

## We are facing a challenging global economic environment with resilient client franchises

### Chairman's introduction

Dear Shareholder

It is my pleasure to present the corporate governance report for the year ended 31 March 2020. The report details our approach to corporate governance in practice, how we operate and our key activities during the year, together with information on the annual board evaluation process. For the purpose of this report, the boards of Investec plc and Investec Limited will be referred to as the board.

Investec plc and Investec Limited, together with their subsidiaries, are managed as a single economic enterprise as a result of the dual listed company (DLC) structure. The board is responsible for statutory matters and corporate governance for the group, and sets the standards for the subsidiaries of the group. The boards of Investec Bank plc (IBP) and Investec Bank Limited (IBL), the UK and South African regulated banking subsidiaries of the group respectively, are responsible for the statutory matters and corporate governance for the respective banks, and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. Stakeholders are therefore encouraged to also read the corporate governance reports as contained in the IBP 2020 annual report and IBL 2020 annual report.

Before looking in more detail at the key aspects of our governance, I would like to reflect on the board's achievements and the challenges encountered over the past year, and to consider the key areas of focus for the board in the year ahead.

### *The past year in focus*

#### A year of change

Change has been an evident theme of the past year, in particular, with regards to the demerger and separate listing of the Asset Management business, which was successfully completed in March 2020, with the formation of Ninety One, a global asset manager with an emerging market heritage. The demerger has simplified the group, allowing the banking and wealth businesses to focus on their growth plans, and to build on the current and potential linkages between our businesses.

The operating environment remained challenging over the year, with confidence impacted by the uncertainty around global trade tensions, muted economic growth in South Africa and Brexit in the UK. Economies experienced further volatility in the fourth quarter of the financial year as a result of the global outbreak of COVID-19. Against this backdrop, the group reported a decrease in adjusted operating profit of 16.8% from £731.9mn to £608.9mn. Earnings were characterised by growth in client-related revenues and much tighter cost containment. However, this was more than offset by significantly lower investment and trading revenues, and higher expected credit loss charges given the economic backdrop.

The board and leadership team has also seen significant change during the financial year and continuing into the new year, including the departures of Hendrik du Toit as joint chief executive officer (CEO) and Kim McFarland as an executive director and the appointment of Ciaran Whelan as an executive director. The board announced its intention to appoint Richard Wainwright, subject to regulatory approval, as an executive director. Changes to the board and leadership team have been delivered through planned and structured succession in order to bring new skills to the board, but to also provide continuity and retain knowledge within the organisation, with both Ciaran and Richard being internal appointments.

### Strategy

The group remains driven by our founders' entrepreneurial spirit and commercial integrity. We have built a reputation for forging strong, open and long-standing partnerships with our clients. Investec's culture and values continue to underpin the organisation in achieving its strategic objectives. The group continued to make progress in its stated strategy to simplify and focus the business in pursuit of disciplined growth in the long term. The group completed the demerger of the asset management business, executed various actions relating to the closure, sale and restructure of certain non-core and subscale businesses, reduced operating costs and delivered loan book growth and client acquisition ahead of budget in the UK Private Banking business. In addition, the group has continued to focus on its long-term commitment to One Investec; a client-focused strategy where, irrespective of specialisation or geography, there is a commitment to offer clients the full breadth and scale of Investec's products and services.

To deliver on One Investec, there is a focus on imperative collaboration between the banking and wealth businesses; together with continued investment and support into these franchises. This will position Investec for sustainable long-term growth.

### Board composition

As identified above, the composition of the board and the leadership team has further evolved. The board, working closely with the DLC Nominations and Directors' Affairs Committee (DLC Nomdac), continues to drive and monitor succession planning. The succession of the group's executive management, in particular, has been a key focus area for the board. Since the previous annual report, the following changes have been effected in respect of the composition of the board:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 Annual General Meeting (AGM), and therefore stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One. The board is grateful to Stephen and Bernard for their exemplary service, commitment and contribution to the group since the 1980s
- Cheryl Carolus and Laurel Bowden, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and therefore stood down from the board with effect from 8 August 2019. The board is grateful to Cheryl and Laurel for their dedication and contribution to the group, and wishes them well with their future endeavours
- Henrietta Baldock and Philisiwe Sibiyi were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC Board Risk and Capital Committee (BRCC), and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC

- Subsequent to the demerger of the Asset Management business, Hendrik du Toit and Kim McFarland, stepped down from the board, with effect from 16 March 2020, to focus their efforts on Ninety One. The board offers its sincere thanks to Hendrik and Kim for their exemplary service, dedication and commitment to the group. They go with our very best wishes for their roles at an independent Ninety One, where Hendrik has become CEO and Kim chief financial officer (CFO), and we wish them every success
- Fani Titi continues on the board, as sole CEO, and Nishlan Samujh continues as Finance Director of the group
- Ciaran Whelan, who has been acting as group head of risk, was appointed as an executive director with effect from 1 April 2020
- David van der Walt was appointed as an executive director with effect from 1 April 2020. David stepped down as a director on 4 June 2020, ahead of his retirement from the group in December 2020. The board offers its sincere thanks to David for his long service, dedication and contribution to the group
- The board announced its intention, subject to regulatory approval, to appoint Richard Wainwright, CEO of IBL and head of the South African Specialist Banking business, as an executive director
- Ian Kantor, co-founder and former CEO of the group, who currently serves as a non-executive director, will not stand for re-election at the 2020 AGM. The board is grateful to Ian for his exemplary service, commitment and contribution to the group, and wishes him well with his future endeavours

### Diversity

The group strives to prevent and eliminate any form of discrimination based on gender, race, ethnicity, religion, age, disability, sexual preference, political opinion, sensitive medical conditions, nationality or country of origin or any other form of discrimination. We are committed to attracting, developing and retaining a diverse team of talented people and our recruitment strategies prioritise previously disadvantaged candidates, where possible. A diverse workforce is vital to our ability to continue to be an innovative organisation that can adapt and prosper in a fast-changing world. We have various formal and informal processes to encourage debate and dialogue, valuing diversity and difference across the group.

We have a board diversity policy, setting out the targets for board composition in terms of gender and race. The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of the 2020 calendar year, and as at the date of this report, there was a 23% representation of women on the board. In terms of ethnic diversity, as at 31 March 2020, there were five persons of colour, as defined by the Parker Review, who are board members. The group is also a signatory to the Women in Finance Charter in the UK, pledging to promote gender diversity by having a senior executive team member responsible and accountable for gender diversity and inclusion, setting internal targets for gender diversity at senior management levels, publishing progress annually against these targets, and linking the pay of senior executives to delivery against these gender diversity targets. We are also a member of the 30% Club in South Africa and the UK.

The board recognises that more still needs to be done, in particular, in regards to the representation of women on the board. We also acknowledge and are very conscious of the fact that this has declined in the year, following Kim McFarland stepping down from the board of Investec group and onto the board of Ninety One (as a result of the demerger of the Asset Management business). Our target for female board representation remains 33% and we are committed to achieving this target. We are committed to improving the diversity of the board, for a diverse board remains essential to the group, bringing indisputable benefits, including distinct and different outlooks, alternative points of view, and mindsets able to challenge the status quo.

In addition, the group reported on its gender pay gap. We are confident that across our organisation men and women are paid equally for doing the same job. Our gender pay gap occurs primarily because there is a lower proportion of women in senior leadership and revenue-generating roles which attract higher market levels of pay. We are dedicated to improving our position in line with our commitment to further promote diversity.

### Corporate governance

Sound corporate governance is implicit in Investec's values, culture, processes, functions and organisational structure. Our values require that directors and employees behave with integrity, displaying consistent and uncompromised moral strength in order to promote and maintain trust. We demand cast-iron integrity in all internal and external dealings and an uncompromising display of moral strength and behaviour. We believe that open and honest dialogue is the appropriate process to test decisions, reach consensus and accept responsibility. We have adopted a multi-dimensional approach involving everyone in the organisation which incorporates challenge at every level as a defence mechanism against corruption and fraud. Creating fraud and ethics awareness throughout the organisation assists in influencing ethical behaviour.

Following the enhancement of the independent governance structures of IBL and IBP in the previous year, during the year under review we focused on embedding these structures and processes across the group.

For the financial year ended 31 March 2020, the group applied and was compliant with the UK Corporate Governance Code 2018 and King IV Code. The board, in preparation for the group's adoption of the UK Corporate Governance Code 2018, reviewed its corporate governance framework and considered our approach to workforce engagement. For further information regarding the group's application of the UK Corporate Governance Code refer to page 149 and in relation to the group's application of the King IV Code refer to page 149. Further details regarding the group's approach to workforce engagement may be found on page 150.

### Board effectiveness

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one to one meetings with the chairman.

The findings were collated and presented to the DLC Nomdac at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall, the board members were found to be satisfied with various aspects of board governance and functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework. Further details regarding the 2019 board effectiveness review may be found in the DLC Nomdac report on page 127.

### Stakeholder engagement

The board oversees and monitors, on an ongoing basis, how the consequences of our organisation's activities and outputs impact its status as a responsible corporate citizen. This oversight and monitoring is performed against measures and targets agreed with management regarding the workplace, economy, society and environment. Our group-wide philosophy seeks to maintain an appropriate balance between the interests of all stakeholders and is closely aligned to our culture and values which include risk consciousness, meritocracy, material employee ownership and an unselfish contribution to colleagues, clients and society.

During the past year, the board has continued its shareholder consultations. These consultations included discussions on the progress made on the group's strategic initiatives, the impact of the changes in the economic environment on the group as well as various other key governance topics.

For further information regarding the group's engagement with our stakeholders and the group's section 172 statement refer to pages 22 to 26.

### The year ahead

As the year drew to a close, we faced the challenges resulting from the COVID-19 pandemic. Similar to other organisations, we have taken decisive action to help ensure the welfare of our people, to assist our clients, to support our community, to work with the initiatives put forward by the governments in the jurisdictions in which we operate, and to manage the heightened risk environment. There remains uncertainty, as to the depth of the potential downturn in activity, the duration of restrictive measures and the exit plans within the geographies in which we operate. At the present time it is difficult to predict the full impact that the pandemic will have on the group. The board will continue to meet regularly, on a virtual basis, to ensure that our responsibilities are fulfilled, appropriate support is provided, risks are carefully managed and potential opportunities assessed as the group navigates these turbulent times.

In the coming year, a key focus for the board will be the consideration of the governance structure of the group, and the governance structures of the group's core banking and wealth subsidiaries, following the demerger and separate listing of Ninety One. The board, with the assistance of the DLC Nomdac, will also undertake a review of the composition of the board, to ensure that it remains appropriate for the group, and that the members of the board have the necessary skills, knowledge, experience and diversity, required to conduct the affairs of the group.

The board will continue to focus on those matters that will support our strategic priorities, enabling growth with discipline and enhancing both the service we are able to provide to our clients and the returns for our shareholders. There will be increased connectivity between our banking and wealth businesses, and across our geographies, together with the further development of our digital capabilities. Heightened cost management rigour remains a key priority, particularly in the current economic environment. Whilst overseeing the delivery of our strategic priorities, the board will ensure adherence to good corporate governance and sound decision making that includes full and proper regard to the environmental impact of our activities, and the interests of all our stakeholders.

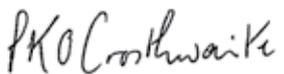
### Conclusion

The careful selection of people, their ongoing development and uncompromising commitment to our stated values will continue to be a distinctive characteristic of Investec's culture and drive.

We will continue to integrate social, ethical and environmental considerations into day-to-day operations and our sustainability approach is based on the integration of people, planet and profit.

Most importantly, our immediate focus in these unprecedented times, is the wellbeing and safety of our employees and clients. We will continue to support and stay close to clients, and ensure we deliver the excellence of service that they expect and value.

Over the following pages, you will find more detail on the group's governance framework, including who the board and management are, how they make decisions and what they have done over the past year in terms of their leadership, strategic direction, and oversight of the organisation. We trust that this report, together with the group's 2020 integrated report and financial statements, will provide you with an overview of how we are managing the group and promoting the interests of all our stakeholders.



**Perry Crosthwaite**  
Chairman

16 June 2020

**Within this report you will find:****Who we are**

	PAGE
• Director biographies	108
• Governance framework	112
• Board roles	113
• Board composition	115

**What we did**

• Board report	119
• DLC Nominations and Directors' Affairs Committee report	124
• DLC Social and Ethics Committee report	128
• DLC Audit Committee report	132
• DLC Board Risk and Capital Committee report	143
• DLC Remuneration Committee report	148

**How we comply**

• Regulatory context	149
• Statement of compliance	149
• Other statutory information	150

## Who we are

### Director biographies

Biographies of our current directors are outlined below, including their relevant skills and experience, key external appointments and any appointments to board committees.

#### *Perry KO Crosthwaite*

##### **Investec plc and Investec Limited chairman**

**Age:** 71

**Qualifications:** MA (Hons) (Oxon) in modern languages

##### **Relevant skills and experience**

Perry was appointed chairman of Investec plc and Investec Limited on 15 May 2018. Perry was previously senior independent director of Investec plc and Investec Limited, a position he held from August 2014 to March 2018, having joined the boards of Investec plc and Investec Limited in June 2010. Perry is a former chairman of Investec Investment Banking and Securities and left the group on 31 March 2004. Perry has financial experience gained through a career in investment banking with over 30 years of experience. Perry has previously served as a non-executive director of Melrose Industries plc and Toluna plc, chairman of Jupiter of Green Investment Trust and was a founding member of Henderson Crosthwaite Institutional Brokers Limited.

##### **External appointments**

None

##### **Committee membership**

DLC BRCC, DLC Nomdac (chairman) and DLC Remuneration Committee

##### **Date of appointment**

Investec Limited 18 June 2010  
Investec plc 18 June 2010

#### *Zarina BM Bassa*

##### **Senior independent non-executive director**

**Age:** 56

**Qualifications:** BAcc, DipAcc, CA(SA)

##### **Relevant skills and experience**

Zarina is a former partner of Ernst & Young Inc. She joined the Absa Group in 2002 and was an executive director of Absa Bank, a member of the group's executive committee, and Head of the Private Bank. She has previously chaired the South African Public Accountants' and Auditors' Board and the South African Auditing Standards Board and has been a board member of the Accounting Standards Board and a member of the JSE GAAP Monitoring Panel. Zarina has previously served as a non-executive director at several companies including the South African Institute of Chartered Accountants, Kumba Iron Ore Limited, Sun International Limited, Vodacom South Africa Proprietary Limited, Mercedes SA and the Financial Services Board. Zarina was appointed as the senior independent non-executive director of Investec plc and Investec Limited on 1 April 2018.

##### **External appointments**

Oceana Group Limited, YeboYethu Limited, Woolworths Holdings Limited and JSE Limited

##### **Committee membership**

DLC Audit Committee (chair), DLC BRCC, DLC Nomdac and DLC Remuneration Committee

##### **Date of appointment**

Investec Limited 1 November 2014  
Investec plc 1 November 2014

*Henrietta C Baldock***Independent non-executive director****Age:** 49**Qualifications:** BSc Hons in Economics and Accounting**Relevant skills and experience**

Henrietta has extensive knowledge of the financial services sector, through her 25 years' experience in investment banking, most recently as chairman of the European Financial Institutions team at Bank of America Merrill Lynch. Henrietta joined Bank of America Merrill Lynch in 2000 and served as its Vice President of the Financial Institutions Group, Managing Director and Head of European Financial Institutions Investment Banking. She started her career as a generalist adviser and has focused on financial institutions since 1995.

**External appointments**

Hydro Industries Limited, Legal and General Assurance Society Limited and Legal and General Group plc

**Committee membership**

DLC BRCC

**Date of appointment**

Investec Limited 9 August 2019  
Investec plc 9 August 2019

*Philip A Hourquebie***Independent non-executive director****Age:** 66**Qualifications:** BAcc, BCom (Hons), CA(SA)**Relevant skills and experience**

Philip has been a Regional Managing Partner of two regions of Ernst & Young (Africa and Central and South East Europe, including Turkey). Philip left Ernst & Young in 2014. As a senior partner at Ernst & Young Inc., Philip's background is in advisory services in both the private and public sector. As an advisory partner and senior client service partner, he has worked, *inter alia*, with clients in financial services, mining, telecommunications, consumer products and retail, state-owned enterprises, government agencies and government departments at all three levels. Philip has also been a past chairman of the board of South African Institute of Chartered Accountants (SAICA).

**External appointments**

Aveng Limited

**Committee membership**

DLC Audit Committee, DLC BRCC, DLC Nomdac and DLC Remuneration Committee (chairman)

**Date of appointment**

Investec Limited 14 August 2017  
Investec plc 14 August 2017

*David Friedland***Independent non-executive director****Age:** 66**Qualifications:** BCom, CA(SA)**Relevant skills and experience**

David is a former partner of both Arthur Andersen and KPMG Inc. where he also served as head of audit and risk in the KPMG Cape Town office before leaving in March 2013.

**External appointments**

The Foschini Group Limited, Pick n Pay Stores Limited and Pres Les Proprietary Limited

**Committee membership**

DLC BRCC (chairman) and DLC Nomdac

**Date of appointment**

Investec Limited 1 March 2013  
Investec plc 1 March 2013

*Charles R Jacobs***Independent non-executive director****Age:** 53**Qualifications:** LLB**Relevant skills and experience**

Charles brings to the board a valuable combination of knowledge of the UK regulatory and corporate governance standards, global capital markets and M&A. Charles sits on the board of Fresnillo plc, a FTSE company. He was appointed a member of the Shanghai International Financial Advisory Council in 2019. Charles has over 27 years of experience of advising companies around the world, including in relation to their compliance, regulatory and legal requirements. Charles chairs Linklaters and holds an LLB from Leicester University.

**External appointments**

Fresnillo plc

**Committee membership**

DLC Remuneration Committee

**Date of appointment**

Investec Limited 8 August 2014  
Investec plc 8 August 2014

*Rt. Hon. Lord Malloch-Brown KCMG***Independent non-executive director****Age:** 66**Qualifications:** BA (Hons) (History), MA (Political Science)**Relevant skills and experience**

Lord Malloch-Brown chairs or is on the board of several commercial entities, as well as Not for Profits, and is Senior Advisor to the Eurasia Group. He was a UK government minister and member of the cabinet. Lord Malloch-Brown was formerly the deputy secretary general of the United Nations as well as a vice president at the World Bank and head of United Nations Development Programme and a journalist at the Economist, with wide ranging experience of boards. He also chaired the Business and Sustainable Development Commission (BSDC).

**External appointments**

Seplat Petroleum Development Company plc, SGO Corporation Limited, I Squared Capital and Grupo T-Solar Global SA

**Committee membership**

DLC Nomdac and DLC SEC (chairman)

**Date of appointment**

Investec Limited 8 August 2014  
Investec plc 8 August 2014

*Ian R Kantor***Non-executive director****Age:** 73**Qualifications:** BSc. Eng (Elec.), MBA**Relevant skills and experience**

Ian is a co-founder of Investec, served as the chief executive of IBL until 1985 and was the chairman of Investec Holdings Limited until 2002. Ian started his career at IBM, before joining Lease Plan International. Immediately prior to Investec, Ian taught business finance at the University of the Witwatersrand. Ian moved to the Netherlands in 1988, to develop the Insinger de Beaufort Group, a private bank, which had been established in 1779. He later resigned as CEO of the bank, to be appointed Deputy Vice Chairman of the group, following the formation of a partnership between Insinger de Beaufort and BNP Paribas.

