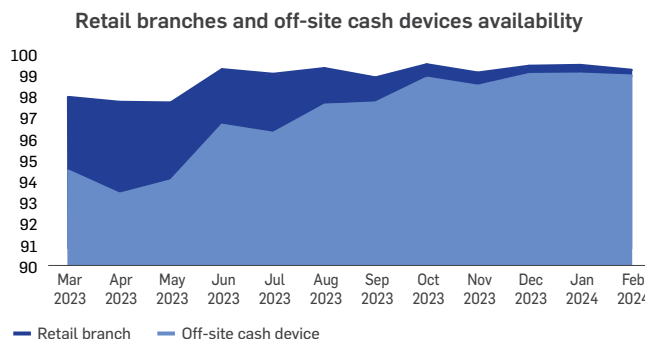
Impact of electricity load shedding

During the past financial year, South Africa experienced record levels of electricity load shedding (controlled power outages) to prevent a total electricity grid collapse.

To secure the continuation of important business services, Capitec makes extensive use of backup power generators (petrol generators at retail branches and business centres, and diesel generators at all campuses). This inevitably led to an increase in Scope 1 emissions, while our Scope 2 emissions decreased. The increased levels of electricity load shedding from 2022 to 2023 complicate the baseline calculation for setting energy reduction targets. In support of this opinion, the below table was compiled from data made available by The Outlier (source: <https://loadshed.theoutlier.co.za/>), indicating the total number of days during which electricity load shedding was experienced from 2014 to 29 February 2024.



Capitec embarked on a project to equip all retail branches, business centres and off-site cash devices with inverters and lithium-ion batteries, and alternative communication technology where appropriate, to ensure continuity of service to our clients during extended periods of electricity load shedding. On occasion, when elevated stages of electricity load shedding were experienced, we had to temporarily revert to petrol-powered generators. Over the past financial year, we installed 900 inverters and 1 251 lithium-ion batteries across 744 unique sites at a cost of R84 million. The success of this project is evident when looking at the increase in availability of retail branches and off-site cash devices over the year.



Backup power generator fuel usage during the past financial year came to 597.6kl. This equates to an increase in Scope 1 emissions due to fuel used in owned or controlled equipment of 1 071 metric tons of CO₂e (325.47%).

Renewable electricity consumed

Although Capitec primarily relies on Eskom for electricity needs, our PV solar array, commissioned at the Stellenbosch head office on 25 August 2022, generated 690MWh in the past 12 months, which saved an estimated 717.2 metric tons of CO₂ and R1 006 816 in operational expenses.

Capitec will consider increasing the electricity storage capacity to allow the building to operate from batteries rather than diesel generators during electricity load shedding and periods of low power demand (after-hours and over weekends).

Benchmarking

When comparing Capitec's carbon intensity (metric tons of CO₂ from Scope 1 and 2 emissions, per FTE) to other South African banks, Capitec is still significantly lower. The reasons for this are mostly differences in business models and operating activities.

Emissions scope	Reporting year	Carbon intensity
Capitec	2024	1.94 (2023: 2.11)
Bank A	2022	4.37
Bank B	2023	3.98
Bank C	2023	4.44
Bank D	2022	3.75
Bank E	2022	5.60

Capitec's carbon intensity (metric tons of Scope 2 CO₂ per m² floor space) reduced from 0.11 in 2023 to 0.09 in 2024.

Scope 3 GHG emissions

The GHG Protocol's Technical Guidance for Calculating Scope 3 Emissions, a supplement to its Corporate Value Chain (Scope 3) Accounting and Reporting Standard, provides internationally accepted methods for calculating indirect GHG emissions from upstream and downstream value chains for each of the 15 Scope 3 categories. It enables the business to generate a more comprehensive view of its GHG emissions.

The data for Scope 3 emissions on unsecured financing is not available at present and poses a challenge to accurately source.

Metrics and targets continued

Current Scope 3 inclusions and exclusions

In choosing which Scope 3 emissions to report on, Capitec applies the principles of relevance, completeness, consistency, transparency and accuracy. The rationale behind any exclusions is explained in the table below.

Scope 3 emissions	Reported	Notes
Upstream Category 1 Purchased goods and services	Yes	Capitec reports on non-production-related procurement of goods and services, used to enable our operations, in particular paper usage which we calculate using available activity data (the number of reams purchased and the average weight per ream, being 2.3kg), multiplied by the appropriate emissions factor. Where the net order value in the general ledger divided by the order quantity is greater than R90, the order quantity is multiplied by 5 to estimate the actual number of reams ordered.
Category 2 Capital goods	No	We are considering looking into industry and national averages to gauge the viability of quantifying emissions from any property, equipment and other fixed assets procured during any given reporting period. Once determined, we will assess the materiality of Scope 3 emissions from capital goods procured and transported when compared to our other sources of emissions and determine the best method of quantification based on the availability and quality of data should it be deemed material.
Category 3 Fuel- and energy-related activities	No	All fuel and energy purchased by Capitec are consumed in our operations and therefore reported under our Scope 1 and 2 emissions. No purchased energy is resold to end users or intermediaries.
Category 4 Upstream transportation and distribution	No	These emissions are notoriously difficult to calculate and not expected to contribute significantly to our total Scope 3 emissions. Capitec has decided not to report on category 4 emissions. We reserve the right to review this decision as our value-added services expand into the future.
Category 5 Waste generated in operations	No	We are still busy improving our reporting on waste disposal, not only focusing on what we recycle, but also what ends up in landfills. Once matured, we will assess the materiality of Scope 3 emissions from waste disposal and treatment when compared to our other sources of emissions and determine the best method of quantification based on the availability and quality of data should it be deemed material.

Scope 3 emissions	Reported	Notes
Category 6 Business travel	Yes	<ul style="list-style-type: none"> Commercial airlines and accommodation, which information is obtained from travel agency invoices (activity data). Supplier invoices already provide CO₂ emissions (in kilograms), which are then converted to metric tons CO₂e. Rental vehicles, which information is obtained from travel agency invoices (activity data). Supplier invoices already provide CO₂ emissions (either in tons or grams), which are then converted to metric tons CO₂e. Employee-owned vehicles, which information is obtained from kilometre (km) claims submitted by employees (activity data). An extract from the relevant general ledger account is obtained from our accounting system, from which the kms claimed are obtained. Kms are then converted into metric tons of CO₂e using the emissions factor of an average petrol-driven vehicle.
Category 7 Employee commuting	No	We are in the process of calculating Scope 3 emissions emanating from employee commuting. During this past year, a Power BI report was created, detailing all employees' residential and work addresses (whether at one of our campuses, branches, business centres or electronic equipment warehouses). Based on geolocations obtained from Google Maps, we are currently busy calculating the distance between these 2 addresses per employee and multiplying it by 2 to determine the number of kms of a daily return commute. Any assumptions needed will be based on historical experience and are still under review.
Category 8 Upstream leased assets	No	Capitec does not operate any leased assets in our upstream business activities.

Metrics and targets continued

Scope 3 emissions	Reported	Notes
Downstream		
Category 9 Downstream transportation and distribution	Yes	Transport of cash by CIT, based on primary activity data (kms travelled) received from service providers. Information provided is not always clear on whether petrol or diesel-run vehicles are used – based on historical data (2020 to 2022), a ratio of 52% petrol and 48% diesel is used, which assists in applying the appropriate emissions factor. The total kms are then converted into CO ₂ e, with the result expressed in metric tons of CO ₂ e which are then included in the GHG emissions inventory.
Category 10 Processing of sold products	No	Capitec's primary business is the provision of financial services (retail and business banking, excluding corporate and project financing and long-term insurance). No further processing, transformation or inclusion in another product is required before using our services provided (Category 10). As the end use of funds is unknown and has many potential applications, each having very different GHG emissions profiles, we are unable to reasonably estimate our downstream Scope 3 emissions from the use of financing activities (Category 11). Services sold also have no end-of-life treatment (Category 12).
Category 11 Use of sold products	No	
Category 12 End-of-life treatment of sold products	No	
Category 13 Downstream leased assets	No	As part of our 2- to 3-year journey towards setting science-based targets, we plan to assess the materiality of Scope 3 emissions from downstream leased assets when compared to our other sources of emissions and determine the best method of quantification based on the availability and quality of data should it be deemed material.
Category 14 Franchises	No	Capitec does not operate as a franchisor. It is a financial services provider (retail and business banking, excluding corporate and project financing and long-term insurance). This category is therefore not applicable. Emissions from all our business premises (campuses, retail branches, business centres, electronic equipment warehouses) nationwide are already included in Scope 1 and 2, or the appropriate Scope 3 category such as Category 1 – Purchased goods and services (paper usage) and Category 7 – Employee commuting.
Category 15 Investments	No	As part of our 2- to 3-year journey towards setting science-based targets, we plan to assess the materiality of Scope 3 emissions from investments when compared to our other sources of emissions and determine the best method of quantification based on the availability and quality of data should it be deemed material.

Water consumption

Due to limited data availability, Capitec is currently unable to disclose water use across all business premises. We aim to expand on existing reporting over the next year.

We can, however, confirm that both our Bellville and Stellenbosch campuses have access to rainwater harvesting (used to supplement grey water or for irrigation) and borehole water (used when municipal water is disrupted). Our head office in Stellenbosch also has water submetering in place aiding in the measurement, monitoring and management of water use at various control points.

The table below summarises the water consumption from renewable sources at our head office in Stellenbosch.