**External appointments**

Blue Marlin Holdings South Africa (formerly Insinger de Beaufort Holdings South Africa, in which Investec Limited indirectly holds an 8.3% interest)

**Committee membership**

None

**Date of appointment**

Investec Limited 30 July 1980  
Investec plc 26 June 2002

*Khumo L Shuenyane***Independent non-executive director****Age:** 49**Qualifications:** BEcon, CA (England and Wales)**Relevant skills and experience**

Khumo has served as an independent non-executive director of Investec Limited and Investec Plc since 2014. He also serves on the boards of a number of other companies within the Investec Group, including Investec Bank Limited, Investec Life Limited and Investec Property Fund Limited. He was appointed Chairman of Investec Bank Limited in 2018.

Khumo has been appointed as an independent non-executive director of Vodacom Group Limited with effect from 1 July 2020. He previously worked with Delta Partners, a global advisory firm headquartered in Dubai and focused on the telecoms, media and technology sectors, in various capacities for six years from 2014. Between 2007 and 2013 Khumo served as Group Chief Mergers & Acquisitions Officer for MTN Group Limited and a member of its Group Executive Committee.

Khumo previously worked for Investec Bank for nine years, serving as head of Principal Investments for three years and a member of Investec's corporate finance team before that. Prior to joining Investec in 1998, Khumo worked for Arthur Andersen in Birmingham, UK and in Johannesburg for six years from 1992. He qualified as a member of the Institute of Chartered Accountants in England & Wales in 1995.

**External appointments**

None

**Committee membership**

DLC BRCC, DLC Nomdac and DLC SEC

**Date of appointment**

Investec Limited 8 August 2014  
Investec plc 8 August 2014

*Philisiwe G Sibiya***Independent non-executive director****Age:** 43**Qualifications:** BAcc, Dip Acc, CA(SA)**Relevant skills and experience**

Philisiwe spent 15 years in the Telecommunications and Media sector. She spent 12 years at MTN Group where she held various roles including as Group Finance Executive of MTN Group, CFO MTN South Africa and the last three years as CEO MTN Cameroon. Prior to this she spent three years with Arthur Andersen Johannesburg. Philisiwe is the founder and chief executive officer of Shingai Group.

**External appointments**

AECI Limited and Shingai Group (Pty) Limited

**Committee membership**

DLC Audit Committee and DLC BRCC

**Date of appointment**

Investec Limited 9 August 2019  
Investec plc 9 August 2019

*Fani Titi***Group chief executive officer****Age:** 57**Qualifications:** BSc (cum laude), BSc Hons (cum laude) in Mathematics, MA in Mathematics, MBA**Relevant skills and experience**

Fani has been a member of the boards of Investec Limited and Investec plc since January 2004 and was non-executive chairman of Investec Limited and Investec plc from November 2011 until 15 May 2018. He has also been a member of the IBL board from July 2002, and the IBP board from August 2011. He has served on the board of Investec Asset Management from November 2013 and remains on the board of the newly listed Ninety One as a non-executive director. Fani was a founding member of the private investment group Kagiso Trust Investments Limited (now Kagiso Tiso Holdings), and later cofounded and led the public offering of Kagiso Media Limited on the JSE Limited as its CEO. Fani was subsequently the founding executive chairman of the private investment firm the Tiso Group, which subsequently merged with Kagiso Trust Investments to form Kagiso Tiso Holdings. Fani stepped down from the Tiso Group in 2008 to concentrate his time on his duties at the Investec group, while also looking after his private investment portfolio. Fani has over two decades of investment banking experience and has sat on the boards of different investee companies and JSE listed companies. Fani has also joined the Secretary General of the United Nations CEO Alliance on Global Investors for Sustainable Development (GISD). Fani was appointed joint group chief executive officer of Investec group on 01 October 2018 and following the demerger and separate listing of Ninety One, became the sole chief executive officer of the group.

**External appointments**

Ninety One plc

**Committee membership**

DLC BRCC and DLC SEC

**Date of appointment**Investec Limited 30 January 2004  
Investec plc 30 January 2004*Nishlan Samujh***Group finance director****Age:** 46**Qualifications:** BAcc; Dip Acc, CA(SA) HDip Tax**Relevant skills and experience**

Nishlan started his career in 1996 at KPMG Inc. In 1999, he proceeded to join Sasol Chemical Industries for a short period before joining Investec in January 2000. Nishlan started his career at Investec in the financial reporting team as a technical accountant. In 2010 he took on the full responsibility for the finance function in South Africa. This role developed into the Global Head of Finance. Nishlan was appointed as finance director of Investec plc and Investec Limited on 1 April 2019

**External appointments**

None

**Committee membership**

DLC BRCC

**Date of appointment**Investec Limited 1 April 2019  
Investec plc 1 April 2019*James KC Whelan***Executive Director****Age:** 57**Qualifications:** FCA (Irish), HDip Tax (South Africa)**Relevant skills and experience**

James, known as Ciaran, joined Investec in 1988. He has had varied experience within Investec, including chief executive officer of Investec Bank Australia Limited and the global head of Investec Private Bank. Prior to joining Investec, Ciaran was an audit manager at KPMG Inc., having completed his articles at Coopers & Lybrand in Ireland. Ciaran was appointed as an executive director of Investec plc and Investec Limited on 1 April 2020 and as CEO of Wealth & Investment (UK), subject to regulatory approval.

**External appointments**

None

**Committee membership**

None

**Date of appointment**Investec Limited 1 April 2020  
Investec plc 1 April 2020

# CORPORATE GOVERNANCE

(continued)

## Governance Framework

Investec operates under a dual listed companies (DLC) structure and considers the corporate governance principles and regulations of both the UK and South Africa before adopting the appropriate standard for the group, and complies with the requirements in both jurisdictions.

From a legal perspective, the DLC comprises:

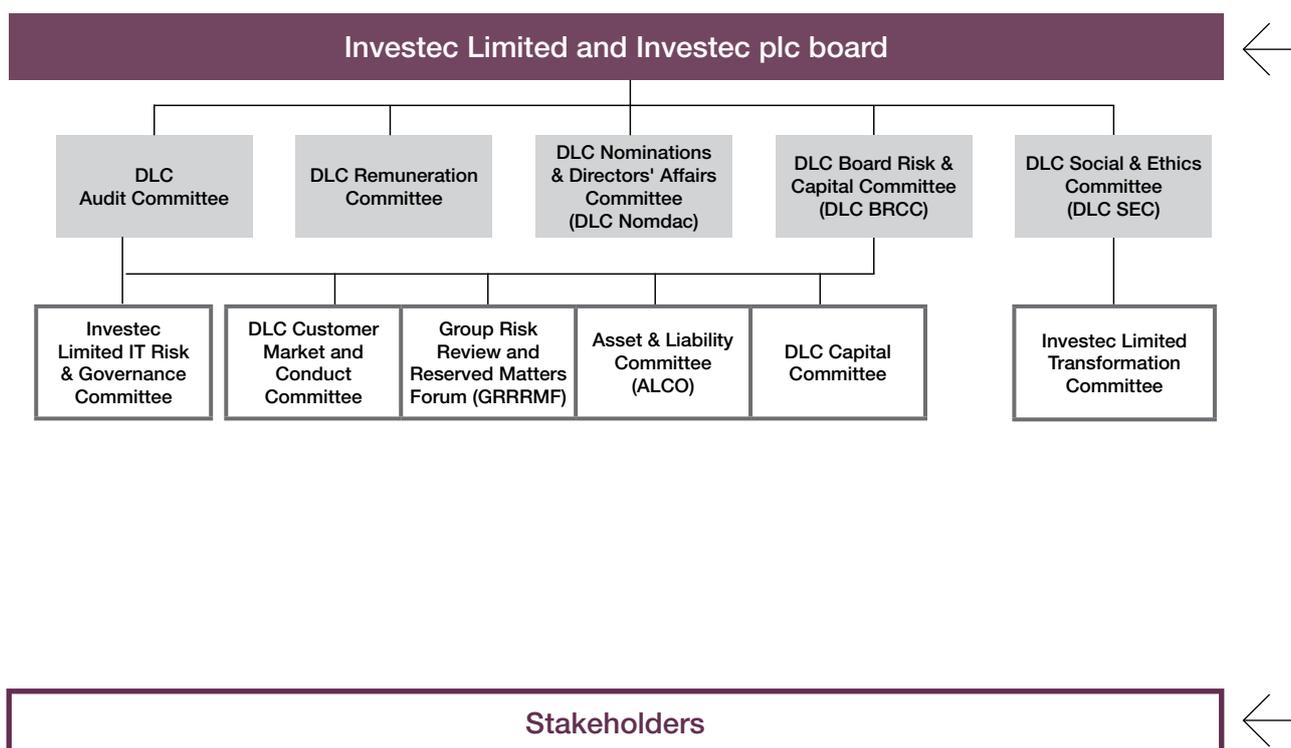
- Investec plc – a public company incorporated in the UK and listed on the London Stock Exchange (LSE), with a secondary listing on the Johannesburg Stock Exchange (JSE); and
- Investec Limited – a public company incorporated in South Africa and listed on the JSE, with secondary listings on the Namibia Stock Exchange and the Botswana Stock Exchange.

The boards of Investec plc and Investec Limited are identical in terms of their composition and board meetings are held jointly. The committee structure has been derived from the requirements of the UK Corporate Governance Code and the King IV Code, as well as the activities of the group.

Our governance activities are aligned with the South African Companies Act, No 71 of 2008, as amended (the South African Companies Act), the JSE Listings Requirements, the King IV Code, the South African Banks Act 94 of 1990 (South African Banks Act), the UK Companies Act 2006 (UK Companies Act) and the UK Corporate Governance Code 2018.

The boards of IBP and IBL, the UK and South African regulated banking subsidiaries of the group respectively, and the board of IW&I, our regulated wealth subsidiary, are responsible for the statutory matters and corporate governance for the respective entities and ensure compliance with the applicable legislation and governance requirements of the jurisdictions within which they operate. The boards and board committees of IBP, IBL and IW&I report to the board and the board committees of the group, with the interconnection between the respective board committees, supported by the membership or attendance of the chairman of the group board committee at the respective subsidiary board committee.

The governance framework from a group perspective is detailed below:



## Board and executive roles

The key governance roles and responsibilities of the board are outlined below:

<i>Chairman</i>	<i>Chief executive officer</i>	<i>Finance director</i>
<ul style="list-style-type: none"> <li>• Responsible for the leadership of the board and ensuring its overall effectiveness</li> <li>• Sets the board agenda, ensuring that there is sufficient time available for the discussion of all items, and that the board meets with appropriate frequency</li> <li>• Acts as facilitator at board meetings to ensure that no director, whether executive or non-executive, dominates the discussion, ensures that the discussion is appropriate and that the discussions result in logical and understandable outcomes</li> <li>• Demonstrates objective judgement and encourages open and honest dialogue between all board members</li> <li>• Leads and manages the dynamics of the board, providing direction and focus</li> <li>• Ensures that the board sets the strategy of the group and assists in monitoring the progress towards achieving the strategy</li> <li>• Oversees the integrity and effectiveness of the governance processes of the board</li> <li>• Leads the development of and monitors the effective implementation of policies and procedures for the induction, training and professional development of all board members</li> <li>• Responsible for the evaluation of the performance of the board collectively, non-executive board members individually and contributes to the evaluation of the performance of the executive directors</li> <li>• Maintains regular dialogue with the CEO in respect of all operational matters and consults with the remainder of the board promptly on any relevant matter</li> <li>• Ensures that the board sets the tone from the top, in regard to culture</li> <li>• Serves as the primary interface with regulators and other stakeholders on behalf of the board</li> </ul>	<ul style="list-style-type: none"> <li>• Leads and manages the group within the authorities delegated by the board</li> <li>• Develops and recommends business plans, policies and objectives for consideration by the board, taking into consideration business, economic and political trends that may affect the operations of the group</li> <li>• Develops strategic proposals for consideration and recommendation to the board</li> <li>• Implements the decisions of the board and delivers the agreed strategic objectives</li> <li>• Ensures the group's unique culture is embedded and perpetuated</li> <li>• Develops and supports the growth of all the groups' businesses</li> <li>• Monitors and manages the day-to-day operational requirements and administration of the group</li> </ul>	<ul style="list-style-type: none"> <li>• Leads and manages the group finance functions</li> <li>• Provides the board with updates on the group's financial performance</li> <li>• Provides strategic and financial guidance to ensure that the group's financial commitments are met</li> <li>• Submits reports, financial statements and consolidated budgets for consideration by the board</li> <li>• Oversees the financial management of the group including financial planning, capital, cash flow and management reporting</li> <li>• Develops all necessary policies and procedures to ensure the sound financial management and control of the group's business</li> </ul>

## CORPORATE GOVERNANCE

(continued)

<i>Senior independent director</i>	<i>Non-executive director</i>	<i>Company secretary</i>
<ul style="list-style-type: none"> <li>• Addresses any concerns or questions from shareholders and non-executive directors</li> <li>• Provides a sounding board to the chairman</li> <li>• Leads the board in the assessment of the effectiveness of the chairman, and the relationship between the chairman and the CEO</li> <li>• Acts as a trusted intermediary for non-executive directors, if required, to assist them in challenging and contributing effectively to the board</li> </ul>	<ul style="list-style-type: none"> <li>• Brings unique perspectives to the boardroom to facilitate constructive dialogue on proposals</li> <li>• Constructively challenges and contributes to assist in developing the group's strategy</li> <li>• Monitors the performance of management against their agreed strategic goals</li> <li>• Oversees the effectiveness of internal controls and the integrity of financial reporting</li> <li>• Reviews succession planning for the board and management</li> <li>• Oversees the risk management framework</li> <li>• Oversees the remuneration of the executive directors and the group's employees</li> </ul>	<ul style="list-style-type: none"> <li>• Maintains the flow of information to the board and its committees and ensures compliance with board procedures</li> <li>• Minutes all board and committee meetings to record the deliberations and decisions taken therein</li> <li>• Provides expertise to effect board compliance with relevant legislation and regulations</li> <li>• Ensures good corporate governance is implemented and advises the chairman and board in that regard</li> <li>• Guides the directors collectively and individually on their duties, responsibilities and powers</li> <li>• Reports any failure on the part of the group or any individual director to comply with the articles or the relevant legislation</li> <li>• Ensures board procedures are followed and reviewed regularly</li> <li>• Ensures applicable rules and regulations for conducting the affairs of the board are complied with</li> <li>• Facilitates a programme for the induction and ongoing development of directors</li> <li>• Maintains statutory records in accordance with legal requirements</li> <li>• Guides the board on how its responsibilities should be properly discharged in the best interests of the organisation</li> <li>• Keeps abreast of, and informs, the board of current and new developments regarding corporate governance thinking and best practice</li> </ul>

## Board composition

### Membership

At the date of this annual report, the board comprised three executive directors and ten non-executive directors, including the chairman. The changes to the composition of the board, which occurred during the year are as follows:

- Stephen Koseff and Bernard Kantor, who served as executive directors of the board, did not stand for re-election at the 2019 AGM, and accordingly stood down from the board with effect from 8 August 2019. Stephen continued to oversee the demerger and separate listing of Ninety One
- Subsequent to the demerger of Ninety One, Hendrik du Toit and Kim McFarland, joint CEO and executive director respectively, stepped down from the board of the group, with effect from 16 March 2020, to focus their efforts on Ninety One
- Fani Titi remains on the board, as sole CEO, and Nishlan Samujh continues as Finance Director of the group
- Ciaran Whelan, who has been acting as group head of risk, and David van der Walt, who was formerly the CEO of IBP, were appointed as executive directors with effect from 1 April 2020
- The board announced its intention to appoint Richard Wainwright, subject to regulatory approval, as an executive director
- David van der Walt stepped down as an executive director with effect from 4 June 2020
- Laurel Bowden and Cheryl Carolus, who served as non-executive directors of the board, did not stand for re-election at the 2019 AGM, and accordingly stood down from the board with effect from 8 August 2019
- Henrietta Baldock and Philisiwe Sibiya were appointed as non-executive directors of the board with effect from 9 August 2019. Henrietta was appointed a member of the DLC BRCC, and Philisiwe was appointed a member of the DLC Audit Committee and DLC BRCC
- Philip Hourquebie, an independent non-executive director of the group, was designated as the non-executive director for workforce engagement. Further information in respect of this role, and the board's engagement with our workforce may be found on pages 150 and 151.

The names of the directors during the year and at the date of this annual report, and the dates of their appointments are set out in the table on page 120.

Further information regarding the DLC Nomdac's responsibilities in respect of succession planning may be found in the DLC Nomdac report on pages 124 to 127.

### Independence

The board considers the guidance set out in the UK Corporate Governance Code, the King IV Code, and directive 4/2018 as issued by the South African Prudential Authority, when considering the independence of members of the board.

Throughout the year ended 31 March 2020, the board was compliant with the UK Corporate Governance Code and the King IV Code, in that the majority of the board, excluding the chairman, comprise independent non-executive directors.

Open and honest dialogue is part of Investec's culture, and robust, independent challenge is a fundamental component of how the board operates. The DLC Nomdac, which has been delegated the responsibility of reviewing the directors' independence, considers all relevant circumstances, in undertaking its obligation to ensure that the directors demonstrate independence of character and judgement, and exhibit this in the boardroom by providing challenge to the executive board members.

The board, at the recommendation of the DLC Nomdac, believes that it functions effectively and that the non-executive directors are independent of management and promote the interests of stakeholders. The proportion of executive and non-executive directors is such that there is a clear division of responsibility to ensure a balance of power, such that no individual or group can dominate the board's processes or have unfettered powers of decision-making.

The board is of the view that the chairman, Perry Crosthwaite, was independent on appointment. In accordance with the South African Prudential Authority's Directive 4/2018, the board, noting that Perry, who has served on the board for a period of greater than nine years, would not meet the Prudential Authority's definition of independence, sought permission from the Prudential Authority for Perry to remain as the chairman of the board. This is because the board believes that Perry continues to demonstrate objective judgement and promotes constructive challenge amongst the members of the board in addition to supporting the succession plan for the board and the leadership team, following the recent management transition from a founder led organisation to an era of professional management. The Prudential Authority, recognising the justification provided by the board and acknowledging the additional layer of independence provided by the senior independent director (SID), Zarina Bassa, provided approval for Perry to continue to serve as chairman of the board and the DLC Nomdac until 31 August 2022. The board also notes provision 15 of the UK Corporate Governance Code, which provides that the chair should not remain in post beyond nine years from the date of their first appointment. As identified, the board believes that the continued appointment of the chairman, Perry, who was appointed to the board in June 2010, will support the succession plan for the board and the leadership team. The board will continue to review his appointment, with an assessment of the chairman's independence to be conducted on an annual basis.