Water consumption (kℓ)	2024	2023	2022
Total municipal (potable) water consumption	unknown	unknown	unknown
Total borehole water consumption	0	598	74
Total grey water consumption (washroom)	4 520	3 746	4 150
Total rainwater consumption (irrigation)	5 989	5 400	8 175

Water consumption (million m ³)	2024	2023	2022
Total municipal (potable) water consumption	unknown	unknown	unknown
Total borehole water consumption	0.000000	0.000598	0.000074
Total grey water consumption (washroom)	0.004520	0.003746	0.004150
Total rainwater consumption (irrigation)	0.005989	0.005400	0.008175

Metrics and targets continued**Waste disposal**

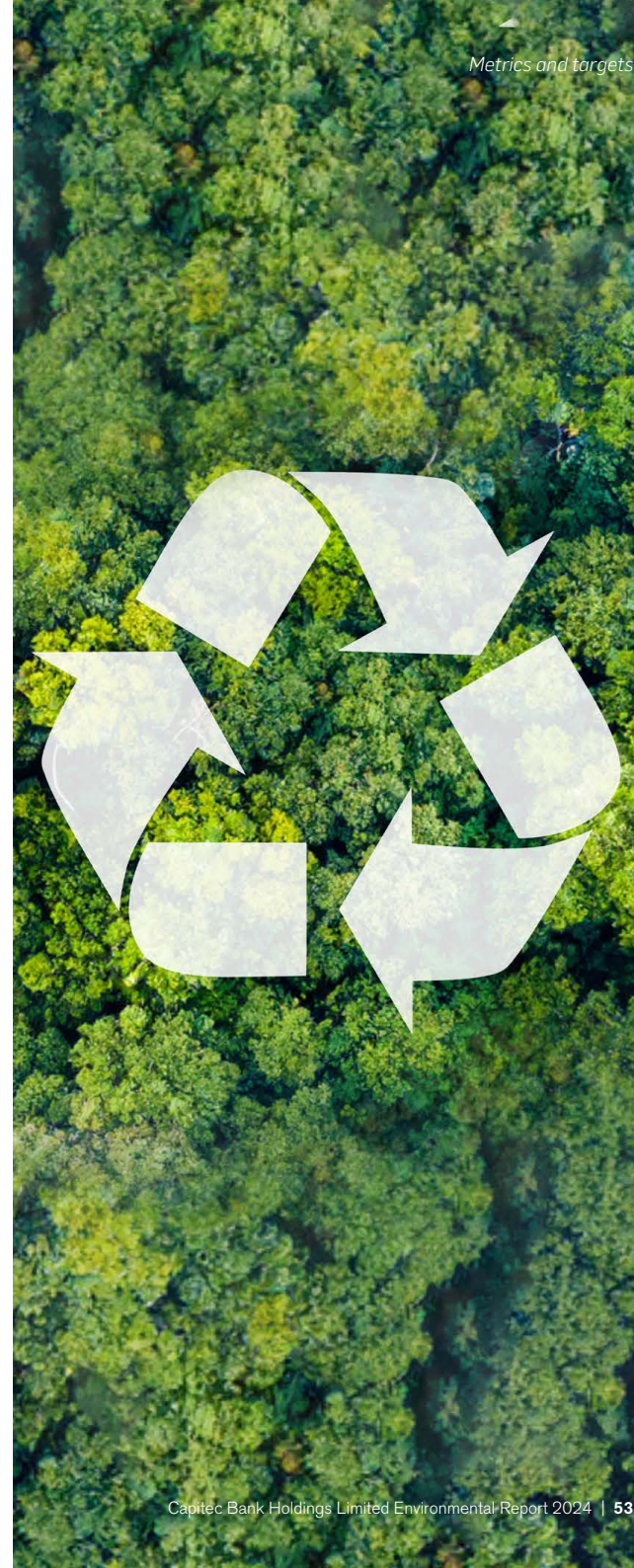
For 2024, we are able to report on total waste recycled and landfilled for 5 of our 7 campuses (96.2% coverage based on total m² campus floor space) and currently do not measure the portion attributed to our branches and business centres.

2023 waste landfilled was limited to Western Cape campuses (82.0% coverage based on total m² campus floor space). We currently do not, nor plan to in the future, incinerate any waste.

Waste disposal	2024	2023	2022
Total waste recycled/reused (metric tons)			
Recycled paper	26.7	12.4	7.8
Recycled tins	3.4	0.7	0.2
Recycled electronic equipment	17.7	26.9	27.3
Reused waste ⁽¹⁾	unknown	2.0	unknown
Total waste disposed (metric tons)			
Waste landfilled ⁽²⁾	91.3	37.7	unknown
Waste incinerated with energy recovery	0	0	0
Waste incinerated without energy recovery	0	0	0
Waste otherwise disposed	0	0	0
Waste with unknown disposal method	0	0	0

⁽¹⁾ Organic waste destined for a landfill but diverted to be processed in the creation of fuel, oil or gases like methane or butane. Only a small portion of the resulting substance is sent to a landfill.

⁽²⁾ The increase in waste landfilled from 2023 to 2024 is mostly because more employees were working remotely during the 2023 financial year than 2024.