The deliberation on the independence of the non-executive directors by the board, and DLC Nomdac, included the consideration of the following relationships and associations in regards to these specific directors:

- Ian Kantor is the brother of Bernard Kantor, a former executive director of the group. Ian is also a co-founder and former CEO of the group. Accordingly, the board concluded that Ian could not be considered independent. Ian will not stand for re-election at the 2020 AGM
- Charles Jacobs is the chairman of Linklaters LLP (Linklaters). Linklaters is currently one of Investec's UK legal advisors. The board concluded that, notwithstanding this link, Charles retains independence of judgement. Charles does not form part of the Linklaters team that provides advice to Investec and he has not provided advice to Investec for over a decade. In addition, the selection of legal advisors is not a board matter and is decided at a management level. If any decision were to be made at the board level regarding Linklaters, which has not happened to date, Charles would recuse himself in accordance with the provisions of the relevant Companies Act relating to directors' interests.

---

## Tenure

As identified, the DLC Nomdac considers the guidance set out in the UK Corporate Governance Code, the King IV Code and directive 4/2018, as issued by the South African Prudential Authority, when considering the independence of the non-executive directors, and follows a thorough process of assessing independence on an annual basis for each director. The DLC Nomdac considers tenure when examining independence, and when discussing the composition of the board as a whole. The board and the DLC Nomdac are mindful that there needs to be a balance resulting from the benefits brought by new independent directors, *versus* retaining individuals with the appropriate skills, knowledge and experience, and an understanding of Investec's unique culture.

The board does not believe that the tenure of any of the identified independent non-executive directors standing for election or re-election at the annual general meeting in August 2020 interferes with their independence of judgement or their ability to act in the group's best interest.

---

## Diversity

In considering the composition of the board, the board is mindful of all aspects of diversity, including gender, race, ethnicity, religion, age, disability, nationality, political opinion, sensitive medical conditions or sexual preference.

Investec embraces differences as a strength within the group. Having a diverse board is a clear benefit, bringing with it distinct and alternative viewpoints, and mindsets able to challenge the status quo. The board is committed to ensuring that the group meets its governance, social and regulatory obligations regarding diversity. We have a board diversity policy, setting out the targets for board composition in terms of gender and race.

The board, cognisant of the Hampton-Alexander Review, set a target of 33% female representation on the board by the end of the 2020 calendar year. As at the date of this report, there was a 23% representation of women on the board. The board remains committed to the target of 33%. The board recognises that more needs to be done to increase the representation of women on the board. Female representation declined in the year, following Kim McFarland stepping down and onto the board of Ninety One (as a result of the demerger of Investec Asset Management). The group has been through significant change over recent years, with the succession of its founder members in October 2018 and the demerger and separate listing of Ninety One in March 2020. As such the DLC Nomdac, to which the board has delegated responsibility for the consideration of the succession plan of the board and the appointment process for the board, believes the new appointments ensure a strong level of continuity and significant internal experience on the board. The DLC Nomdac continues to ensure that appointments and the board's succession plan is based on merit and with regard to objective criteria and, within this context, promote diversity in its broadest sense, including diversity of gender, social and ethnic background, and diversity of thought.

The board also intends to ensure that a minimum of 25% of the board members of Investec Limited and Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black women as defined in South African legislation, and that 50% of the board members of Investec Limited and Investec plc who are ordinarily resident in South Africa (and having been naturalised prior to 1994) are black people as defined in the Financial Sector Code or similar legislation that may be in force in South Africa from time to time.

---

## Skills, knowledge and experience

The board considers that the skills, knowledge and experience of the directors as a whole are appropriate for their responsibilities, and the objectives of the group.

The members of the board have a broad range of skills and experience, including in the areas of banking, risk and capital management, commercial, financial, auditing, accounting, legal and technology.

---

## Induction, training and development

On appointment to the board, all directors receive a comprehensive induction which is tailored to the new director's individual requirements. The induction schedule is designed to provide the new director with an understanding of how the group works and the key issues that it faces. The company secretaries consult the chairman when designing an induction schedule, giving consideration to the particular needs of the new director. When a director is joining a board committee, the schedule includes an induction to the operations of that committee.

On completion of the induction programme, the director is equipped with sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges facing the group, including the key risks, to enable them to effectively contribute to strategic discussions and oversight of the group.

The chairman leads the training and development of directors and the board generally.

A comprehensive development programme is in place throughout the year, and comprises both formal and informal training and information sessions.

---

## Terms of appointment

On appointment, non-executive directors are provided with a letter of appointment. The letter sets out, among other things, duties, responsibilities and expected time commitments, details of the group's policy on obtaining independent advice and, where appropriate, details of the board committees of which the non-executive director will be a member.

The group has a directors' and officers' liability insurance policy that insures directors against liabilities they may incur in the proper performance of their duties.

On the recommendation of the DLC Nomdac, non-executive directors will be appointed for an expected term of nine years (three terms of three years each) from the date of their first appointment to the board.

All executive directors are engaged on standalone employment contracts, subject to six-month notice periods.

In accordance with the UK Corporate Governance Code, all of the directors retire on an annual basis and those willing to serve again submit themselves for election or re-election at the annual general meeting.

---

## Independent advice

Through the chairman, the SID or the company secretaries, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of the group. No such advice was sought during the 2020 financial year.

---

### *Conflicts of interest*

---

Directors have a responsibility to avoid situations that put, or may be perceived to put, their personal interest in conflict with their duties to the group. The conflicts of interest policy and the board charter require directors to declare any actual or potential conflict of interest immediately when they become aware of such situations. Each director must submit a “declaration of interest” form outlining other directorships and personal financial interests, including those of related parties. Where actual or potential conflicts are declared, the recusal procedure is implemented, and affected directors are excluded from those specific discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are considered in the annual assessment of director independence.

### *Related parties*

---

The group has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. The DLC Nomdac updated the policy and reviewed key related party transactions during the year ensuring that the appropriate policies had been complied with.

---

### *Conduct and Ethics*

---

The board is committed to the highest standards of integrity and ethical behaviour. The board appreciates the importance of ethics and its contribution to value creation and is dedicated to instilling ethical values throughout the group. The board recognises that ethics begin with each individual director’s conduct, which if appropriate, will in turn have a positive impact on conduct in the group. Management is responsible for embedding ethical conduct in the organisation which is overseen by the DLC SEC.

### *Company secretaries*

---

David Miller is the company secretary of Investec plc and Niki van Wyk is the company secretary of Investec Limited. The company secretaries are professionally qualified and have gained experience over many years. Their services are evaluated by board members during the annual board evaluation process. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the company secretaries whose appointment and removal are a board matter.

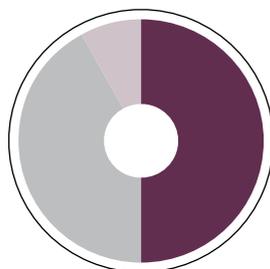
In compliance with the UK Corporate Governance Code, the UK Companies Act, the King IV Code, the South African Companies Act and the JSE Listings Requirements, the board has considered and is satisfied that each of the company secretaries is competent, and has the relevant qualifications and experience.

Diversity as at 31 March 2020

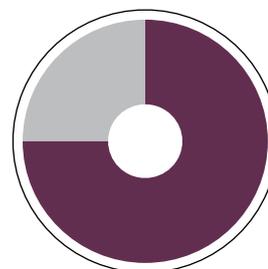
Age:

40 – 50	<b>33%</b>
51 – 60	<b>25%</b>
61 and above	<b>42%</b>

Board geographical mix



Board gender balance

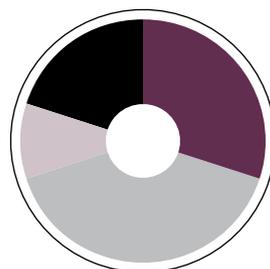


Tenure as at 31 March 2020

Average length of service for non-executive directors (years):

**5**

Average tenure for the non-executive directors



## What we did

### Board report

#### *Role and responsibilities*

The board seeks to exercise leadership, integrity and judgement in pursuit of the group's strategic goals and objectives to achieve long-term sustainability and growth. The board is accountable for the performance and affairs of the group. It provides leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed.

In fulfilling this objective, the board is responsible for:

- approving the group's strategy
- acting as a focal point for, and as custodian of, corporate governance
- providing effective leadership with an ethical foundation
- ensuring the group is a responsible corporate citizen
- being responsible for the governance of risk, including risks associated with information technology
- ensuring the group complies with applicable laws and considers adherence to non-binding rules and standards
- monitoring performance
- ensuring succession planning is in place

Certain matters are specifically reserved for the board. To achieve its objectives, the board may delegate certain duties to various board committees, group forums or the chief executive officer, without abdicating its own responsibilities. The board has developed a board charter, which serves as the foundation for Investec's governance principles and practices. The charter:

- outlines the board committees' mandates and specifies which matters are reserved for the board
- defines separate roles for the group chairman and CEO
- dictates the board's expectations of the directors, chairmen of the respective board committees and the senior independent director
- sets out how the corporate governance provisions in the UK Corporate Governance Code, UK Companies Act, King IV Code, the South African Companies Act, the South African Banks Act and the JSE Listings Requirements will be put in place

#### *Composition and meetings*

The board meets at least six times annually, excluding the annual board strategy session. A separate Investec Limited board meeting was held in South Africa and a separate Investec plc board meeting was held in the UK. For the period 1 April 2019 to 31 March 2020, three board meetings were held in the UK and three in South Africa, in line with the requirements of Investec's DLC structure. Unscheduled meetings are called as the need arises. Further to the additional meetings held to address the demerger of the Asset Management business, the board had additional unscheduled meetings where it received regular updates and deliberated on the impact of COVID-19. Comprehensive information packs, on matters to be considered by the board, are provided to directors in advance of the meetings.

The board recognises that a balanced board is vital for sustainable value creation. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience, tenure and independence.

Attendance is an important factor in the board's ability to discharge its duties and responsibilities and care is taken in preparing the board calendar to enable meeting attendance. If a director is unable to attend a meeting, an apology is recorded, and if possible, the director makes a written or oral contribution ahead of the meeting.

# CORPORATE GOVERNANCE

(continued)

## Board composition as at 31 March 2020

Members	Independent	Board member since		Investec plc (10 meetings in the year)		Investec Limited (10 meetings in the year)	
		Investec plc	Investec Limited	Eligible to attend	Attended	Eligible to attend	Attended
PKO Crosthwaite (chairman)	On appointment	18-Jun-10	18-Jun-10	10	10	10	10
F Titi (CEO)	Executive	30-Jan-04	30-Jan-04	10	10	10	10
HC Baldock*	Yes	9-Aug-19	9-Aug-19	7	7	7	7
ZBM Bassa	Yes	1-Nov-14	1-Nov-14	10	10	10	10
D Friedland	Yes	1-Mar-13	1-Mar-13	10	10	10	10
PA Hourquebie	Yes	14-Aug-17	14-Aug-17	10	10	10	10
CR Jacobs	Yes	8-Aug-14	8-Aug-14	10	9	10	9
IR Kantor	No	26-Jun-02	30-Jul-80	10	9	10	9
Lord Malloch- Brown KCMG	Yes	8-Aug-14	8-Aug-14	10	10	10	10
NA Samujh**	Executive	1-Apr-19	1-Apr-19	10	10	10	10
PG Sibiyi*	Yes	9-Aug-19	9-Aug-19	7	7	7	7
KL Shuenyane	Yes	8-Aug-14	8-Aug-14	10	10	10	10
<b>Former directors</b>							
LC Bowden***	Yes	1-Jan-15	1-Jan-15	3	3	3	3
CA Carolus***	Yes	18-Mar-05	18-Mar-05	3	3	3	3
B Kantor***	Executive	19-Mar-02	8-Jun-87	3	2	3	2
S Koseff***	Executive	26-Jun-02	6-Oct-86	3	3	3	3
KM McFarland****	Executive	1-Oct-18	1-Oct-18	9	9	9	9
HJ du Toit*****	Executive	15-Dec-10	15-Dec-10	9	9	9	9

\* HC Baldock and PG Sibiyi were appointed to the board on 9 August 2019

\*\* NA Samujh was appointed as group finance director on 1 April 2019

\*\*\* LC Bowden, CA Carolus, B Kantor and S Koseff stepped down from the board on 8 August 2019

\*\*\*\* KM McFarland stepped down from the board on 16 March 2020

\*\*\*\*\* HJ du Toit stepped down as joint group CEO on 16 March 2020

^ Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the board.

*Key matters deliberated by our board*

In addition to the standard and regular agenda items, such as report-backs from each board committee and comprehensive reports from the CEO, the following specific matters of importance were tabled and deliberated at board meetings and directors' development sessions during the year ended 31 March 2020:

**BOARD AND COMMITTEE ACTIVITIES**

<i>Areas of focus</i>	<i>What we did</i>
<b>Group strategy</b>	<ul style="list-style-type: none"> <li>considered and approved the strategy to demerge the Asset Management business, now Ninety One plc, from the group</li> <li>formulated and monitored the implementation of strategy, including progress made with regard to agreed strategic initiatives</li> <li>considered climate related issues when reviewing and guiding strategy</li> <li>provided constructive challenge to management</li> <li>considered global trends shaping the financial industry</li> <li>considered the impact of economic and political developments in the UK and South Africa</li> <li>oversaw the changes in management as announced in the preceding and current financial year</li> <li>deliberated on the impact of the COVID-19 pandemic</li> </ul>
<b>Risk and capital, audit, corporate governance and compliance</b>	<ul style="list-style-type: none"> <li>received and reviewed compliance reports in order to confirm that the group meets all internal and regulatory requirements</li> <li>discussed and approved the risk appetite framework</li> <li>regularly assessed the group's overall risk profile and emerging risk themes, receiving reports directly from management and the chairman of the DLC BRCC</li> <li>received and reviewed reports on the group's operational and technological capability, including specific updates on cyber risk capability and the strategy for technology and infrastructure services</li> <li>received reports in respect of specific risks monitored within the group including updates in respect of General Data Protection Regulation (GDPR), the Advanced Internal Ratings Based (AIRB) approach, the Foundation Internal Ratings Based (FIRB) approach and International Financial Reporting Standards (IFRS) 9, 15 and 16</li> <li>deliberated on the risks associated with the COVID-19 pandemic</li> <li>considered the impact of the King IV Code, the JSE Listings Requirements and the UK Corporate Governance Code, and changes thereto</li> <li>adopted the group Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) Policy</li> <li>received an update from the company sponsor on changes to the JSE Listings Requirements</li> <li>approved the Recovery and Resolution Plans for the UK and South Africa</li> <li>considered and approved the conflicts of interest policy</li> <li>reviewed the IBP and IBL revised corporate governance structures</li> <li>considered auditor independence, monitoring of audit quality and related parties' activities, appointment of auditors and mandatory rotation of auditors</li> <li>considered matters pertaining to service providers implicated in state capture in South Africa</li> <li>reviewed the group's exposure to state-owned entities and related risk appetite</li> <li>considered the implications of Brexit on the group and specifically on Investec plc</li> <li>received reports on conduct</li> <li>oversaw the integrity of the annual financial statements</li> <li>reviewed and discussed assumptions underlying the recoverability of key exposures and investments including the impacts of IFRS 9 scenarios, probabilities and weightings</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>considered regular updates by the various committees including the DLC Remuneration Committee, DLC Nomdac, DLC Audit Committee, DLC SEC and DLC BRCC</li> <li>received and considered comprehensive reports from the executive directors (including strategy execution and performance of the group within the operating environment and competitor landscape)</li> <li>ensured that policies and behaviours/tones set at board level were effectively communicated and implemented across the group</li> </ul>

<i>Areas of focus</i>	<i>What we did</i>
<b>Effectiveness</b>	<ul style="list-style-type: none"> <li>considered the process for the 2019/2020 board effectiveness review</li> <li>discussed the recommendations of the board effectiveness review</li> <li>implemented the recommendations of the board effectiveness review</li> <li>finalised topics for directors' development sessions</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>received a report from the DLC Remuneration Committee chairman at each meeting including regulatory developments pertaining to remuneration</li> <li>further to the transition of leadership, considered remuneration arrangements for both the incoming and outgoing executive directors</li> <li>received updates from the DLC Remuneration Committee, in respect of the evolving response to executive and non-executive remuneration, in light of COVID-19</li> <li>oversaw the implementation of the remuneration policy</li> <li>considered the UK Gender Pay Gap report</li> </ul>
<b>Relations with stakeholders</b>	<ul style="list-style-type: none"> <li>in order to ensure satisfactory dialogue with stakeholders, and to foster strong and open relationships with regulators, the board noted and discussed the key areas of feedback from these stakeholders, including feedback relating to: <ul style="list-style-type: none"> <li>board refreshment and succession</li> <li>succession planning for the executive directors and senior management</li> <li>remuneration of executive directors and non-executive directors</li> <li>regular meetings and open dialogue with regulators</li> <li>engagement with the Registrar of Banks, UK Prudential Regulatory Authority and the South African Prudential Authority</li> <li>the group's contribution to the political economy</li> <li>reports on allegations of widespread public and private sector corruption in South Africa, and its impact on the group's clients and service providers</li> <li>improving returns across the business</li> <li>the extensive processes to monitor the external auditors and audit quality, and plans in respect of Mandatory Auditor Firm Rotation</li> </ul> </li> </ul>
<b>Corporate citizenship</b>	<ul style="list-style-type: none"> <li>discussed and monitored the various elements of good corporate citizenship including: <ul style="list-style-type: none"> <li>climate related risk and opportunities</li> <li>environmental, social and governance (ESG) issues within our operations and within our business</li> <li>the promotion of equality, the prevention of unfair discrimination and the reduction of corruption</li> <li>sponsorships, charitable donations and charitable giving</li> <li>environmental, health and public safety, including the impact of the group's activities and of its products and services</li> <li>consumer relationships including the group's advertising, public relations and compliance with consumer protection laws</li> <li>labour and employment including the group's standing in terms of the international labour organisation protocol on decent work and working conditions, employment relationships and its contribution towards the educational development of its employees</li> <li>the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced</li> <li>the promotion of the role Investec plays in society, including contributions by directors and staff to the Solidarity Fund in South Africa, in response to the COVID-19 pandemic</li> <li>the board's oversight of the group's culture</li> <li>material concerns, if any, raised by employees or former employees</li> </ul> </li> </ul>

<i>Areas of focus</i>	<i>What we did</i>
<b>Board committee composition and succession planning</b>	<ul style="list-style-type: none"> <li>considered and confirmed the independence of the non-executive directors having regard to factors that might impact their independence</li> <li>discussed succession planning including an update on senior management succession</li> <li>received reports on the composition of the boards of the group's key subsidiaries</li> <li>deliberated on reports on suggested changes to the group's governance arrangements</li> <li>considered reports on suggested changes to IBP's governance arrangements</li> <li>considered reports on suggested changes to IBL's governance arrangements</li> <li>received reports from the DLC Nomdac at each meeting covering the matters within its delegated authority for review and consideration</li> </ul>
<b>Financial results, liquidity, solvency and viability statement</b>	<ul style="list-style-type: none"> <li>considered, reviewed and approved the financial results for the year ended 31 March 2020 for Investec plc and Investec Limited</li> <li>considered, reviewed and approved the financial results for the half year ended 30 September 2019 for Investec plc and Investec Limited</li> <li>assessed, confirmed and satisfied itself of the group's viability (i.e. its ability to continue in operation and meet its liabilities considering the current position of the group, the board's assessment of the group's prospects and the principal risks it faces)</li> <li>approved the group's viability statement</li> <li>assessed, confirmed and satisfied itself, on the recommendation of the DLC Audit Committee, that it was appropriate for the financial statements to be prepared on a going concern basis</li> <li>considered, reviewed and approved, on the recommendation of the DLC Audit Committee, that the annual report and the financial statements for the financial year ended 31 March 2020 were fair, balanced and understandable</li> <li>confirmed that the group was liquid and that the solvency and liquidity test has been satisfied (i.e. a company satisfies the solvency and liquidity test at a particular time if, considering all reasonably foreseeable financial circumstances at that time: the assets of the company, as fairly valued, equal or exceed the liabilities of the company, as fairly valued; and it appears that the company will be able to pay its debts as they become due in the ordinary course of business for a period of: <ul style="list-style-type: none"> <li>– 12 months after date on which the test is considered; or</li> <li>– in the case of a dividend, 12 months following the distribution)</li> </ul> </li> <li>confirmed that adequate resources existed to support the group on a going concern basis and accordingly adopted the going concern basis</li> <li>considered the impact of COVID-19</li> <li>considered and approved the capital plans</li> </ul>
<b>Management succession</b>	<ul style="list-style-type: none"> <li>considered matters relating to board succession and approved appointments to the board and board committees</li> <li>maintained oversight of the continued orderly transition from the founding members to the new management in accordance with the approved succession plan</li> </ul>
<b>Terms of reference and policies</b>	<ul style="list-style-type: none"> <li>reviewed and received regular updates in respect of the various committees' terms and references and policies within the group</li> </ul>

## DLC Nominations and Directors' Affairs Committee report

I am pleased to present you with the report for the DLC Nomdac (the committee) for the financial year ended 31 March 2020.

As set out in my introduction to the Corporate Governance report on page 104, there have been a number of changes to the board during the year, all of which have been overseen by the committee.

The committee undertook a thorough recruitment process to identify and assess candidates, which resulted in the appointment of two new non-executive directors: Henrietta Baldock and Philisiwe Sibiyi, who were appointed to the board on 9 August 2019. While selected on the basis of their strong financial services experience and skills, these two appointments help meet our continuing commitment to a diverse board.

The committee oversaw the planned transitions within our leadership team, with the appointment of Nishlan Samujh as group finance director, the departures of Hendrik du Toit and Kim McFarland, following the demerger of the Asset Management business, the appointments of David van der Walt and Ciaran Whelan as executive directors, the proposed appointment of Richard Wainwright (subject to regulatory approval) and the retirement of David from the group.

As can be seen from these changes, the committee continued to focus on succession planning for the board and senior management, including that of the group's key subsidiaries, building on the work undertaken in previous years.

The committee oversaw the internal board effectiveness review, which took the form of a self-assessment questionnaire, followed by one to one meetings. We also considered, and recommended to the board, actions arising from the previous externally facilitated review undertaken by Professor Robert Goffee.

Please refer to the report on the following pages for details of all the material matters considered by the committee in the last year.

### Committee performance

The effectiveness of the committee was assessed as part of the annual effectiveness review of the board. The findings of this review, which were considered by the committee, found that the committee had met its key objectives and carried out its responsibilities effectively.

### Looking ahead

In 2020 / 2021, the committee will continue to review the composition of the board and the board committees, with a view to ensuring the progressive refreshment of the members of the board. In considering the composition of the board, the committee is mindful of all aspects of diversity, including gender, race, skills, experience and knowledge.



**Perry Crosthwaite**  
Chairman of the DLC Nomdac

16 June 2020

**We aim to ensure that the board comprises a talented and diverse range of people, aligned with our culture and values, with the collective skills and experience necessary for the group to meet its objectives and strategic goals**

#### DLC Nomdac

##### Perry Crosthwaite

Chairman of the DLC Nomdac

#### Key achievements in FY 2020

- Oversaw the recruitment and appointments of Henrietta Baldock and Philisiwe Sibiyi as non-executive directors
- Considered the succession plans for the board and senior management
- Considered the annual effectiveness review, and the actions arising from the previous externally facilitated review.

#### Areas of focus in FY 2021

- Review the composition of the board and the principal board committees
- Review the knowledge, skills and experience, and diversity of the board
- Consider the succession plans for the board and senior management

### Role and responsibilities

The committee is an essential part of the group's governance framework to which the board has delegated the following key functions:

- supporting and advising the board in ensuring that it is composed of individuals who are best able to discharge the duties and responsibilities of directors
- evaluating the balance of skills, experience, independence, knowledge and diversity on the board
- ensuring that appointments and succession plans are based on merit and with regard to objective criteria and, within this context, promoting diversity in its broadest sense, including diversity of thought, gender, social and ethnic background, and personal strengths
- maintaining the board directorship continuity programme, including the consideration of the annual board performance evaluation process

### Composition and meetings

The committee comprises a majority of independent non-executive directors of the board, with membership designed to provide the breadth of experience necessary for the members to consider the issues that are presented to the committee.

The board has agreed, in principle, that the chairman of the group's key governance committees (Audit, Board Risk and Capital, Remuneration and Social and Ethics) be appointed to the DLC Nomdac, to ensure that their input is considered, when the committee discusses the composition of the group's key governance committees, and the proposed appointments to these committees.

As IBL does not have an independent Nominations and Directors' Affairs Committee, it was agreed that Khumo Shuenyane, the chairman of IBL, and Peter Thomas, a non-executive director of the IBL board, be appointed members of the DLC Nomdac. Peter Thomas will not stand for re-election as a non-executive director of IBL at the 2020 AGM of IBL, and as a result, will step down as a member of the committee with effect from 6 August 2020.

During the financial year ended 31 March 2020, the DLC Nomdac met six times. Attendance by members at committee meetings is shown below.

Members	Committee member since	DLC Nomdac (6 meetings in the year)	
		Eligible to attend	Attended
PKO Crosthwaite (chairman)	16-Sep-14	6	6
ZBM Bassa	1-Apr-17	6	6
D Friedland	16-Sep-14	6	6
PA Hourquebie	15-May-18	6	6
Lord Malloch-Brown	15-May-18	6	6
KL Shuenyane	15-May-18	6	6
PRS Thomas*	9-Sep-10	6	6

\* PRS Thomas is the representative of IBL.

^ Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.

## How the DLC Nomdac works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

### COMMITTEE ACTIVITIES

<i>Areas of focus</i>	<i>What we did</i>
<b>Board and board committee composition</b>	<ul style="list-style-type: none"> <li>• discussed the key skills and experience needed on the board in the context of future strategic direction and structural reform, including any areas requiring strengthening</li> <li>• concluded that the skills, knowledge and experience of the directors were appropriate for their responsibilities and activities</li> <li>• engaged our independent external search firms Russell Reynolds and Woodburn Mann, neither of which has any connection to the group or any of the directors other than to assist with searches for executive and non-executive talent, to assist in the search for independent non-executive directors with the relevant skills and experience</li> <li>• agreed on the following matters:               <ul style="list-style-type: none"> <li>– Laurel Bowden stepping down from the board at the 2019 AGM</li> <li>– Cheryl Carolus stepping down from the board at the 2019 AGM</li> <li>– Stephen Koseff stepping down from the board at the 2019 AGM</li> <li>– Bernard Kantor stepping down from the board at the 2019 AGM</li> <li>– the appointment of Nishlan Samujh as group finance director</li> <li>– the appointment of Henrietta Baldock as a non-executive director</li> <li>– the appointment of Philisiwe Sibiyi as a non-executive director</li> <li>– Kim McFarland stepping down from the board, following the demerger of the Asset Management business</li> <li>– Hendrik du Toit stepping down from the board, following the demerger of the Asset Management business</li> <li>– the appointment of David van der Walt as an executive director</li> <li>– the appointment of Ciaran Whelan as an executive director</li> <li>– the proposed appointment of Richard Wainwright as an executive director (subject to regulatory approval)</li> <li>– David van der Walt stepping down from the board, and retiring from the group</li> <li>– Ian Kantor stepping down from the board at the 2020 AGM</li> </ul> </li> <li>• considered the board suitability policy</li> <li>• considered the appointment of potential new directors to the board</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>• considered the succession plans for the board and senior management</li> <li>• conducted formal succession appraisals for all key positions</li> <li>• reviewed the succession pipeline for executive management, with a view to ensuring that the group was continuing and will continue to increase the internal pool of talented and skilled individuals by providing opportunities for individuals to develop and grow within the organisation</li> </ul>
<b>Subsidiary board and board committee composition</b>	<ul style="list-style-type: none"> <li>• received reports on the board composition of the group's key subsidiaries including:               <ul style="list-style-type: none"> <li>– Investec Bank plc</li> <li>– Investec Bank Limited</li> <li>– Investec Wealth &amp; Investment Limited</li> <li>– Investec Securities Proprietary Limited</li> <li>– Investec Life Limited</li> </ul> </li> <li>• reviewed the composition of the boards and board committees of each of the group's key subsidiaries, including consideration of any vacancies, new appointments or changes that would enhance the effectiveness of the respective boards, with regard to group oversight, governance, local regulatory or legal requirements, and best practice, with a view to ensuring that there was an appropriate level of independent scrutiny at subsidiary level. The following matters were accordingly agreed:               <ul style="list-style-type: none"> <li>– appointment of Ruth Leas as CEO of IBP</li> <li>– appointment of Kevin McKenna as chief risk officer (CRO) of IBP</li> <li>– appointment of Alistair Stuart as chief operating officer (COO) of IBP</li> <li>– appointment of Chris Meyer as an executive director of IBP</li> <li>– appointment of Ryan Tholet as an executive director of IBP</li> <li>– appointment of Morris Mthombeni as a non-executive director of IBL</li> <li>– appointment of Geoffrey Qhena as a non-executive director of IBL</li> </ul> </li> </ul>

<i>Areas of focus</i>	<i>What we did</i>
<b>Independence</b>	<ul style="list-style-type: none"> <li>considered the independence of the non-executive directors, with regard to: <ul style="list-style-type: none"> <li>directors who had served on the boards for a period longer than nine years</li> <li>other factors that might impact their independence</li> <li>the director's contribution at board meetings and whether they in fact demonstrated independent challenge</li> </ul> </li> <li>specifically considered and confirmed that Ian Kantor can not be considered independent as co-founder, former CEO of the group, and brother of former executive director Bernard Kantor. Ian will not stand for re-election at the 2020 AGM</li> <li>specifically considered the independence of Charles Jacobs, who is the chairman of Linklaters LLP, a legal advisor to Investec UK, and concluded that it was satisfied that he retained independence of judgement and should be regarded as an independent non-executive director</li> </ul>
<b>Diversity and inclusion</b>	<ul style="list-style-type: none"> <li>considered the diversity of the board and senior management, including the individuals noted as potential successors</li> <li>discussed the potential impact on the diversity of the board when considering potential candidates for appointment to the board</li> <li>reviewed the board diversity policy</li> </ul>
<b>Related parties</b>	<ul style="list-style-type: none"> <li>investigated potential conflicts in respect of specific directors transactions</li> <li>considered and approved the director's disclosure conflicts of interest policy</li> <li>reviewed the register of directors' interests</li> </ul>
<b>Directors' development</b>	<ul style="list-style-type: none"> <li>considered dates and topics for future directors' development training and identified the key topics affecting the business</li> </ul>

### *Board effectiveness review*

The board regularly reviews its own effectiveness and therefore undertakes a formal evaluation of its performance and that of its committees and individual directors annually. In accordance with recognised codes of corporate governance, the evaluation of the board is externally facilitated at least every three years. As the 2018 board effectiveness review was externally facilitated by Professor Robert Goffee, the DLC Nomdac and the board agreed that the board effectiveness review for 2019 would be internally facilitated, and take the form of a self-assessment questionnaire, followed by one on one meetings with the Chairman.

The directors each completed the questionnaire, prior to meeting individually with the Chairman. The questionnaire covered a range of topics, including board effectiveness, the balance of skills and experience, board and board committee composition, governance, information availability and culture. The interviews that followed, were broad-ranging, and designed to provide additional context to the questionnaire responses.

The findings were collated and presented to the committee at the January 2020 meeting, prior to presentation to the board at the February 2020 meeting. Overall the board members were found to be satisfied with various aspects of board governance and

functioning. The board effectiveness review identified that there had been an improvement to the overall effectiveness of the board, in particular, within the context of the significant changes to the executive leadership team and the governance framework.

The review identified the particular strengths of the board to be the composition of the board, including the balance of non-executive to executive directors and the differentiation of the chairman and chief executive roles, and the role of the non-executive directors.

Notwithstanding the strengths, the committee discussed the areas for potential improvement. These included an increased focus on culture, strategy and succession planning at the board, and further consideration of the knowledge, skills, experience and diversity of the board.

The committee will continue to monitor the actions resulting from the board effectiveness review as the year progresses.

## DLC Social and Ethics Committee report

I am pleased to present the report of the DLC Social and Ethics Committee (DLC SEC or the committee) for the financial year ended 31 March 2020. We consider the views of a wide range of stakeholders on a variety of environmental, social and governance (ESG) matters. It is this committee's responsibility, along with the board, to ensure the group is operating in an ethical, compassionate and sustainable manner.

Over the past year, there was a continued strong focus by the committee on staff developments and, in particular, on equity and inclusion. The group made good progress in terms of our transformation initiatives and employment equity targets and diversity remains a priority across all regions. Towards the end of the period, we were proud of how the group's leaders took swift action to respond to the COVID-19 pandemic and the care that was shown for employees and communities around the world.

Another key topic of focus in the past year was the environment and climate change. We were pleased to see the group achieve carbon neutral status and the committee was able to approve a public group fossil fuel policy, addressing a key stakeholder concern. The group continued to demonstrate commitment to the United Nations (UN) Sustainable Development Goals (SDGs), reinforced by Fani Titi's personal commitment to the UN Global Investors for Sustainable Development (GISD).

The following pages detail the material matters considered by the committee in the last year. For further information concerning the group's approach to sustainability, please refer to page 159.

### Committee performance

The performance of the committee was assessed as part of the annual effectiveness review of the board. The results show that the committee has continued to function well.

### Looking ahead

The committee will continue to monitor the key sustainability aspects of the group in accordance with best practice. We expect to see progress in a number of areas including the integration of sustainability into business strategy, climate-related and general ESG disclosures including the Task Force on Climate related Financial Disclosures (TCFD), and reporting on our priorities in terms of the UN SDGs. In addition, emphasis will be placed on business resilience and those activities that contribute to a more sustainable, low-carbon world.



**Lord Malloch-Brown**  
Chairman of the DLC SEC

16 June 2020

**It is our duty and care to ensure that the group is behaving responsibly from a commercial, social and environmental perspective so we remain a sustainable and ethical organisation**

### DLC SEC

#### Lord Malloch-Brown

Chairman of the DLC SEC

### Key achievements in FY 2020

The chairman of the committee, Lord Malloch-Brown, presented on the South African Prudential Authority's Flavour of the Year Topic, namely the Creation and Institutionalisation of a culture of Ethics and Awareness

- Fani Titi, group CEO, joined the Secretary General of the UN CEO Alliance on GISD
- Reconstituted the committee with new members bringing relevant ESG experience
- Supported members of the group executive team assuming executive responsibility for driving sustainability across the organisation
- Strengthened the committee terms of reference to include greater focus on environment and climate-related issues

### Areas of focus in FY 2021

Review and monitor progress:

- to integrate sustainability into group strategy and business
- in respect of climate and general ESG-related policies and disclosures
- on our priorities in terms of the UN SDGs, which are to enable access to clean water and affordable energy, to provide access to quality education, to support economic growth and job creation, to build and support infrastructure solutions and to fund sustainable cities and stronger communities
- with sustainability products and services offered
- with gender and diversity targets and performance
- in terms of business resilience and COVID-19 impacts on our people, clients and communities

### Role and responsibilities

The DLC SEC is an essential part of the group's governance framework to which the board has delegated the following key functions:

- overseeing the group's climate policies, processes and response to climate related matters
- ensuring that the group promotes social and economic development, including the application of the UN Global Compact Principles and the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption
- monitoring the group's behaviour as a corporate citizen, including the consideration of the group's promotion of equality, prevention of discrimination and reduction of corruption
- monitoring the group's application of the South African Employment Equity Act, the South African Broad-Based Black Economic Empowerment Act and the Financial Sector Code, and adherence to the requirements of the South African Companies Act, through the committee's terms of reference
- overseeing ethical business practices
- improving our ESG policies and practices.

### Composition and meetings

The committee comprises of independent non-executive directors and executive directors, with membership designed to provide the breadth of experience necessary, for the members to consider the issues that are presented to the committee. The composition of the committee is in accordance with the requirements of section 72(8) of the South African Companies Act, and its associated regulations.

During the financial year ended 31 March 2020, the DLC SEC met three times and attendance by members at committee meetings is shown below.

**DLC SEC**  
**(3 meetings in the year)**

Members	Committee member since	Eligible to attend	Attended
Lord Malloch-Brown KCMG (chairman)	08-Aug-14	3	3
CA Carolus*	17-May-12	1	1
HJ du Toit**	12-Mar-19	3	3
B Kantor*	17-May-12	1	0
S Koseff*	17-May-12	1	1
KL Shuenyane***	09-Aug-19	2	2
PRS Thomas****	17-May-12	3	3
F Titi	12-Mar-19	3	3

\* CA Carolus, B Kantor and S Koseff stepped down from the committee with effect from 8 August 2019.

\*\* HJ du Toit stepped down from the committee with effect from 16 March 2020.

\*\*\* KL Shuenyane was appointed to the committee with effect from 9 August 2019.

\*\*\*\* PRS Thomas is a representative of IBL.

^ Where a director is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.

### Other invited attendees

- Head of group sustainability
- Head of organisational development
- Head of human resources
- Head of investor relations
- Head of Asset Management†
- Head of Specialist Bank SA
- Head of Specialist Bank UK
- Head of Wealth & Investment SA
- Head of Wealth & Investment UK

Attended until the January 2020 meeting.