Metrics and targets continued**Internal operations goals**

Capitec's initial target was to reduce, or at least maintain, its Scope 1 and 2 emissions per FTE and floor space occupied from our base year, 2012. Capitec is a staunch supporter of science-based targets. We are of the opinion that using only intensity-based targets is not sufficient and therefore aim to start our science-based target-setting journey as soon as reasonably possible, which will also allow us to draft a transition plan aligned with the goals set by the Paris Agreement. We are, however, still in the process of maturing our GHG emissions accounting practices and need to expand on Scope 3 emissions, especially financed emissions, before target-setting will commence.

Even though we have not yet set GHG emissions reduction targets, nor drafted a transition plan, due to the nature of our business, during the past year and the foreseeable future, we have not recruited, retrained, retrenched or compensated any employees due to our decarbonisation strategy.

It is worth noting at this point that Capitec supports the approach of reducing our GHG emissions before considering the use of carbon credits. During the past financial year, there were therefore no carbon emissions offset via either the purchase of carbon credits or Capitec-owned carbon offset projects, meaning that no payments (operational or capital) were made towards carbon offset projects.


In its most recent Integrated Resource Plan (IRP), published in draft on 4 January 2024 and open for comment by 23 February 2024, South Africa's Department of Mineral Resources and Energy provided insights into its energy mix until 2030, which emissions align with targets set in its updated NDC. It shows a reduction in coal-generated electricity as a percentage of the total energy mix from 65% in 2023 to 45% in 2030, towards net zero by 2050.

While we have already reduced our GHG emissions through our paperless and digital strategies, and solar PV installation at our head office, the IRP will no doubt substantially reduce Capitec's Scope 2 emissions towards 2050.

Industry	Coal	Gas – IPP programme	Gas – Eskom	Dispatchable capacity	Nuclear	Hydro	Pumped storage	CSP	Solar PV	Wind	Hybrid – IPP programme	Distributed generation	BESS – IPP programme	BESS – Eskom	Unserviced energy (TWh)
Current Base (MW)	38 000	1 005	2 825	–	1 860	1 600	2 732	500	2 287	3 443	–	5 000	–	20	–
2024	720							100			150	900		199	13.06
2025	720	1 220							2 115	644	476	900	513	141	7.63
2026										140		900			7.66
2027		1 000								684		900	2 000		4.55
2028		1 000	3 000						500			900	619		0.22
2029									500	1 500		900			0.25
2030		1 000		1 376					500	1 500		900			0.27
Additional new capacity (MW)	1 440	4 220	3 000	1 376				100	3 615	4 468	626	6 300	3 743	360	

 Installed capacity

 Capacity procured


 Distributed generation capacity for own use

CSP = Concentrated solar power


BESS = Battery energy storage system

IPP = Independent power producer

TWh = Terawatt-hour

 Capacity under construction

 New capacity

 Unserved energy, preferred as low as possible

Metrics and targets continued

Financing goals

We are in the process of quantifying our Scope 3 financed emissions (emissions associated with financing and investment activities). This will be analysed as part of the work towards setting science-based targets. We are considering alignment with the Partnership for Carbon Accounting Financials (PCAF) reporting framework as far as reasonably possible across its 7 defined asset classes. This will further enable Capitec to measure and disclose our GHG emissions on our financing and investment portfolio based on a consistent global standard which has been widely adopted by financial institutions.

Financing policy

Capitec's business strategy has never included corporate or project financing. Our Business bank division focuses primarily on SMEs and entrepreneurs. Capitec therefore has no exposure to carbon-related assets (assets or organisations tied to energy and utilities, excluding water and renewable electricity production, with a relatively high level of direct or indirect GHG emissions).

Partnering with a third-party supplier, Capitec aimed to promote solar energy solutions to its retail clients. The expectation was for around 50 installations per month, with R20 million working capital set aside, however, the proof of concept has not met expectations and is currently under review.

Solar campaigns were also run to assist existing clients in accessing alternative energy solutions such as solar PV panels, inverters, lithium-ion batteries and generators through a fast and easy process, although not on special financing terms. Since launching this campaign in 2022, more than 356 financing agreements amounting to more than R1.2 billion have been concluded.

Financing has also been provided for hybrid vehicles, although the demand for fully electric vehicles is still limited.

In line with our financing exclusion list, we do not directly finance (i.e. provide corporate credit lines and lending, project and infrastructure finance or fixed income underwriting) new projects or the expansion of existing projects in the following industries:

- Coal mining (the extraction of thermal coal)
- Coal power (the burning of coal at coal-fired power plants for generation of energy)
- Coal infrastructure (railway lines and trains or ships and barges used to transport coal, pipelines or coal processing plants)
- Tar sands (sand and clay mixed with heavy crude oil)
- Shale oil and gas (natural gas/oil found within rock and accessed through hydraulic fracturing)
- Arctic oil and gas (oil and gas exploration, development and production in the Arctic region)
- Liquefied natural gas (extraction, transport, liquefaction and regasification of gas derived from fossil fuels)
- Deep and ultra-deep-water oil and gas (water depths greater than 300m and 1 500m, respectively)
- Oil and gas infrastructure (railway lines and trains or ships and barges used to transport oil and gas, pipelines or refineries).