## How the DLC SEC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described below.

### COMMITTEE ACTIVITIES

<i>Areas of focus</i>	<i>What we did</i>
<b>Social and economic development, including human rights</b>	<ul style="list-style-type: none"> <li>monitored the group's standing in terms of the goals and purposes of the UN Global Compact Principles, with respect to human rights, labour, the environment and anti-corruption</li> <li>gained comfort that the group and its subsidiaries adhere to the relevant laws in the jurisdictions in which they operate and strive to advance the UN Global Compact Principles within its sphere of influence</li> <li>reviewed the communication of progress to the UN on the group's adherence to the UN Global Compact Principles</li> <li>monitored the group's adherence to the recommendations of the Organisation of Economic Co-operation and Development (OECD) regarding corruption</li> <li>reviewed the group's progress in relation to the Youth Employment Services (YES) initiative, noting that as part of our commitment to job creation and transformation in South Africa, over 1400 youths were placed with 11 partners as part of our commitment to the YES programme</li> </ul>
<b>Climate risks and opportunities</b>	<ul style="list-style-type: none"> <li>considered the impact of climate change and the importance for various stakeholders</li> <li>monitored the groups adherence to the relevant climate-related disclosures (including the TCFDs)</li> <li>supported the climate neutral status that the group achieved in 2020</li> <li>approved a public group fossil fuel policy</li> </ul>
<b>Sustainable Development Goals (SDGs)</b>	<ul style="list-style-type: none"> <li>challenged the core priorities with regards to the UN SDGs, assessed their relevance and monitored the performance in terms of the goals for the group</li> <li>supported Fani Titi's invitation to join the Secretary General of the UN CEO Alliance on the Global Investors for Sustainable Development (GISD)</li> </ul>
<b>Good corporate citizenship</b>	<ul style="list-style-type: none"> <li>discussed the key elements of good corporate citizenship</li> <li>reviewed the group's record of sponsorship, community donations, political donations and charitable giving</li> <li>satisfied itself that the group's standing and commitment to the various elements of good corporate citizenship remained in place and was actively enforced</li> <li>participated in a number of sustainability indices and were recognised as one of the industry members on the Dow Jones Sustainability Investment (DJSI) World Indices and the DJSI Europe Indices</li> <li>noted that Investec Limited had been recognised as one of four industry members in the DJSI Emerging Markets Indices.</li> </ul>
<b>The South African Employment Equity Act</b>	<ul style="list-style-type: none"> <li>monitored compliance with the relevant legislation</li> <li>monitored progress made towards the group's employment equity plans</li> <li>engaged with the management of human resources to address challenges around matters such as diversity and employment equity targets</li> <li>engaged with members of the employment equity forum</li> <li>monitored and reviewed diversity across the group and considered any regulatory developments in this regard</li> <li>satisfied itself that the group did take the appropriate measures in order to comply with the relevant legislation</li> </ul>

<i>Areas of focus</i>	<i>What we did</i>
<b>The South African Broad-Based Black Economic Empowerment Act and the Financial Sector Code</b>	<ul style="list-style-type: none"> <li>monitored compliance with the relevant legislation</li> <li>considered the group's empowerment rating</li> <li>gained comfort that the group had taken the appropriate measures in order to comply with the legislation</li> </ul>
<b>Contribution to the development of communities</b>	<ul style="list-style-type: none"> <li>monitored the group's activities in contributing to the development of communities</li> <li>received regular reports on the group's community investment initiatives</li> <li>satisfied itself that the group contributed to the development of communities</li> </ul>
<b>Talent retention and attraction of employees</b>	<ul style="list-style-type: none"> <li>received regular reports and updates from the careers team on our talent management strategy including internal mobility</li> <li>monitored the performance of a number of our graduate, internship and exposure programmes and continued to support the investment in developing and upskilling our employees</li> </ul>
<b>Culture and ethics</b>	<ul style="list-style-type: none"> <li>received regular reports on the group's activities in respect of programmes offered to enhance its core values which include unselfishly contributing to society, valuing diversity and respecting others</li> <li>satisfied itself that the group's core values had a positive impact on the success and wellbeing of local communities, the environment and on overall macro-economic stability, as well as the long term success of the company</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>supported the appointment of members of the group executive team, with responsibility for integrating sustainability into business strategy</li> <li>monitored the work done to assess our ESG exposures</li> <li>reviewed the products and services offered with a sustainability impact (for example, clean energy private equity fund and the Investec Environmental World Index Autocall)</li> <li>supported the swift business resilience response to COVID-19 and its impacts on our people, clients and communities</li> </ul>

## DLC Audit Committee report

I am pleased to present the report of the DLC Audit Committee (the committee) which incorporates the activities and functions of the Investec Limited and Investec plc Audit Committees for the financial year ended 31 March 2020.

The report will address the role and the key areas of focus of the DLC Audit Committee. In addition to outlining the structure of the group's Audit committees, some insights are included on how decisions are made and where judgement was applied to conclude on significant matters during the financial period.

### *DLC Audit Committee and the DLC BRCC*

The DLC Audit Committee and the DLC BRCC are chaired by different independent non-executive directors. David Friedland chairs the DLC BRCC. The DLC Audit Committee and the DLC BRCC continue to capture all significant issues effectively while minimising any overlap. These committees have met all legal and regulatory requirements from a composition and independence perspective. Given the synergies and nature of matters considered by the committees, their membership is such that an element of commonality persists. The DLC Audit Committee chair and members are also members of the DLC BRCC.

The DLC Audit Committee and the DLC BRCC work closely together in fulfilling their objectives.

### *Committee performance*

The performance of the DLC Audit Committee was assessed as part of an internal board effectiveness evaluation process and it was concluded that the committee continues to function effectively.

### *Looking ahead*

In advancing the DLC Audit Committee efforts of the prior year, focus will continue to be centred on the impact, oversight, governance and disclosure in relation to IFRS 9.

In addition, there will be continued consideration of the independence of the internal auditor, the external auditor and audit quality measures.

The DLC Audit Committee will furthermore continue to focus on the combined assessment of the impact of COVID-19 on the economy and the consequent impact on financial systems and reporting, including viability, results of operations and financial position.

## Transparent disclosure is the cornerstone for the long-term success and sustainability of our business

### *DLC Audit Committee*

#### **Zarina Bassa**

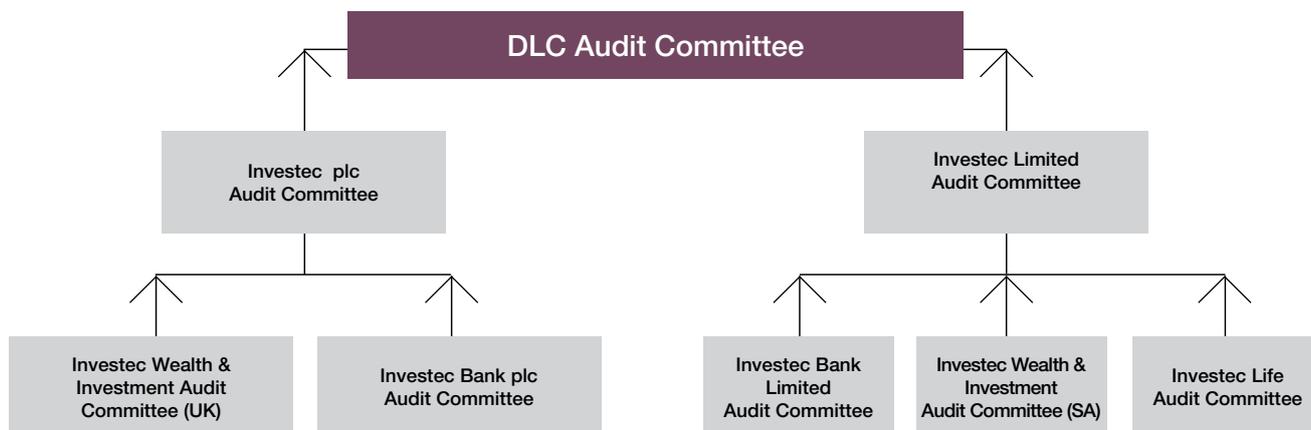
Chair of the DLC Audit Committee

### *Key areas addressed in FY 2020*

- Considered the accounting and operational impact of COVID-19 and mitigating steps taken, including going concern, liquidity and viability
- Oversaw the impact, governance and disclosure as it relates to IFRS 9. A specific focus was placed on the impact COVID-19 had on the application of IFRS 9
- Oversaw the regulatory compliance and the resulting accounting of the demerger of Asset Management
- Monitored audit quality and audit partner accreditation looking at results of firm and engagement partner regulator reviews and/or internal quality control
- Considered the external auditor's independence
- Monitored close out of internal and external audit findings
- Held joint DLC Audit Committee and DLC BRCC meetings to cover changes to the IFRS 9 macro economic scenarios and probabilities for 2020 and the impact of COVID-19
- Reviewed succession for key internal audit members
- Oversight over regulatory compliance and the compliance programme
- Conducted an External Quality Assurance Review (EQAR) of internal audit
- Revised the policy on non-audit services
- Considered key risk and reporting exposures faced by the group
- Concluded on the proposed approach to Mandatory Audit Firm Rotation (MAFR) for Investec Bank Limited and Investec Limited

### *Key focus areas for FY 2021*

- Consider the impact of COVID-19 and mitigating steps taken in this regard, including impacts on business resilience, liquidity and credit loss provisioning
- Initiate tender and appointment process to facilitate MAFR
- Consider the appointment of external auditors
- Monitor external audit quality and independence
- Continue to focus on the judgements, oversight, governance and disclosure of the consequences of IFRS 9
- Continue to effectively communicate with the chairs of audit committees of subsidiaries including attendance at sub-committees
- Evaluate the effectiveness of the internal audit function
- Oversee, together with the DLC BRCC, the management of IT Risk and cyber-security through the IT Risk and Governance Committee
- Focus on ensuring that the group's financial systems, processes and controls are operating effectively and evolve with the changes in the industry
- Consider the implication of changes in accounting standards and regulatory requirements and how management intends to implement
- Continue to exercise oversight over subsidiary audit committees in remote locations



### Structure of the Investec group's Audit Committees

In terms of the DLC structure, the DLC board has mandated authority to the DLC Audit Committee to be the Audit Committee of the Investec group. The DLC Audit committee oversees and considers group audit-related matters and has responsibility for audit-related matters that are common to Investec plc and Investec Limited, and works in conjunction with these two committees to address all group reporting.

The Investec plc board has mandated authority to the Investec plc Audit Committee, and the Investec Limited board has mandated authority to the Investec Limited Audit Committee to be the Audit Committees for the respective companies and their subsidiaries. The IBP and IW&I (UK) Audit Committees and the IAM Global Audit Committee, up to the point of the demerger, reported to the Investec plc Audit Committee and the IBL and IW&I (SA) Audit Committees report to the Investec Limited Audit Committee. The DLC audit committee chairman chairs each of the Investec plc, Investec Limited and Investec Bank Limited Audit Committees.

The committee receives regular reports from the group's subsidiary Audit Committees as part of the oversight of subsidiary Audit Committees. The DLC Audit Committee chair is also the chairman of the Investec Bank Mauritius (IBM) and Investec Bank Limited (IBL) Audit Committees and a member of the Investec Bank plc and the Investec Life Audit Committee.

### Role and responsibilities

The DLC Audit Committee is an essential part of the group's governance framework to which the board has delegated the following key functions:

- overseeing the group's financial reporting process and risks, ensuring the integrity thereof and satisfying itself that any significant judgements made by management are sound
- appointing, managing and overseeing the relationship with the group's external auditors, including the quality control, effectiveness and independence of the external audit function
- reviewing the group's internal controls and assurance processes, including those of internal audit
- manage and oversee the performance, conduct, quality and effectiveness of the group's internal audit functions
- oversight of group compliance
- overseeing the group's subsidiary Audit Committees, including in remote locations
- the DLC Audit Committee is supported by the Investec plc and Investec Limited Audit Committees
- determining the fees to be paid to external auditors
- managing the level and nature of non-audit services provided by the auditors
- dealing with any concerns from outside and inside Investec regarding accounting, reporting and financial control

## CORPORATE GOVERNANCE

(continued)

### Composition and meetings

The DLC Audit Committee is comprised entirely of independent non-executive directors who must meet predetermined skill, competency and experience requirements. The members' continuing independence is assessed annually by the DLC Nomdac, which in turn makes a recommendation on the members' independence to the board. The DLC Nomdac and board have concluded that the DLC Audit Committee has the appropriate balance of knowledge and skills for them to discharge their duties. In particular, all of the members are chartered accountants and by virtue of their experience in the banking, financial services, financial management and audit sectors, the members collectively have the competence relevant to the sector in which the group operates. Further details of the experience of the members can be found in their biographies on pages 108 to 111.

### Meeting schedule and attendance

- During the financial year ended 31 March 2020, the DLC Audit Committee, Investec plc Audit Committee and Investec Limited Audit Committee each met four times during the year.
- The Committee further met during the year to sign off on the Annual Financial Statements of Investec plc and Investec Limited.
- The Committee met twice in June 2019 to sign off the 2019 Annual Report for the group.
- A Special Combined IBL Audit Committee and DLC Audit Committee meeting was held in May 2019. The meeting was convened to discuss the mining and Hong Kong exposures of the group.
- A regulatory and accounting update session was held by the committee with Ernst & Young to ensure that the committee keeps abreast of all current and impending developments.
- A Combined DLC Audit Committee and DLC BRCC meeting was held in February 2020 to discuss changes to the IFRS 9 scenarios and probabilities for 2020 with a further update to scenarios in April 2020 to cover the impact of COVID-19.
- Audit quality meetings were held with the DLC auditors, Ernst & Young LLP and Ernst & Young Inc. and the joint auditors of Investec Limited, Ernst & Young Inc. and KPMG Inc. to consider and conclude on Audit quality and JSE partner accreditation.
- A Trilateral meeting was attended with the South African Prudential Authority to discuss internal and external audit findings.

	<b>DLC Audit Committee (4 meetings in the year)</b>	<b>Investec plc Audit Committee (4 meetings in the year)</b>	<b>Investec Limited Audit Committee (4 meetings in the year)</b>
--	---	--	--

Members	Committee member since	DLC Audit Committee		Investec plc Audit Committee		Investec Limited Audit Committee	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
ZBM Bassa (chair)	1-Nov-14	4	4	4	4	4	4
LC Bowden*	11-Dec-18	1	1	1	1	1	1
PA Hourquebie	14-Aug-17	3	3	3	3	3	3
PG Sibiyá**	9-Aug-19	3	3	3	3	3	3

\* LC Bowden stepped down from the DLC Audit Committee, the Investec plc Audit Committee and the Investec Limited Audit Committee with effect from 8 August 2019.

\*\* PG Sibiyá was appointed as a member of the DLC Audit Committee, the Investec plc Audit Committee and the Investec Limited Audit Committee with effect from 9 August 2019.

^ Where a director is unable to attend a meeting they receive papers in advance and have the opportunity to provide comments to the chairman of the committee.

### Other regular attendees

- Joint chief executive officers of the group#
- Group finance director
- Head of risk
- Heads of internal audit – Investec Limited and Investec plc
- Heads of finance
- External auditors
- Group company secretaries
- Heads of IBL, IBP and IW&I
- Head of corporate governance
- Head of tax

# Fani Titi became the sole chief executive officer on 16 March 2020 following the demerger of the Asset Management business from the group

## Areas covered by the DLC Audit Committee

The significant matters addressed by the committee during the financial year ended 31 March 2020, and in evaluating the annual report and financial statements are described on the following pages.

### Key audit matters

Key audit matters, are those matters in the view of the DLC Audit Committee that:

- required significant focus from the committee
- were considered to be significant or material in nature requiring exercise of judgement; or
- matters which were otherwise considered to be subjective from an accounting or auditing perspective.

The following key audit matters were deliberated by the DLC Audit Committee during the year:

<i>Key Audit Matters</i>	<i>What we did</i>
<p><b>Impact of COVID-19</b></p> <ul style="list-style-type: none"> <li>• The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across all industries. There is a significant degree of uncertainty about the further spread of the virus and the impact it will have on the world economy</li> </ul>	<ul style="list-style-type: none"> <li>• considered the known impact of Covid-19 on the economy in both geographies and the resulting impact on the applicability of the scenarios, the judgements and estimates used by management to prepare the annual financial statements</li> <li>• The areas most impacted by COVID-19 include: <ul style="list-style-type: none"> <li>– going concern and the viability statement including liquidity</li> <li>– expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities and staging)</li> <li>– impact on quality of earnings</li> <li>– fair value measurement and the resulting IFRS 13 Fair Value Measurement disclosures</li> </ul> </li> </ul> <p>steps taken by the committee to consider these are specifically addressed below</p>
<p><b>Compliance with COVID-19 guidance provided by regulators and standard setters in the UK and SA</b></p> <ul style="list-style-type: none"> <li>• As part of the response to the COVID-19 global crisis, banking regulators in the UK and South Africa issued guidance and revised regulations regarding the application of accounting principles, liquidity and capital management</li> </ul>	<ul style="list-style-type: none"> <li>• received and reviewed a memorandum prepared by Investec management summarising the guidance issued in all jurisdictions and how management intends to comply with this guidance</li> <li>• through the review of the ECL process, confirmed the application of the guidance on the accounting principles to be applied</li> <li>• through participation of audit committee members on the remuneration committee and the board of directors, confirmed that there will be no cash bonus payments to executive management and that a dividend will not be declared</li> </ul>
<p><b>Accounting for the demerger of Investec Asset Management</b></p> <ul style="list-style-type: none"> <li>• In September 2018, the directors announced their intention to demerge the Asset Management (rebranded Ninety One) business and on 16 March 2020 the demerger was completed. Subsequent to the demerger the group holds a 25% investment in Ninety One which is accounted for at the group level as an associate</li> </ul>	<ul style="list-style-type: none"> <li>• reviewed the initial impact valuation of Investec Asset Management as performed by a professional external valuation specialist</li> <li>• received regular updates on the demerger from group finance, group tax and legal to enable it to evaluate the appropriateness of the accounting and the regulatory and legal compliance of the demerger</li> <li>• considered the appropriateness of accounting principles applied to account for the demerger and of the disclosures of the transaction</li> <li>• reviewed the technical accounting memorandum prepared by group finance</li> <li>• convened a special audit committee meeting to approve the accounting principles applied in the preparation of the circular and the content of the circular issued</li> <li>• reviewed and confirmed the appropriateness of the accounting treatment of the demerger and the gain thereon, and the accounting treatment of the remaining holding as an associate at a group level</li> </ul>

# CORPORATE GOVERNANCE

(continued)

<i>Key Audit Matters</i>	<i>What we did</i>
<p><b>Fair value of level 3 instruments and the resulting IFRS 13 Fair Value Measurement (IFRS 13) disclosure</b></p> <ul style="list-style-type: none"> <li>For level 3 instruments, such as unlisted investments in private equity businesses, investment properties, fair value loans and large bespoke derivative structures, there is necessarily a large degree of subjectivity surrounding the inputs to the valuations. With the lack of observable liquid market inputs, determining appropriate valuations continues to be highly judgemental</li> </ul>	<ul style="list-style-type: none"> <li>received presentations on the material investments across the group including an analysis of the key judgements and assumptions applied and approved the valuation adjustments proposed by management for the year ended 31 March 2020</li> <li>challenged and debated significant subjective exposures and assumptions including:               <ul style="list-style-type: none"> <li>the valuation principles applied with the valuation of level 3 investments (unlisted and private equity investments) and fair value loans. Particular focus was given to the impact of COVID-19 on these valuation principles</li> <li>fair value of exposures in industries highly affected by COVID-19</li> <li>exposures in respect of Southern African mining loans and investments</li> <li>management's plans for work out of such exposures, client history, geographical and sectoral exposure and assumptions around collateral valuation and debt restructures</li> <li>the appropriateness of the IFRS 13 disclosures on fair value</li> </ul> </li> </ul>
<p><b>Uncertain tax and other legal matters</b></p> <ul style="list-style-type: none"> <li>considered potential legal and uncertain tax matters with a view to ensuring appropriate accounting treatment in the financial statements, including in respect of historical German dividend tax arbitrage transactions</li> </ul>	<ul style="list-style-type: none"> <li>received regular updates from group tax, group finance and legal on uncertain tax and legal matters to enable it to probe and consider the matters and evaluate the basis and appropriateness of the accounting treatment</li> <li>analysed the judgements and estimates made and discussed the potential range of outcomes that might arise to determine the liability, if any, for uncertain tax provisions as required by International Financial Reporting Interpretations Committee (IFRIC) 23</li> <li>concluded on the appropriateness of the IAS37 accounting treatment, the scenarios and sensitivities, and any overall disclosure in the financial statements. Conferred with and received confirmation from the external auditors on the overall treatment</li> </ul>
<p><b>Impairment of investments in associates</b></p> <ul style="list-style-type: none"> <li>evaluated the appropriateness of the carrying amount of investments in associates measured at amortised cost</li> </ul>	<ul style="list-style-type: none"> <li>received and reviewed technical accounting memoranda prepared by group finance on the material investments in associates across the group addressing the appropriateness of the carrying value of the investments and the impairment assessment performed by management. This included an analysis of the key judgements and assumptions applied</li> <li>evaluated the appropriateness of the accounting and disclosure relating to significant judgements and estimates, valuation methods and assumptions applied</li> </ul>
<p><b>Going concern and the viability statement</b></p> <ul style="list-style-type: none"> <li>the directors are required to confirm that they are satisfied that the group has adequate resources to continue in business for the foreseeable future</li> </ul>	<ul style="list-style-type: none"> <li>undertook an assessment on behalf of the board, and recommended to the board that it was appropriate for the financial statements to be prepared on a going concern basis</li> <li>in this process considered reports on the group's budgets and forecasts, profitability, capital, liquidity and solvency, scenario stress testing and the impact of legal proceedings; if any</li> <li>considered the results of various stress testing based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of Investec to continue as a going concern</li> <li>specifically, as part of the demerger approval process, concluded that following the demerger of the Asset Management business from the Investec group, the group would have adequate resources to continue as a going concern for the foreseeable future</li> <li>jointly with the DLC BRCC, assessed the reasonableness of and approved the viability statement based on three-year capital plans produced by management</li> </ul>