05

moving forward



Moving forward

With climate change expected to amplify natural disasters, food shortages and climate migrations, as well as endangering fragile ecosystems and biodiversity, Capitec will continue to embed environmental sustainability into its operations and strategy. The new year will see an enhanced focus on environmental risks and identifying ways to leverage any opportunities. Ultimately, we want to build trust in Capitec and its leadership and ensure long-term organisational resilience.

Below is a summary of Capitec's short-term (next 12 months) plan for progressing our sustainability journey.

Governance	Strategy	Risk management	Metrics and targets	Disclosure	Other
<ul style="list-style-type: none"> • Improve industry participation through relevant BASA forums • Stakeholder engagements towards a sustainability double-materiality assessment • Monitor changes in regulatory landscape: <ul style="list-style-type: none"> – Draft SARB Guidance Notes regarding climate-related disclosure and risk management practices for both banks and insurers – IFRS S1 (sustainability) and IFRS S2 (climate) – TNFD disclosures – Basel sustainability-related consultative documents 	<ul style="list-style-type: none"> • Improve embedding of ESG factors in investment (active and passive) and financing decisions, as well as due diligence processes (suppliers, service providers and business partners) • Continued drive for digital banking solutions • Consider opportunity for sustainability product offering • Operationalise the human rights policy (impact assessment, due diligence) • Improve operational efficiencies to reduce environmental footprint • Consider partnering with the NBI on selected programmes • Internal and external sustainability awareness campaigns 	<ul style="list-style-type: none"> • Continuous monitoring of regulatory developments and requirements • Continuous monitoring of stakeholder expectations • Increase focus on embedding robust sustainability risk management practices across the business • Consider a more granular physical risk assessment incorporating improved risk and opportunity quantification (impact on balance sheet and income statement) • Prepare and participate in the SARB PA's CRST which predominantly impacts retail and business credit • Consider performing a TNFD LEAP (locate, evaluate, assess and prepare) assessment 	<ul style="list-style-type: none"> • Further mature collection of GHG emissions, water consumption and waste management data • Expand Scope 3 GHG emissions to cover all applicable categories • Consider the PCAF to assess and disclose GHG emissions on loans and investments • Investigate the quantification of Capitec's social impact (positive and negative) • Commence the development and implementation of appropriate sustainability-related KRIs for MOS reporting 	<ul style="list-style-type: none"> • Continuous improvement in public disclosures (ESG page on corporate website, alignment to global best practices) • Develop additional policies • Consider drafting Capitec's first sustainability report (to be published in April 2025) – prepare for independent external verification (limited assurance) of sustainability metrics and future Global Reporting Initiative framework alignment 	<ul style="list-style-type: none"> • Continuous improvement in institutional knowledge, expertise and capacity • Active participation in ESG rating agencies' sustainability questionnaires • Principles for Responsible Banking self-assessment – produce a gap analysis

06

annexures



Annexure A

Global collaboration



The BCBS is the primary global standard setter for the prudential regulation of banks. This report, and our environmental risk management practices, are guided by the following consultative papers issued over recent years:

- Climate-related risk drivers and their transmission channels
- Principles for the effective management and supervision of climate-related financial risks
- Disclosure of climate-related financial risks.



Although Capitec is not a member of or signatory to any of the below organisations or initiatives, we aim to perform self-assessments to align with the various sets of principles and commitments over time. These will include:

- Net Zero Banking Alliance
- Principles for Responsible Banking
- Principles for Responsible Investment.

Indices



FTSE4Good

Financial Times Stock Exchange (FTSE) Russell (the trading name of FTSE International Limited and Frank Russell Company) confirmed that Capitec has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to remain a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Local engagement



BASA provides a platform for South African banks to collaborate and align on an industry level around environmental risks. As a member of BASA, Capitec participates in all environmental-related committees and forums.



The NBI is a voluntary coalition of South African and multi-national companies working towards sustainable growth and development in South Africa. Its focus areas are social transformation, economic inclusion and environmental sustainability.

Capitec became a member of the NBI in February 2023, paying an annual membership fee of R250 000. We are committed to supporting their involvement in environmental and transformation initiatives.



South African Reserve Bank

The Financial Sector Regulations Act, Act 9 of 2017, provides for the establishment of a Prudential Authority (PA) within the administration of the SARB. The PA is responsible for regulation of all financial institutions.






During the past year, the SARB PA issued 4 draft Guidance Notes which content we have considered in the compilation of this report. These Guidance Notes, applicable to banks and insurers alike, cover climate-related risk and opportunity disclosures and risk management practices, including capital and liquidity assessments.

Capitec does not partake in any environmental-related lobbying or trade associations other than the NBI mentioned above and can confirm that the NBI's climate-related engagements are in support of the Paris Agreement.

Annexure A continued

ESG rating agencies

We participate in and monitor our performance across several ESG rating agencies to understand our strengths and areas of improvement.

Rating agency	Rating methodology	Capitec's performance				
		2024	2023	2022	2021	
 LSEG DATA & ANALYTICS	London Stock Exchange Group ESG Score	Out of 100, higher is better	–	43	25	25
 MOODY'S ANALYTICS	Moody's Analytics ESG Overall Score	Out of 100, higher is better	40	–	30	–
 MSCI	Morgan Stanley Capital International ESG Rating	AAA to CCC	–	A	BBB	BBB
 S&P Global	S&P Global Corporate Sustainability Assessment ESG Score	Out of 100, higher is better	–	45	38	31
 SUSTAINALYTICS	Sustainalytics ESG Risk Score	Out of 100, lower is better	–	23	31	–

Environmental reporting frameworks

We strive to align with leading environmental reporting frameworks and disclosure standards.



While this report materially aligns with the TCFD recommendations as a framework to report against, Capitec will, over time, incorporate more granular aspects of these recommendations into our reporting. We intend to continually expand and refine our reporting to ensure that climate-related risks and opportunities are considered and integrated into all areas of our business activities.



Launched on 18 September 2023, the TNFD provides recommendations to be used as a framework to report against on nature-related risk management. While still in its infancy, Capitec will, over time, incorporate more granular aspects of these recommendations into our reporting. As with the TCFD, we intend to continually expand and refine our reporting to ensure that nature-related risks and opportunities are considered and integrated into all areas of our business activities.

GHG Protocol

Capitec aligns our reporting on our GHG emissions to the GHG Protocol's Corporate Accounting and Reporting Standard, which is widely recognised and referenced by many standards and frameworks for measuring GHG emissions.

Annexure B

Towards alignment with the TCFD reporting framework

	Recommendation	Detailed description	Capitec's response	Pages
Governance	Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	<p>Capitec's board and board committees recognise climate change as a relevant risk and opportunity for the business and therefore provide robust oversight of climate-related policies and strategies.</p> <p>Work in progress Board oversight over progress against goals once science-based targets have been set and a transition plan drafted.</p>	12 and 13
		b) Describe management's role in assessing and managing climate-related risks and opportunities.	<p>The EXCO takes responsibility for the day-to-day management of climate-related risks and opportunities and the implementation of related strategies.</p> <p>Sustainability-related STI KPIs are included in executives' annual performance measurements.</p>	14
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	<p>Capitec has identified our most material climate-related risks over time horizons aligned with the life cycles of our credit product offering. We continue to explore related opportunities.</p> <p>Work in progress Mature description of the process(es) used to determine which risks and opportunities could have a material financial impact on the business.</p>	19 to 22, 36 and 37
		b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	<p>With climate-related risks identified, we performed our first high-level asset-based physical climate risk assessment using open-source tools.</p> <p>Work in progress Partner with an appropriate service provider to perform a more granular physical climate risk assessment, allowing us to better analyse identified risks' [potential] impact on our balance sheet and/or income statement.</p> <p>Expand analysis of current and future impacts of climate-related risks on our business operations (upstream and downstream), strategy and financial planning, and identify, evaluate and implement appropriate adaptation and mitigation activities.</p> <p>Set GHG emissions reduction targets and draft a transition plan for reducing GHG emissions across our value chain (upstream and downstream).</p>	19 to 22, 36 and 37
		c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>A high-level CSST was conducted in 2021. During the past year, we have started to plan for an extensive SARB PA CRST for the 2024 calendar year.</p> <p>Work in progress Participate in the SARB PA CRST 2024 and address any gaps identified during the process.</p> <p>Expand on CSST scenarios, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and scenarios consistent with increased physical climate-related risks (relevant RCPs).</p>	29, 37 to 39

Annexure B continued

	Recommendation	Detailed description	Capitec's response	Pages
Risk management	Disclose how the organisation identifies, assesses and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks.	Capitec does not view climate change as a separate risk category as it tends to manifest across all 7 of the risk categories we manage. The management of climate-related risks, predominantly impacting credit risk, is therefore integrated into each risk category's risk identification, evaluation, treatment, monitoring and reporting processes.	41 to 45
		b) Describe the organisation's processes for managing climate-related risks.	We subscribe to the 3 lines of defence approach which enhances the understanding of risk management and control in the first line of defence to ensure and maintain objectivity and independence in the end-to-end risk management process.	
		c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.		
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Capitec uses several metrics to calculate our carbon footprint and in so doing, identify, assess and manage climate-related risks and opportunities. We continue to improve our carbon footprint data (in terms of accuracy, completeness and verifiability) and have in the past year documented our processes and procedures to ensure data quality and consistency irrespective of who might perform the calculations. Work in progress Match metrics with specific climate-related risks (physical and transition) in our financing and investment activities. Assess the extent to which our financing and investment activities are aligned with a well below 2°C scenario.	47 to 49
		b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	Significant progress has been made in the past year to improve the measurement of our GHG emissions, including some of the Scope 3 categories. Work in progress Scope 3 GHG emissions (including financing and investment activities), calculated in line with the GHG Protocol, with associated methodologies, calculations and assumptions are documented in detail.	49 to 52
		c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Our initial operations targets were intensity-based, aiming to reduce, or at least maintain, our Scope 1 and 2 emissions per FTE and floor space occupied which we are of the opinion is not sufficient. We therefore aim to move towards setting science-based targets over the coming years (through the Science Based Target Initiative). Work in progress Ensure carbon accounting across all scopes is accurate, complete and verifiable to enable the start of our journey towards setting science-based targets, which will also allow us to draft a transition plan aligned with the goals set by the Paris Agreement.	54 and 55