<i>Key Audit Matters</i>	<i>What we did</i>
<p><b>Expected credit loss (ECL) assessment</b></p> <ul style="list-style-type: none"> <li>The appropriateness of the allowance for expected credit losses is highly subjective and judgemental. The impact of COVID-19 and the resultant economic impacts in South Africa and the UK have resulted in additional key judgements and assumptions being made during the current year</li> </ul>	<ul style="list-style-type: none"> <li>challenged the level of ECL and the assumptions used to calculate the ECL provisions held by the group</li> <li>reviewed and monitored the group's calculation of expected credit losses, trends in staging changes, model changes, scenario updates, post-model adjustments, and volatility. Specific review and consideration was given to the macroeconomic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions</li> <li>convened a dedicated combined audit and risk committee meeting to consider economic scenarios adjusted for the forecasted potential impact of COVID-19, probabilities and weightings, principles applied, changes to governance over models and ECL principles applied</li> <li>assessed ECL experienced against forecast, and considered whether the level of ECL was appropriate. Particular focus was given to COVID-19 restructured positions (payment holidays) and sectors' highly impacted by COVID-19, the legacy portfolio and exposures which are specifically affected by the negative current macro-economic environment</li> <li>evaluated the IFRS 9 disclosures for relevance and compliance with IFRS</li> <li>assessed the appropriateness of the ECL provision raised by the group for large exposures in entities publicly perceived to be in financial distress</li> <li>reviewed the appropriateness of the management overlay recognised in the UK. The overlay was calculated by applying a weighted consideration of two macro-economic scenarios to account for the impact of COVID-19. The committee specifically scrutinised the assumptions applied in the COVID-19 short and the COVID-19 long scenario</li> <li>reviewed the appropriateness of the forward looking macro-economic scenarios used in the measurement of ECL in South Africa. The macro-economic scenarios were updated to capture the wide-reaching impacts of the sovereign downgrade to sub investment grade as well as the impact of COVID-19. The committee further evaluated the appropriateness of the management ECL overlay to capture the anticipated impact of South Africa's national lockdown on the commercial real estate portfolio</li> </ul>
<p><b>Accounting for equity linked notes and deposit products issued by the Structured Products Desk in the UK</b></p> <ul style="list-style-type: none"> <li>Investec issues equity linked notes and deposit products through the Structured Products Desk in the UK. These products require complex accounting principles to be applied and involve a degree of subjectivity surrounding the inputs to their valuations</li> </ul>	<ul style="list-style-type: none"> <li>received and reviewed a technical accounting memorandum prepared by group finance on the accounting treatment of the equity linked notes and deposits. This included an analysis of the key judgements and assumptions applied</li> <li>evaluated the appropriateness of the disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied</li> <li>received confirmation from external audit on the appropriateness of the accounting treatment</li> </ul>

<i>Key Audit Matters</i>	<i>What we did</i>
<p><b>Accounting for strategic actions completed by the Group</b></p> <ul style="list-style-type: none"> <li>Investec elected to separately disclose the financial impact of certain strategic actions including the financial impact from group restructures and the rundown of portfolios where operations have ceased. Due to the significant change in the nature of the entity's operations, it was considered appropriate to present the information on a like-for-like basis, resulting in reclassifications for related items which were previously included in operating income and operating costs in the income statement</li> </ul>	<ul style="list-style-type: none"> <li>received and reviewed a technical accounting memorandum prepared by group finance on the appropriateness of the classification and measurement of the strategic actions. This included an analysis of the key judgements and assumptions applied</li> <li>evaluated the appropriateness of the disclosure provided relating to significant judgements and estimates, valuation methods and assumptions applied</li> <li>considered the impact of such items on the quality of earnings</li> </ul>
<p><b>External audit, audit quality and mandatory audit firm rotation (MAFR)</b></p>	<ul style="list-style-type: none"> <li>managed the relationship with the external auditors including their re-appointment</li> <li>considered and approved a revised policy in respect of non-audit services rendered by external audit</li> <li>pre-approved all non-audit services provided by external audit and confirmed the services to be within the approved non-audit services policy</li> <li>assessed the independence and objectivity of the external auditors</li> <li>met with key members of Ernst &amp; Young LLP and Ernst &amp; Young Inc. (auditors of DLC) and Ernst &amp; Young Inc. and KPMG Inc. (auditors of Investec Limited) prior to every Audit Committee, to discuss the 2019/2020 audit plan, key areas of focus, findings, scope and conclusions</li> <li>met separately with the leadership of Ernst &amp; Young Inc., KPMG Inc., and Ernst &amp; Young LLP to discuss auditor accreditation, independence, firm quality control, results of internal and external inspections and audit quality</li> <li>discussed external audit feedback on the group's critical accounting estimates and judgements. Noted the increased involvement of specialists from the audit firms in the more complex matters in the current year</li> <li>discussed external auditors' draft report on specific control areas and the control environment ahead of the 2020 financial year end. The committee considered and discussed with the auditors accounting in respect of significant accounting transactions such as the IAM demerger, structured products and the run down of the Hong Kong branch.</li> <li>the committee approved the external audit plan, audit fee and the main areas of focus</li> <li>had a closed session with the auditors without management</li> </ul> <p>In line with the conditions set out in section 94(8) of the South African Companies Act, and based on its assessment documented above, using the criteria set out by the King IV Code and the JSE Listings Requirements, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners</p> <p>The Committee evaluated the legal and regulatory MAFR requirements to rotate external auditors. An audit rotation plan was developed and approved by the Committee that stipulates the timing of the audit tender process, the transition and the effective date of the rotation in each of the jurisdictions Investec operates in. According to the plan, Investec initiated the audit tender process to rotate one of the joint external audit firms of Investec Bank Limited and Investec Limited</p> <p>Additional information regarding the procedures performed by the Committee on external audit and the audit rotation plan is provided on page 142</p>

**Other matters considered by the DLC Audit Committee:**

Apart from financial reporting matters, the committee has responsibility for oversight of the effectiveness of the group's internal controls, the appointment, performance and effectiveness of internal audit, and the performance, objectivity and independence of the external auditors. The committee considered the following matters during the financial year ended 31 March 2020:

<i>Area of focus</i>	<i>What we did</i>
<b>IFRS</b>	<ul style="list-style-type: none"> <li>reviewed the impact of the first-time adoption of IFRS16 and IFRIC 23 and the related disclosures</li> <li>The 2019 annual financial statements of the Investec group were subject to a JSE pro-active monitoring review. The 2018 annual financial statements of the Investec group were subject to a review by the FRC. The outcome of the reviews confirmed compliance with IFRS and regulatory disclosure requirements</li> </ul>
<b>Related Party Disclosures</b>	<ul style="list-style-type: none"> <li>considered and reviewed related party disclosures in relation to the group</li> <li>DLC Nomdac reviewed key related party transactions during the year and ensured that policies are being complied with</li> </ul>
<b>Regulatory Compliance and Reporting</b>	<ul style="list-style-type: none"> <li>received regular reports from the group regulatory compliance function and reviewed the adequacy of the scope and the effectiveness of the regulatory compliance processes applied. This included the evaluation of the quality of regulatory reporting, the regulatory compliance universe, the scope and the integrity of the regulatory compliance process, the adequacy of internal regulatory compliance systems and processes, and the consideration and remediation of any findings by the external auditors and regulator</li> </ul>
<b>Post-balance sheet disclosure</b>	<ul style="list-style-type: none"> <li>considered the need for post-balance sheet disclosures. Specifically considered the impact of COVID-19 in the affected jurisdictions that Investec operates in</li> </ul>
<b>Viability Statement</b>	<ul style="list-style-type: none"> <li>assessed the reasonableness of and approved the viability statement in a specifically convened combined DLC Audit and BRCC</li> </ul>
<b>Fair, balanced and understandable reporting</b> <ul style="list-style-type: none"> <li>the group is required to ensure that its external reporting is fair, balanced and understandable, and consider whether it provides the information necessary for stakeholders to assess the group's position and performance, business model and strategy</li> </ul>	<ul style="list-style-type: none"> <li>the committee undertakes an assessment on behalf of the board, in order to provide the board with assurance that it can make the statement</li> <li>met with senior management to gain assurance that the processes underlying the compilation of the annual financial statements were appropriate</li> <li>conducted an in-depth, critical review of the annual financial statements and, where necessary, requested amendments to disclosure</li> <li>assessed disclosure controls and procedures</li> <li>confirmed that management had reported on and evidenced the basis on which representations to the external auditors were made</li> <li>obtained input and assurance from the external auditors</li> <li>the committee concluded that the processes underlying the preparation of the annual report and financial statements for the financial year ended 31 March 2020 were appropriate in ensuring that those statements were fair, balanced and understandable</li> <li>the committee recommended to the board that the 2020 annual report and financial statements were fair, balanced and understandable.</li> </ul>
<b>Combined Assurance Model</b>	<ul style="list-style-type: none"> <li>satisfied itself with the appropriateness of the design and effectiveness of the combined assurance model applied which incorporates the various disciplines of risk management, legal and regulatory compliance. Satisfied itself with the levels of assurance and mitigants so that, taken as a whole, there is sufficient and appropriate assurance regarding mitigants for the key risks</li> </ul>
<b>Internal controls</b> <ul style="list-style-type: none"> <li>the effectiveness of the overall control environment, the status of any material control issues with emphasis on the progress of specific remediation plans</li> </ul>	<ul style="list-style-type: none"> <li>attended and received regular reports from the DLC BRCC. Based on this reporting, evaluated the impact of an evolving risk environment, including operational risk, on the internal control environment</li> <li>evaluated and tracked the status of the most material control issues identified by internal and external audit and tracked the progress of the associated remediation plans against agreed time frames</li> <li>reviewed reports from the Independent Audit Committees of the Asset Management business (up until the demerger) and Investec Wealth &amp; Investment, both of which are attended by the DLC Audit committee chair</li> <li>evaluated reports on the internal control environment from the internal and external auditors</li> <li>attended and received regular reports from the IT Risk and Governance Committee regarding the monitoring and effectiveness of the group's IT controls. Considered updates on key internal and external audit findings in relation to the IT control environment</li> <li>reviewed and approved the Combined Assurance Model, ensuring completeness of risks and adequacy and effectiveness of assurance coverage</li> </ul>

# CORPORATE GOVERNANCE

(continued)

<i>Area of focus</i>	<i>What we did</i>
<p><b>Business control environment</b></p> <ul style="list-style-type: none"> <li>the effectiveness of the control environment in each individual business, including the status of any material control issues and the progress of specific remediation plans</li> </ul>	<ul style="list-style-type: none"> <li>received regular reports from subsidiary audit sub-committees</li> <li>assessed reports on individual businesses and functions on their control environment, scrutinised any identified control failures and closely monitored the status of remediation plans</li> <li>received updates from senior management, and scrutinised action plans following internal audit findings</li> <li>requested confirmation from management regarding the remediation of any issues identified including the time frames and accountability for remediation</li> </ul>
<p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>the performance of internal audit and delivery of the internal audit plan, including scope of work performed, the level of resources, the risk assessment methodology and coverage of the internal audit plan</li> <li>the committee is responsible for assessing audit quality in relation to Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>scrutinised and reviewed internal audit plans, risk assessment, methodology, staffing and approved the annual plan. Assumed responsibility for the monitoring and following up of internal audit control findings, including IT, and ensured appropriate mitigation and timeous close out</li> <li>received regular reports from internal audit on all significant issues identified</li> <li>monitored audit quality in relation to internal audit</li> <li>monitored delivery of the agreed audit plans, including assessing internal audit resources</li> <li>reviewed succession for key internal audit roles</li> <li>tracked in parallel the levels of high and moderate risk audits, and monitored related remediations plans</li> <li>met with the heads of internal audit prior to each audit committee meeting, without management being present, to discuss the remit of internal audit and any issues arising from the internal audits conducted</li> <li>approved the internal audit plans, methodology and deliverables</li> <li>confirmed that it was satisfied with the performance of the internal audit function</li> <li>approved the risk assessments and rotational audit plan</li> <li>reviewed the EQAR conducted by an external provider during 2020, with no material issues impacting the DLC internal audit function</li> <li>received an opinion from internal audit on internal controls and the integrated risk management framework as part of the year-end sign-off process</li> <li>considered the succession, skills matrix and the Continuous Professional Development (CPD) of Internal Audit</li> <li>had a closed session of the audit committee with internal audit without management present</li> <li>the internal audit quality assurance program is designed in line with the Institute of Internal Auditors (IIA) International Professional Practices Framework (which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Professional Conduct, including the Code of Ethics)</li> <li>the quality assurance program is multi-faceted, and includes the attraction, development and retention of adequately skilled staff that exercise proficiency and due professional care, adherence to the global internal audit governance framework and audit methodology, oversight and detailed review of every audit engagement and a quarterly post engagement quality assurance program</li> <li>the results of the post engagement quality assurance program inform any training interventions required within the team and the results are consolidated and presented to the Audit Committee on an annual basis</li> </ul>
<p><b>Finance function</b></p>	<ul style="list-style-type: none"> <li>discussed and concluded that the finance director has the appropriate expertise and experience and the finance function has sufficient resources and skills to perform the financial reporting for the group</li> </ul>

## External audit

The DLC Audit Committee has the following responsibilities:

- To nominate a registered auditor for the group who, in the opinion of the audit committee, is independent
- To consider the audit fees to be paid to the auditors and the scope of the engagement
- To determine the nature and extent of any non-audit services that the auditor may provide
- To satisfy itself of the independence and objectivity of the external auditors
- To satisfy itself of the experience and the capacity of the audit teams

### Auditor appointment

In terms of Section 90 of the South African Companies Act an auditor is prohibited from providing certain specified services for a client on which a statutory audit is performed.

The Audit Committee has considered the following in determining the appointment of external auditors:

- The regulatory need for joint auditors
- The state of the audit profession in South Africa
- The level of specialisation, footprint, capacity and experience required by a firm in performing a joint audit of a bank or financial services group which is of systemic importance
- Level of quality control within the audit firms as evidenced by the results of internal and external regulatory reviews performed on audit firms and engagement partners
- The level of inherent risk in auditing a Financial Services group and the consequent audit risk
- Independence of the External Auditor
- The fundamental demands on audit quality, the level of audit risk given the turmoil in the audit profession, balanced against shareholder views on firm rotation

### Non-audit services

The Investec group has adopted a new policy on the engagement of the external auditors to provide non-audit services. This policy, designed to safeguard auditor objectivity and independence, includes guidelines on permitted and non-permitted services and on services requiring specific approval by the DLC Audit Committee. The policy was reviewed and revised during the current year.

Total audit fees paid to all auditors for the year ended 31 March 2020 were £15.4 million (2019: £15.1 million), of which £4.3 million (2019: £4 million) related to the provision of non audit services.

Total non-audit fees for each of the auditing firms were pre-approved by the chair of the DLC Audit Committee prior to every assignment.

Included in non-audit services in the current year are assurance services typically provided by the external auditor in respect of circulars and prospectuses as part of the demerger of the Investec Asset Management business.

Based on the abovementioned policy and reviews, the DLC Audit Committee was satisfied that the level and type of non-audit work undertaken throughout the year did not impair the independence of Ernst & Young LLP (Investec plc) or Ernst & Young Inc. and KPMG Inc. (Investec Limited).

## Partner accreditation and audit quality

In terms of the amended JSE Listings Requirements external audit Partner Accreditation, which was previously done by the Independent Regulatory Board for Auditors (IRBA), is now the responsibility of the DLC Audit Committee, together with specific responsibilities around audit quality. In this regard discussions in respect of audit quality continued between the DLC Audit Committee and Ernst & Young LLP (Investec plc), Ernst & Young Inc. and KPMG Inc. (Investec Limited), both from a UK and South African perspective.

The following was covered during these discussions:

- transparency reports and reviews by each of the two firms covering their client base, client acceptance and continuance processes, and the approach to clients, if any, that did not meet the client continuance criteria;
- any reputational, legal or impending legal issues impacting the firm
- the independence processes of the firm, including partner reward and remuneration criteria;
- interrogation of international and local firm audit quality control processes;
- detailed profiles of all partners and managers on the Investec assignment, including their relevant audit experience, were reviewed;
- details in relation to each firm's respective succession plans in order to provide assurance as to the partner rotation, transition and continuity process;
- the results of the last firm-wide reviews carried out by the regulatory body, IRBA in South Africa; FRC in the UK;
- the results of the last individual partner quality reviews carried out by the regulator and internal firm-wide quality control reviews carried out in respect of each partner; and
- the completion of an audit quality questionnaire by each member of the audit committee and management, the results of which were that a robust audit is in place.

### Auditor independence and objectivity

- The DLC Audit Committee considers the independence of the external auditors on an ongoing basis
- The external auditors are required to rotate the lead audit partner every five years and other key audit partners every five years
- Partners and senior staff associated with the Investec audit may only be employed by the group after a cooling off period
- The lead partners commenced their respective five-year rotation periods in 2019 and 2018 (Ernst & Young LLP: 1 April 2019 and Ernst & Young Inc: 31 January 2018)
- Manprit Dosanjh has replaced Andy Bates as the lead Ernst & Young LLP partner for the 2020 audit
- The external auditors have confirmed their independence and were requested to review and confirm the level of staff transactions with Investec, if any, to ensure that all auditors on the Investec audit meet the independence criteria.

## CORPORATE GOVERNANCE

(continued)

Following due consideration, we continue to believe that the following are adequate safeguards to ensure that the audit process is both objective and effective:

- the extent of audit cross reviews, both between the joint auditors of Investec Limited and the additional reviews by KMPG International
- the additional cross reviews by the DLC auditors across the group supported by partner rotation
- limitations on non-audit services including pre-approval on non-audit work
- the confirmation of the independence of the firms and auditors involved
- formal audit quality process undertaken by the Audit Committee

### Mandatory Firm Rotation

#### *Investec plc*

The company has complied with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order), which relates to the frequency and governance of tenders for the appointment of the external auditors. The external auditors of Investec plc are Ernst & Young LLP. Ernst & Young LLP have been Investec plc's auditors since 2000 and are subject to a mandatory rotation by the end of March 2024 at the latest. A competitive tender process will be conducted in advance of this time.

#### *Investec Limited*

In terms of the Banks Act in South Africa, Investec Limited is required to appoint joint auditors.

The rule on MAFR as issued by the Independent Regulatory Board for Auditors (IRBA) requires that an audit firm shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive financial years. Thereafter, the audit firm will only be eligible for reappointment as the auditor after the expiry of at least five financial years. The requirement is effective for financial years commencing on or after 1 April 2023. If, at the effective date, the entity has appointed joint auditors and both have had audit tenure of 10 years or more, then only one audit firm is required to rotate at the effective date and the remaining audit firm will be granted an additional two years before rotation is required.

The Investec Limited Audit Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the South African Companies Act and the state of the audit profession in South Africa including reputational or apparent audit failure perceptions. The views expressed by shareholders have been a key consideration balanced with the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, the audit committee deemed it prudent to commence the process by rotating one of the joint auditors effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter. A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023. The conclusion of the tender process will be communicated publicly as soon as it is concluded.

### Re-election of auditors

In line with the conditions set out in section 94(8) of the South African Companies Act, and based on its assessment, using the criteria set out by the King IV Code, the JSE, and considering the guidance provided in the FRC guide on Audit Committees, the DLC Audit Committee confirms its satisfaction with the performance and quality of external audit, the external auditors and lead partners.

In making the recommendation for the re-election of Investec Limited's and IBL's auditors, the board and the DLC Audit Committee have taken into consideration the South African Companies Act and the South African Prudential Authority requirements with respect to joint auditors and mandatory firm rotation together with the results of the Audit Committees' extensive, formalised process to satisfy itself as to auditor independence and audit quality.

The board and DLC Audit Committee is recommending the re-election of KPMG Inc. and Ernst & Young as joint auditors of Investec Limited at the annual general meeting in August 2020.

In addition, the board and the DLC Audit Committee is recommending the re-election of Ernst & Young LLP as auditors of Investec plc at its AGM in August 2020.



**Zarina Bassa**  
Chair of the DLC Audit Committee

16 June 2020

## DLC Board Risk and Capital Committee report

As the chairman of the DLC BRCC, during the financial year ended 31 March 2020, I am pleased to present our report.

The role of the committee is to review, on behalf of the board, the range of risks facing the business. We perform this function by considering the risk reports presented and question whether existing actions taken by management are appropriate.

The DLC Audit Committee has the primary role in providing assurance to the board that adequate controls are in place to mitigate the enterprise wide risks identified and that the controls may be relied upon. Therefore, the audit committee relies on the output of the committee to give assurance on the completeness of enterprise wide risks. As it is essential that there are some synergies in membership of the DLC Audit Committee and DLC BRCC, common membership is retained by Zarina Bassa, as the chair of the DLC Audit Committee, and Philip Hourquebie and Philisiwe Sibiya, as members of the DLC Audit Committee.

Capital ratios have remained sound throughout COVID-19. With respect to Market Risk, we remained within risk limits through the period, except for the UK equity structured products business which was significantly impacted by a sharp fall in equity markets pursuant to the COVID-19 pandemic, and resultant changes in assumed dividend yields. The committee reviewed and approved the capital plans for IBL and IBP under various stress scenarios. The committee was also actively involved in reviewing the various models for the Foundation Internal Ratings Based (FIRB) approach. The South African Prudential Authority approved the IBL application to calculate its minimum capital requirements in respect of credit risk for the wholesale portfolios using the FIRB approach and retail portfolios using the Advanced Internal Ratings Based (AIRB) approach, effective April 2019.

Reports to the committee focus on the key risk disciplines of credit, operational, legal, conduct, reputational, capital, liquidity, climate change risk, financial crime, business resilience, market, investment risk, information technology and cyber security. Due to the dynamic nature of the business environment in which Investec operates, the committee is flexible in considering other matters of relevance as they arise. For example, the committee requested several *ad hoc* reports in order to adequately assess risks that are due to one off events, including deep dives on certain significant risk exposures such as business resilience and cyber crime.

At each board meeting, a report is presented on the key matters discussed at the committee with particular focus on any new risks identified.

In the latter part of the financial year, the committee focused on the rapidly evolving impact of COVID-19 and the potential introduction of a broad range of risks across the business: people risk, operational resilience and financial risks including market risk, credit risk and liquidity risk. We focused on deposit origination through our funding channels in anticipation of increased levels of notice given by corporates to shore up their liquidity needs. We actively monitored our liquidity position and risk metrics and various market scenarios. The committee was provided with assurance that due attention and appropriate action was being taken and the committee was regularly kept abreast of the risks given the fluidity of the situation.

## We believe that robust risk management systems and processes are in place to support the group strategy

### DLC Board Risk and Capital Committee report

#### David Friedland

Chairman of the DLC BRCC

#### Key achievements in FY 2020

- Reviewed the targeted attack simulation (TAS) exercise conducted by external consultants in order to mitigate cybercrime risk. Ensured remedial action was being taken in respect of identified weaknesses
- Brexit: Consideration of risks that could be faced and management actions to mitigate the impact thereof
- Monitored progress of converting the IBL wholesale book from the Foundation Internal Ratings Based (FIRB) to the Advanced Internal Ratings Based (AIRB) approach
- Monitored the effectiveness of Risk Data Aggregation and Risk Reporting (RDARR)
- Monitored the implementation of the General Data Protection Regulation (GDPR)
- Continued focus on the further embedding of International Financial Reporting Standards (IFRS 9)
- Reviewed strengthening our Economic, Social and Governance (ESG) assessments and monitoring processes
- Discussed climate-related risks and opportunities for enhanced Task Force on Climate related Financial Disclosures (TCFD) disclosures
- Ensured that any risks associated with the demerger of the Asset Management (Ninety One) business were adequately addressed
- Reviewed the results of IBP's liquidity stress test simulation exercise, including consideration of actions resulting therefrom
- Monitored the group's Internal Capital Adequacy Assessment Process (ICAAPs), the group's Internal Liquidity Adequacy Assessment Process (ILAAP)
- Monitored the impact and measures taken to manage COVID-19

#### Areas of focus in FY 2021

- Monitor the impact and measures taken to manage COVID-19 including the impact on staff, the workplace, financial, client services, risk and compliance
- Monitor the continued mitigation of risks related to cybercrime and information security
- Monitor the effectiveness of RDARR
- Continued focus on the further embedding of IFRS 9
- Monitor regulatory developments
- Continuing to strengthen our ESG processes
- Strengthening disclosure according to TCFD recommendations
- Review business resilience
- Monitor the conversion of the IBL wholesale book from FIRB to AIRB
- Approve the group's ICAAPs and IBP's ILAAP
- Brexit: continued consideration of the risks that could be faced and the monitoring of management actions to mitigate the impact thereof

## CORPORATE GOVERNANCE

(continued)

---

### *Committee performance*

The performance of the committee was evaluated over the year and it was concluded that it was to be operating effectively.

### *Role of the chair*

During the year, meetings were held regularly with the heads of business, as well as heads of the risk disciplines outside of formal committee meetings in order to maintain and develop an understanding of the group's operations and risks facing the business. These interactions are an essential part of the role of the chairman, as it provides an additional layer of assurance to help gain comfort that risks that are reported to the committee accurately reflect the risks facing the business.

---

### *Looking forward*

There is currently unprecedented uncertainty resulting from the COVID-19 pandemic, including the depth of the potential downturn in activity, the duration of restrictive measures and the lockdown exit plans within the geographies in which we operate.

It is presently difficult to predict the full impact that the pandemic will have on the group.

We will regularly review and, where necessary, question management's ongoing responses so as to ensure that the challenges posed by COVID-19 are given its full attention.

In the year ahead, the committee will continue to focus on matters related to the impact of economic conditions on Investec, effective risk data aggregation, business resilience, financial crime, the implementation of regulatory requirements, Financial Intelligence Centre Act (FICA) and the King IV Code, information security, cybercrime and risks associated with the fast pace of regulatory change faced by the business and assessing the impact of external factors on the group's risk profile.

The committee will continue to dedicate time either within scheduled meetings or with ad-hoc meetings to receive in-depth reporting on specific risks or business lines from subject matter experts to facilitate better understanding of the risks and to allow for debate and challenge.



**David Friedland**  
Chairman, DLC BRCC

16 June 2020

## Role

The committee is an essential part of the group's governance framework to which the board has delegated the monitoring of the group's activities in relation to a number of risks and capital management. The committee is the most senior risk management committee of the group and comprises executive and non-executive membership. It covers each material banking and wealth management subsidiary company within the wider group.

The committee has to ensure that all risks are identified and properly mitigated and managed. Good client and market conduct are paramount in all the group does and the committee ensures a robust culture supported by oversight and management of information to evidence good practice.

The committee also considers whether the resources allocated to the risk management functions are adequate for effectively managing the group's risk exposures.

The committee is also the appointed board committee to meet the requirements of the South African Banks Act and the Capital Requirements Regulation and Directive (CRR/CRD IV), adopted

by the European Commission and implemented in the UK. This requires the board of directors of a bank and a holding company to appoint a risk and capital committee.

## Composition and meetings

The DLC Nomdac and the board have formed the opinion that the committee has the appropriate balance of knowledge and skills in order to discharge its duties. All members have the relevant knowledge and experience for them to be able to consider the issues that are presented to the committee.

The committee meets at least six times every year. During the year ended 31 March 2020, the committee met six times.

A Combined DLC Audit Committee and DLC BRCC meeting was held in February 2020 to review Macro Economic Scenarios, Weightings and the impact on Expected Credit Losses (ECL) and IFRS 9, to jointly sign off on these matters.

**DLC BRCC  
(6 meetings in the year)**

Members	Committee member since	Eligible to attend	Attended
D Friedland (Chairman)	13-Sep-13	6	6
ZBM Bassa	14-Nov-14	6	6
PKO Crosthwaite	9-Nov-18	6	3
B Kantor*	11-Mar-11	2	1
S Koseff**	11-Mar-11	2	1
NA Samujh***	8-Aug-19	4	4
PA Hourquebie	17-Aug-17	6	6
KL Shuenyane	16-Jan-15	6	6
HC Baldock****	9-Aug-19	4	4
PG Sibiya*****	9-Aug-19	4	4
F Titi	11-Mar-11	6	6

\* B Kantor stepped down from the committee with effect from 8 August 2019.

\*\* S Koseff stepped down from the committee with effect from 8 August 2019.

\*\*\* NA Samujh was appointed to the committee with effect from 9 August 2019

\*\*\*\* HC Baldock was appointed to the committee with effect from 9 August 2019.

\*\*\*\*\* PG Sibiya was appointed to the committee with effect from 9 August 2019.

^ Where a director is unable to attend a meeting they review their meeting papers in advance and have the opportunity to provide comments to the chairman of the committee.

## Other regular attendees

- Operational risk
- Internal Audit
- Head of IT security
- Investec Wealth & Investment (SA) representative
- Investec Wealth & Investment (UK) representative
- Chief risk officer – Investec Limited
- Chief risk officer – Investec plc
- Investec Asset Management Head of legal risk and compliance#
- Global head of governance and compliance
- AIRB / FIRB project representative for AIRB / FIRB
- Head of Legal

# Attended until the January 2020 meeting

## How the DLC BRCC works

The significant matters addressed by the committee during the financial year ended 31 March 2020 are described on the following pages.

The standard and regular agenda items of the committee include comprehensive reports pertaining to liquidity risk, capital adequacy, credit risk, investment risk, market risk, operational risk, reputational and legal risk, conduct risk, financial crime, fraud and IT and cyber risk.

## COMMITTEE ACTIVITIES

<i>Areas of focus</i>	<i>What we did</i>
<p><b>Capital management</b></p> <ul style="list-style-type: none"> <li>We may have insufficient capital to meet regulatory requirements and may deploy capital inefficiently across the group.</li> <li>The progress/plan to achieving required regulatory and internal targets and capital and leverage ratios</li> </ul>	<ul style="list-style-type: none"> <li>measured key capital ratios against the internal and regulatory limits and what actions management planned to meet these ratios/limits</li> <li>reviewed regulations on the management of capital – IFRS 9 and AIRB</li> <li>considered and assessed the implications of capital relaxation requirements in respect of COVID-19</li> <li>satisfied itself that Investec plc and Investec Limited and their subsidiaries were adequately capitalised and that progress was being made towards achieving impending regulatory amendments to capital ratios</li> </ul>
<p><b>Liquidity risk</b></p> <ul style="list-style-type: none"> <li>Liquidity risk refers to the possibility that, despite being solvent, we have insufficient capacity to fund increases in assets or are unable to meet our payment obligations as they fall due, in normal and stressed conditions. This includes repaying depositors or maturing debt. This risk arises from mismatches in the timing of cash flows and is inherent in all banking operations and can be impacted by a range of institution-specific and market wide events</li> </ul>	<ul style="list-style-type: none"> <li>reviewed regular reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof</li> <li>considered the impact and measures taken to manage COVID-19</li> <li>challenged the effectiveness of the management of liquidity risk within the business</li> <li>reviewed an investment measure to ensure sufficient liquidity to absorb repayment of the Irish deposits pursuant to Brexit</li> <li>reviewed management's plans to address liquidity challenges caused by COVID-19, including focused deposit origination and revised funding plans</li> </ul>
<p><b>Balance sheet risk</b></p> <ul style="list-style-type: none"> <li>Balance sheet risk encompasses the financial risks relating to our asset and liability portfolios, comprising liquidity, funding, concentration, encumbrance and non-trading interest rate risk</li> </ul>	<ul style="list-style-type: none"> <li>regularly reviewed reports highlighting group activity, liquidity balances and key measures against thresholds and limits and challenged the effective management thereof</li> </ul>
<p><b>Recovery and resolution plan</b></p> <ul style="list-style-type: none"> <li>Documents how the group will recover from extreme financial stress to avoid liquidity and capital difficulties in Investec plc and Investec Limited</li> </ul>	<ul style="list-style-type: none"> <li>reviewed the recovery and resolution plans for the group in line with the mandated annual review</li> <li>challenged the recovery and resolution plans addressing how the group will recover from extreme financial stress and avoid liquidity and capital difficulties in the group</li> <li>gained comfort that adequate plans had been put in place for scenarios where the group was required to recover from extreme financial stress</li> <li>considered the impact and measures taken to manage COVID-19</li> </ul>
<p><b>Market risk</b></p> <ul style="list-style-type: none"> <li>Market risk arising in our trading book could affect our operational performance</li> <li>Traded market risk is the risk of potential changes in the value of the trading book as a result of changes in market risk factors such as interest rates, equity prices, commodity prices, exchange rates, credit spreads and the underlying volatilities in the derivatives market</li> </ul>	<ul style="list-style-type: none"> <li>monitored risk appetite breaches and challenged management action which addressed these breaches</li> <li>considered the initial impact of COVID-19</li> <li>received and interrogated a report on the losses suffered in equity UK Structured Products</li> <li>reviewed the impact of new market risk capital regulations including the Fundamental Review of the Trading Book, and gained comfort that the project in place was progressing with appropriate management focus</li> <li>reviewed the initial impact of COVID-19 and mitigating actions</li> </ul>
<p><b>Credit and counterparty risk</b></p> <ul style="list-style-type: none"> <li>Credit and counterparty risk exposes us to losses caused by an obligor's failure to meet the terms of any agreement</li> </ul>	<ul style="list-style-type: none"> <li>monitored the risk appetite limits and questioned management action taken in respect of breaches</li> <li>challenged the effectiveness of the management of such risks within the business</li> </ul>
<p><b>Investment risk</b></p> <ul style="list-style-type: none"> <li>We may be exposed to investment risk in our unlisted and listed investment portfolios and property investment activities. The probability or likelihood of occurrence of losses relative to the expected return of any particular investment</li> </ul>	<ul style="list-style-type: none"> <li>reviewed and challenged the governance processes in place to manage the risk</li> <li>reviewed and questioned the investment risk reports submitted to the committee</li> </ul>

<i>Areas of focus</i>	<i>What we did</i>
<p><b>Operational risk</b></p> <ul style="list-style-type: none"> <li>Operational risk from failures relating to internal processes, people, systems or from external events may disrupt our business or result in regulatory action. The potential or actual impact as a result of failures relating to internal processes, people, systems, or from external events. The impacts can be financial as well as non-financial such as customer detriment, reputational or regulatory consequences</li> </ul>	<ul style="list-style-type: none"> <li>monitored operational losses and received detailed explanations for significant losses</li> <li>reviewed the overall risk rating for the group</li> <li>considered and reviewed the risk appetite limits for the group</li> <li>monitored and reviewed regulatory compliance risk, information security risk, access risk and regulatory developments</li> <li>considered the impact of risk and regulatory developments on the business</li> </ul>
<p><b>Reputational risk</b></p> <ul style="list-style-type: none"> <li>Reputational, strategic and business risks could impact our operational performance. Reputational risk is damage to our reputation, name or brand. Reputational risk is often associated with strategic decisions made and also arises as a result of other risks manifesting and not being appropriately mitigated</li> </ul>	<ul style="list-style-type: none"> <li>monitored events which could potentially create reputational risk</li> <li>gained comfort that reputational risk was mitigated as much as possible through detailed processes and governance escalation procedures from business units to the board, and from regular, clear communication with all stakeholders</li> </ul>
<p><b>Conduct risk</b></p> <ul style="list-style-type: none"> <li>Conduct risk is the risk that detriment is caused to the group, its customers, its counterparties or the market, as a result of inappropriate execution of business activities</li> </ul>	<ul style="list-style-type: none"> <li>reviewed and questioned the conduct risk report which is discussed at each meeting</li> <li>gained comfort that conduct related matters were appropriately managed and where required, reporting was made to the Regulators in a timely manner</li> <li>challenged the effectiveness of the management of such risks within the business</li> </ul>
<p><b>Business Resilience</b></p> <ul style="list-style-type: none"> <li>Risk associated with disruptive incidents which can impact premises, staff, equipment, systems and key business areas</li> </ul>	<ul style="list-style-type: none"> <li>reviewed, challenged and debated reports which highlight processes in place to manage business resilience</li> <li>reviewed results of business resilience tests</li> <li>challenged the effectiveness of the management of such risk within the business</li> <li>considered the impact of COVID-19 on the continuation of the business in the current environment</li> </ul>
<p><b>Cyber crime risk</b></p> <ul style="list-style-type: none"> <li>Cyber risk can result in data compromise, interruption to business processes or client services, material financial losses, or reputational harm</li> </ul>	<ul style="list-style-type: none"> <li>received and assessed regular reports regarding the cyber crime landscape, including lessons learnt from external cyber attacks</li> <li>received the targeted attack simulation (TAS) results and ensured that any remediation required was completed</li> <li>gained comfort that the management of cyber crime was given the necessary priority</li> </ul>
<p><b>Climate Change</b></p> <ul style="list-style-type: none"> <li>Unintended environmental (including climate risk), social and economic risks could arise in our lending and investment activities</li> </ul>	<ul style="list-style-type: none"> <li>received and considered reports regarding environment and climate change</li> <li>considered management's actions to strengthen financial risks from climate change</li> </ul>
<p><b>IT Security &amp; Technology</b></p> <ul style="list-style-type: none"> <li>We may be vulnerable to the failure of our systems and breaches of our security systems (including cyber and information security)</li> </ul>	<ul style="list-style-type: none"> <li>received and reviewed reports from the chair of the INL IT Risk &amp; Governance Committee</li> <li>interrogated reports on the remedial actions taken in respect of TAS</li> </ul>
<p><b>Financial Crime</b></p> <ul style="list-style-type: none"> <li>We may be exposed to financial crime, including money laundering, terrorist financing, bribery, fraud, tax evasion, embezzlement, forgery, counterfeiting, and identity theft</li> </ul>	<ul style="list-style-type: none"> <li>regular reports were presented and interrogated with regard to financial crime events</li> <li>reviewed and considered the annual money laundering report officer's report</li> </ul>

## DLC Remuneration Committee report

For information on the decisions taken by the DLC Remuneration Committee, refer to the remuneration report contained on pages 178 to 237 in volume one of the Investec group's 2020 integrated annual report.