Annexure C

Towards alignment with the TNFD reporting framework

	Recommendation	Detailed description	Capitec's response	Pages
Governance	Disclose the organisation's governance of nature-related dependencies, impacts, risks and opportunities.	a) Describe the board's oversight of nature-related dependencies, impacts, risks and opportunities.	<p>Capitec's board and board committees recognise nature-related dependencies and impacts as relevant risks and opportunities for the business and therefore provide robust oversight thereof through policies and strategies. It should, however, be acknowledged that the focus to date has been on climate change with nature-related dependencies and impacts still novel.</p> <p>Work in progress</p> <p>Board oversight over progress against targets and goals used to manage nature-related dependencies, impacts, risks and opportunities and Capitec's performance against these can only commence once such targets and goals have been set.</p>	12 and 13
		b) Describe management's role in assessing and managing nature-related dependencies, impacts, risks and opportunities.	The EXCO takes responsibility for the day-to-day management of nature-related dependencies, impacts, risks and opportunities and the implementation of related strategies. It should, however, be acknowledged that the focus to date has been on climate change with nature-related dependencies and impacts still novel.	14
		c) Describe the organisation's human rights policies and engagement activities, and oversight by the board and management, with respect to indigenous peoples, local communities, affected and other stakeholders, in the organisation's assessment of, and response to, nature-related dependencies, impacts, risks and opportunities.	Capitec has an extensive and publicly available human rights policy. We acknowledge the requirement to expand its operationalisation, as required under the TNFD.	–
Strategy	Disclose the effects of nature-related dependencies, impacts, risks and opportunities on the organisation's business model, strategy and financial planning where such information is material.	a) Describe the nature-related dependencies, impacts, risks and opportunities the organisation has identified over the short, medium and long term.	Capitec plans to perform a LEAP assessment during the upcoming financial year, although it might at first be limited in scope.	28
		b) Describe the effect nature-related dependencies, impacts, risks and opportunities have had on the organisation's business model, value chain, strategy and financial planning, as well as any transition plans or analysis in place.	Once a LEAP assessment has been performed, Capitec would be much better placed to determine the effect nature-related dependencies, impacts, risks and opportunities might have on our business model, value chain, strategy and financial planning.	–
		c) Describe the resilience of the organisation's strategy to nature-related risks and opportunities, taking into consideration different scenarios.	Capitec is still busy developing our CRST capabilities, which should vastly improve post the SARB PA facilitated CRST planned for the 2024 calendar year. This, along with the results from a thorough LEAP assessment, will inform which parameters to add to current models to incorporate nature-related risks and opportunities.	–

Annexure C continued

	Recommendation	Detailed description	Capitec's response	Pages
Strategy continued		d) Disclose the locations of assets and/or activities in the organisation's direct operations and, where possible, upstream and downstream value chain(s) that meet the criteria for priority locations.	Although a high-level biodiversity and water risk assessment was performed during the past year, it still needs maturing, especially in terms of the inclusion of the upstream and downstream value chain(s).	27
Risk and impact management	Describe the processes used by the organisation to identify, assess, prioritise and monitor nature-related dependencies, impacts, risks and opportunities.	a) Describe the organisation's processes for identifying, assessing and prioritising nature-related dependencies, impacts, risks and opportunities in its direct operations and upstream and downstream value chain(s).	As with climate change, Capitec views nature not as a stand-alone risk category, but rather one integrated into each risk type's risk identification, evaluation, treatment, monitoring and reporting processes. We subscribe to the 3 lines of defence framework which enhances the understanding of risk management and control in the first line of defence to ensure and maintain objectivity and independence in the end-to-end risk management process.	41 to 45
		b) Describe the organisation's processes for managing nature-related dependencies, impacts, risks and opportunities.	With nature-related risk management still in its infancy, much work will be done in the upcoming financial year to create awareness and implement more robust risk management practices.	
		c) Describe how processes for identifying, assessing, prioritising and monitoring nature-related risks are integrated into and inform the organisation's overall risk management processes.		
Metrics and targets	Disclose the metrics and targets used to assess and manage material nature-related dependencies, impacts, risks and opportunities.	a) Disclose the metrics used by the organisation to assess and manage material nature-related risks and opportunities in line with its strategy and risk management process.	Capitec currently only reports on water consumption and waste management. As with current GHG emissions metrics, we are still in the process of improving data quality (accuracy, completeness and verifiability) which will remain a focus area in the upcoming financial year. Once matured, metrics can more easily be aligned to specific dependencies, impacts, risks, opportunities and strategies.	49, 52 and 53
		b) Disclose the metrics used by the organisation to assess and manage dependencies and impacts on nature.		
		c) Describe the targets and goals used by the organisation to manage nature-related dependencies, impacts, risks and opportunities and its performance against these.	While we are committed to setting appropriate targets and goals to manage nature-related dependencies, impacts, risks and opportunities, it will only be possible once the basic environmental footprint accounting process is sufficiently matured, enabling the determination of a meaningful baseline.	–

Annexure D

Abbreviations

°C	Degrees Celsius
ALCO	Asset and liability committee
ATM	Automated teller machine
AWS	Amazon Web Service
BASA	Banking Association South Africa
BCBS	Basel Committee on Banking Supervision
BCC	Business bank credit committee
BCP	Business continuity plan
BESS	Battery energy storage system
Capitec	Capitec Bank Holdings Limited, and its subsidiaries
CEO	Chief executive officer
CFO	Chief financial officer
CH ₄	Methane
CIT	Cash-in-transit
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide equivalent
COVID-19	Coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
CRST	Climate risk stress test
CSI	Corporate social investment
CSP	Concentrated solar power
CSST	Common scenario stress test
DAC	Directors' affairs committee
DNR	Dual note recycler
ENCORE	Exploring natural capital opportunities, risks and exposure
ERM	Enterprise risk management
ERR	Enterprise risk register
ESG	Environmental, social and governance
EXCO	Group executive management committee
FSD	South African Reserve Bank Financial Stability Department

FTE	Full-time employee
FTSE	Financial Times Stock Exchange
GHG	Greenhouse gas
GICS	Global Industry Classification Standard
HFC ₃	Hydrofluorocarbon
IFRS	International Financial Reporting Standards
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate-related Disclosures
IPP	Independent power producer
IRP	Integrated Resource Plan
ISSB	International Sustainability Standards Board
IT	Information technology
JET	Just Energy Transition
JSE	Johannesburg Stock Exchange Limited
kg	Kilogram
King IV™	King IV Report on Corporate Governance for South Africa, 2016™
kℓ	Kilolitre
km	Kilometre
kph	Kilometre per hour
KPI	Key performance indicator
KRI	Key risk indicator
kWp	Kilowatt peak
LEAP	Locate, evaluate, assess and prepare
LED	Light-emitting diode
m	Metre
m ²	Square metre
m ³	Cubic metre
mm	Millimetre
MOS	Management operating system
MW	Megawatt
MWh	Megawatt hour

N ₂ O	Nitrous oxide
NBI	National Business Initiative
NDC	Nationally Determined Contribution
NGFS	Network for Greening the Financial System
PA	Prudential Authority
PCAF	Partnership for Carbon Accounting Financials
PFC3	Perfluorocarbon
PV	Photovoltaic
RCC	Retail bank credit committee
RCMC	Risk and capital management committee
RCP	Representative concentration pathway
RCSA	Risk control self-assessment
REMCO	Human resources and remuneration committee
RISCO	Risk committee
ROB	Remote onboarding
RROC	Risk and regulatory oversight committee
SARB	South African Reserve Bank
SDG	Sustainable Development Goal
SESCO	Social, ethics and sustainability committee
SF ₆	Sulphur hexafluoride
SME	Small- and medium-sized enterprises
SST	Self-service terminals
STI	Short-term incentive
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TWh	Terawatt hour
UK	United Kingdom
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
USSD	Unstructured supplementary service data
WWF	World Wide Fund for Nature

Annexure E

Go green, 1 month at a time!



January

Wrap your geyser with an insulating blanket and consider installing a smart thermostat or timer



May

When using your washing machine, wash with cold water



September

Buy a water-saving (low-flow) shower head



February

Turn off the oven a few minutes before the cooking time runs out – the remaining heat is sufficient to finish the job



June

Clean the fuzz and dust at the back of your refrigerator with a vacuum cleaner



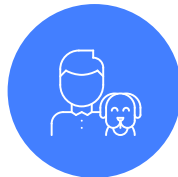
October

During the warmer months, air-dry your washing instead of using the dryer



March

Opt out of any mail that can be sent via your personal email address e.g. municipal accounts, bank statements



July

Dress warmer or snuggle up to a loved one or pet during the cold winter months – leave the heater off!



November

As your incandescent light bulbs burn out, replace them with LEDs and make the most of natural light during the summer months



April

Switch to non-toxic, natural or biodegradable cleaning products



August

Buy a reusable water bottle and/or insulated coffee or tea mug



December

Give eco-friendly holiday gifts or upcycle an item to give it more life or give a personalised gift and remember to recycle the wrapping paper!