During the financial year ended 31 March 2020, the DLC Remuneration Committee met ten times. This comprised eight scheduled meetings and two additional meetings called at short notice. Attendance at committee meetings is shown below.

Members	Committee member since	DLC Remuneration Committee (10 meetings in the year)	
		Eligible to attend	Attended
PA Hourquebie (chairman)	14-Aug-17	10	10
ZBM Bassa	10-Sep-15	10	9
PKO Crosthwaite	18-Sep-13	10	8
CR Jacobs	8-Aug-14	10	10

<sup>^</sup> Where a member is unable to attend a meeting, they receive papers in advance and have the opportunity to provide comments to the chairman of the committee

## How we comply

### Regulatory context

The group operates under a dual listed companies (DLC) structure which requires compliance with the principles contained in the South African King IV Code of Corporate Governance Principle (available at [www.iodsa.co.za](http://www.iodsa.co.za)) and the UK Corporate Governance Code 2018 (available at [www.frc.org.uk](http://www.frc.org.uk)).

We believe that sound corporate governance depends on much more than mere compliance with regulations. Good conduct and ethical practice is embedded in everything that we do at Investec. By acting in accordance with our values and principles, we believe that good governance is ensured.

Details of our compliance with certain corporate governance principles and regulatory matters are provided below. For further information in this regards, please refer to pages 05 to 09 of volume 3 of the annual report, for the directors' responsibility statement and directors' report.

### Statement of compliance

#### *King IV*

The board has applied the King IV Code throughout the group and is satisfied that King IV has been complied with.

#### *UK Corporate Governance Code*

The UK Corporate Governance Code 2018 (the code) applied to the group for the financial year ended 31 March 2020. The group confirms that it applied the principles and complied with all the provisions of the code throughout the year, except in relation to provision 19 that provides that the chair should not remain in post beyond nine years from the date of their first appointment to the board. The board believe that the continued appointment of the chairman, Perry Crosthwaite, who was appointed to the board in June 2010, will support the succession plan for the board and the leadership team. Please refer to page 115 for a more detailed explanation of the board's view as to the independence of the chairman.

This page and the [following page] explain how we have applied the principles and the related provisions of the code during the year. The alphabetical references in the paragraphs below correspond to the principles, and related provisions, of the code.

#### 1. Board leadership and company purpose

##### A.

The group is led by an effective, entrepreneurial board, which is collectively responsible for the long-term sustainable success of the group, ensuring due regard is paid to the interests of the group's stakeholders. Please refer to page 112 for the details of the group's governance framework, and pages 108 to 111 for the directors' biographies.

##### B.

The board assumes responsibility for establishing the purpose of the group, setting its strategy, establishing its culture and determining the values to be observed in achieving the strategy. Please refer to pages 119 to 123 for further details.

##### C.

The board retains ultimate responsibility for ensuring adequate resources are available to meet agreed objectives and strategy, and ensures such resources are responsibly and effectively deployed.

The board has established a risk management framework, as detailed on pages 12 to 90.

##### D.

The board recognises that engaging with and acting on the needs of the group's stakeholders is key to achieving the strategy and long-term objectives of the group. Engagement with stakeholders, across the organisation, including that of the board, is discussed further on pages 22 to 26, and in the directors' statement of compliance with their duties under section 172 of the UK Companies Act 2006 on pages 22 to 26

##### E.

All policy and practice relating to our people is developed and implemented in a manner which is consistent with the group's purpose and values, with the board receiving regular updates on matters relevant to our people. Responsibility for whistleblowing arrangements sits with the subsidiary audit committees of the group, in accordance with their regulatory obligations.

#### 2. Division of responsibilities

##### F.

The chairman has overall responsibility for the leadership of the board and for ensuring its effectiveness in all aspects of its operations. The chairman, Perry Crosthwaite, was considered to be independent on appointment. The responsibilities of the chairman are set out on page 113.

##### G.

There is a clear division of responsibility at the head of the company. There is a clear separation between the role of the chairman and the CEO. Please refer to page 113 for the details of the respective board roles.

##### H.

Non-executive directors are advised of time commitments prior to their appointment and they are required to devote such time as necessary to discharge their duties effectively. The time commitments of the directors are considered by the board on appointment and the board is satisfied that there are no directors whose time commitments are considered to be a matter for concern. External appointments, which may affect existing time commitments for the board's business, must be agreed with the chairman, and prior approval must be obtained before taking on any new external appointments. More information on directors' attendance at board and committee meetings can be found on page 120.

##### I.

The chairman, supported by the company secretaries, ensures that board members receive appropriate and timely information. The group provides access, at its expense, to the services of independent professional advisers in order to assist directors in their role. Board committees are also provided with sufficient resources to discharge their duties. All directors have access to the services of the company secretaries in relation to the discharge of their duties.

#### 3. Composition, succession and evaluation

##### J.

The process for appointments to the board are led by the DLC Nomdac, which makes recommendations to the board. More details about succession planning and the work of the DLC Nomdac can be found on pages 124 to 127.

## K.

The DLC Nomdac reviews the balance of skills, experience, independence, and knowledge on the board and board committees on an annual basis, or whenever appointments are considered. Having the right balance on the board and board committees helps to ensure that those bodies discharge their respective duties and responsibilities effectively. For the financial year ended 31 March 2020, the board, at the recommendation of the DLC Nomdac, concluded that the skills, knowledge and experience of the directors as a whole was appropriate for their responsibilities and the group's activities, as shown on page 126.

The DLC Nomdac monitors, in particular, whether there are any relationships or circumstances which may impact a director's independence. For the financial year ended 31 March 2020, the board, at the recommendation of the DLC Nomdac, concluded that the majority of the non-executive directors are independent in character and judgement, as shown on page 115. As identified on page 115, the board concluded that Ian Kantor, founder, former CEO of the group, and brother of former executive director Bernard Kantor, could not be considered to be independent under the code.

## L.

The evaluation of the board is externally facilitated at least every three years. An internally facilitated board evaluation was completed in 2019, with an externally facilitated evaluation having taken place in 2018. Individual evaluation is carried out by the chairman on behalf of the board. Performance evaluation of the chairman is carried out by the non-executive directors, led by the SID. Further information can be found on the board effectiveness review can be found on page 127.

## 4. Audit, risk and internal control

### M.

The board has delegated a number of responsibilities to the audit committee, including oversight of financial reporting processes, the effectiveness of internal controls and the risk management framework, and the work undertaken by the external and internal auditors. The audit committee report which can be found on pages 132 to 142, sets out how the committee has discharged its duties and areas of focus during the year.

### N.

The code requirement that the annual report is fair, balanced and understandable is considered throughout the drafting and reviewing process and the board has concluded that the 2020 annual report is fair, balanced and understandable. The directors' and auditors' statements of responsibility can be found on pages 09 and 34 of volume 3 respectively. Information on the group's business model and strategy can be found on pages 7 to 10.

### O.

The board is responsible for the group's risk management and internal controls systems; see page 139 for more detail regarding internal control.

The audit committee is responsible for the effectiveness of internal controls and the Risk Management Framework. Further information can be found on pages 12 to 90.

The DLC BRCC is responsible for the review of the risk culture of the group, setting the tone from the top in respect of risk management. Further information can be found on pages 143 to 147.

The directors' viability statement and confirmation that the business is a going concern can be found on page 151.

## 5. Remuneration

### P.

The group is committed to offering all employees a reward package that is competitive, performance-driven and fair and the group's remuneration policy statement is designed to promote the long-term success of Investec. The directors' remuneration report on pages 179 to 237 provides full details regarding the remuneration of directors.

### Q.

The DLC remuneration committee seeks to ensure all remuneration policy, including that relevant to executive remuneration, is fair and transparent. The work of the DLC remuneration committee during the year, including its review of the Remuneration Policy, is discussed further in its report on pages 179 to 237.

### R.

The Remuneration Policy seeks to ensure all remuneration decisions made by directors fully consider the wider circumstances as relevant to that decision, including, but not limited to, individual performance. The DLC remuneration committee's decision making in respect of remuneration outcomes is discussed further in the directors' remuneration report on pages 179 to 237 which includes additional confirmation of the use of remuneration consultants, including where any such consultant has another connection to the group.

## Other statutory information

### *Workforce engagement*

The DLC Nomdac considered how the board would further engage with our people, following the publication of the Companies (Miscellaneous Reporting) Regulations 2018, and made a recommendation to the board as to the appropriate method. The board agreed, noting the recommended methods for workforce engagement provided by the UK Corporate Governance Code, that a designated non-executive director be appointed to support the directors' engagement with our people.

Recognising the independent governance structures within the group, it was determined that a designated non-executive director be appointed from the Investec group board, Philip Hourquebie, the IBP board, Moni Mannings, and the Wealth & Investment board, Cath Thorpe, to ensure that each of the respective boards were made aware of the views expressed by our people.

The board identified the current engagement activities, which include culture dialogues, diversity and inclusion programmes, well-being programmes, talent programmes, country and site visits, town halls, and question and answer sessions. Enhancements to these existing engagement activities were agreed to provide the opportunity for feedback, themes and viewpoints to be brought to the attention of the board for discussion and to encourage dialogue between the board and our people.

A quarterly workforce engagement synthesis meeting was established, with management and the designated non-executive directors in attendance, to process in detail the quantitative and qualitative data relevant to workforce engagement. Management subsequently report to their respective boards on the engagement activities, with the designated non-executive director highlighting the matters of interest from our people to support the key decision making of their respective boards.

The board utilised the matters of interest to our people to inform its discussions and decision making, in particular, in respect of the decisions taken as to office working conditions, flexible working and our working from home policy. The board, recognising the changes required as a result of COVID-19, also adapted the manner in which it engaged with the workforce, to provide for increased virtual engagement opportunities, to ensure that the board remained connected and engaged with our people whilst the majority of the workforce worked from home.

### *Viability statement*

In accordance with the UK Corporate Governance Code, in addition to providing a going concern statement, the board is required to make a statement with respect to the group's viability (i.e. its ability to continue in operation and meet its liabilities) taking into account the current position of the group, the board's assessment of the group's prospects and the principal risks it faces. Following confirmation by the DLC BRCC (comprising a majority of non-executive directors, which includes members of the audit committees) the audit committees recommended the viability statement for board approval.

The board has identified the principal and emerging risks facing the group and these are highlighted on pages 30 to 37.

Through its various sub-committees, notably the audit committees, the DLC BRCC and the capital committees, the board regularly carries out a robust assessment of these risks, and their potential impact on the performance, liquidity, solvency and operational resilience of the group. The activities of these board sub-committees and the issues considered by them are described in the governance section of this report.

Taking these risks into account, together with the group's strategic objectives and the prevailing market environment, the board approved the overall mandated risk appetite frameworks for Investec plc and Investec Limited. The risk appetite frameworks set broad parameters relating to the board's expectations around performance, business stability and risk management.

The board considers that prudential risk management is paramount in all it does. Protection of depositors, customers' interests, capital adequacy and shareholder returns are key drivers. To manage the group's risk appetite there are a number of detailed policy statements and governance structures in place. The board ensures that there are appropriate resources in place to manage the risks arising from running our business by having independent Risk Management, Compliance, and Financial Control functions. These are supplemented by an Internal Audit function that reports independently to a non-executive audit committee chairman.

The board believes that the risk management systems and processes we have in place are adequate to support the group's strategy and allow the group to operate within its risk appetite framework. A review of the group's performance/measurement against its risk appetite framework is provided at each DLC BRCC meeting and at the main board meetings.

In terms of the South African Prudential Authority (South African PA), the FCA and PRA requirements, the group is also required to meet regulatory standards with respect to capital and liquidity. In terms of these requirements, the group is required to stress its capital and liquidity positions under a number of severe stress conditions. Investec's stress testing framework is well embedded in its operations and is designed to identify and regularly test the group's key 'vulnerabilities under stress'.

Liquidity stress testing is performed for a range of scenarios, each representing a different set of assumptions. These include market wide, firm specific, and combined scenarios (combination of the market wide and firm specific stresses). The group manages its liquidity risk appetite in relation to combined stress parameters which represent extreme but plausible circumstances. The objective is to have sufficient liquidity under a combined stress scenario to continue to operate for a minimum period as detailed in the board-approved risk appetite. In addition to these stress scenarios, the group's risk appetite also requires it to maintain specified minimum levels for both the liquidity coverage ratio and net stable funding ratio, greater than those required by the regulators; a minimum cash and near cash to customer deposit ratio of 25%; and to maintain low reliance on wholesale funding to fund core asset growth. Each banking entity within the group is required to be fully self-funded. The group currently has £12.7 billion in cash and near cash assets, representing 39.4% of customer deposits.

The group develops annual capital plans that look forward over a three-year period. These plans are designed to assess the capital adequacy of the group's respective banking entities under a range of economic and internal conditions, with the impact on earnings, asset growth, risk appetite and liquidity considered. The output of capital planning allows senior management and the board to make decisions to ensure that the group continues to hold sufficient capital to meet internal and regulatory capital targets over the medium term (i.e. three years). The group targets a minimum capital adequacy ratio of 14% to 17%, a tier 1 ratio greater than 11%, a common equity tier 1 ratio in excess of 10% and a leverage ratio in excess of 6% for each of its banking entities.

The parameters used in the capital and liquidity stresses are reviewed regularly, taking into account changes in the business environments and inputs from business units. A detailed 'bottom-up' analysis is paired with macro-economic downside risks to design Investec-specific stress scenarios.

For 2020, given the developments in relation to the COVID-19 pandemic, specific consideration was given to the potential risks associated with COVID-19 and scenarios were developed in order to incorporate the potential impact.

As the group's banking entities are regulated separately and ring-fenced from one another, different stress scenarios apply across the respective banking entities and jurisdictions.

### **Investec Limited:**

- **Base case:** The base case scenario incorporates a temporary sharp global recession from the COVID-19 pandemic, low interest rates and severe depreciation of the Rand. Eventually sufficient global and domestic monetary and other policy measures support growth and risk sentiment stabilises, with no further South African sovereign credit rating downgrades.
- **Down case:** A scenario which incorporates a temporary sharp global recession from the COVID-19 pandemic, but with a more severe recession in the South African economy than incorporated in the base case following a prolonged COVID-19 impact, depressed business confidence and further credit rating downgrades from all three rating agencies to a B credit rating.
- **Severe down case:** A scenario where there is a lengthy global recession due to COVID-19, a global financial crisis and South Africa's credit rating is downgraded by all three rating agencies towards C credit ratings.

## Investec plc:

- Base case: The base case COVID-19 narrative assumes a short, sharp shock to the UK economy resulting from the social containment measures as both demand and supply are severely curtailed. By the third quarter the UK begins to emerge from the shutdowns with facilities reopening in a staggered manner, and by the fourth quarter a degree of normality returns to the UK.
- Down case: The down case narrative assumes an L-shaped scenario, which encompasses a weaker economic recovery compared to the base case, as the easing of the lockdown happens at a slower pace. A more durable long-term economic recovery is undermined by more permanent scarring on the economy, with elevated unemployment and weak investment as firms attempt to rebuild depleted cash reserves.

The group also typically incorporates the South African PA biennial and Bank of England (BoE) annual cyclical stress scenarios into its capital processes. The South African PA scenarios were not required to be run in the 2020 year and the BoE cancelled the 2020 Annual Cyclical Stress (ACS) scenario. Accordingly the group has not run these scenarios for the 2020 capital stress testing process.

The board has assessed the group's viability in its 'base case' and stress scenarios. In assessing the group's viability, a number of assumptions are built into its capital and liquidity plans. In the stress scenarios these include, for example, foregoing or reducing dividend payments and asset growth being curtailed. As noted on page 21, in light of regulatory guidance provided to banks in both South Africa and the UK, the board decided not to declare a final ordinary dividend. This is a clear demonstration of actions that can be taken in periods of severe stress and uncertainty.

We also carry out 'reverse stress tests', i.e. those scenarios that would cause the group to breach its capital and liquidity requirements. These scenarios are considered unlikely, given the group's strong liquidity position and sound capital and leverage parameters.

Furthermore, the group is required to have a recovery plan for both Investec Limited and Investec plc as well as a resolution pack for Investec plc. The purpose of the recovery plans are to document how the board and senior management will ensure that the group recovers from extreme financial stress to avoid liquidity and capital difficulties in its separately regulated companies.

The group also maintains an operational resilience framework for building organisational resilience to respond effectively to operationally disruptive events. This not only ensures continuity of business but also safeguards the interests of key stakeholders, reputation, brand and value-creating activities.

The capital and liquidity plans, stress scenarios, recovery plans, resolution pack and the risk appetite statement are reviewed at least annually. In times of severe economic distress, stress scenarios are reviewed more regularly for example as is the case with COVID-19. In addition, senior management host an annual risk appetite process at which the group's risk appetite frameworks are reviewed and modified to take into account risk experience and changes in the environment. Furthermore, strategic budget processes which focus on, amongst other things, the business and competitive landscape; opportunities and challenges; financial projections – take place within each business division at least annually. A summary of these divisional budgets, together with a consolidated group budget, is presented to the board during its strategic review process early in the year.

In assessing the group's viability, the board has taken all of the abovementioned factors, documents and processes into consideration. The directors can confirm that they have a reasonable expectation that Investec will continue to operate and meet its liabilities as they fall due over the next three years. The board has used a three-year assessment period as this is aligned to the group's medium term capital plans which incorporate profitability, liquidity, leverage and capital adequacy projections and include impact assessments from a number of stress scenarios. Detailed management information therefore exists to provide senior management and the board sufficient and realistic visibility of the group's viability over the next three years to 31 March 2023.

The viability statement should be read in conjunction with the following sections in the annual report, all of which have informed the board's assessment of the group's viability:

- Pages 07 to 102, which shows a strategic and financial overview of the business
- Pages 30 to 37, which provide detail on the principal and emerging risks the group faces
- Page 11 in volume two, which highlights information on the overall group's risk appetite
- Pages 12 to 25 in volume two, which provide an overview of the group's approach to risk management, and the processes in place to assist the group in mitigating its principal risks
- Pages 09, 15, 59, 56 and 57 in volume two which highlight information on the group's various stress testing processes
- Pages 58 to 62 in volume two, which specifically focus on the group's philosophy and approach to liquidity management
- Pages 73 in volume two, which provide detail on the recovery plans for Investec plc and Investec Limited
- Pages 77 to 82 in volume two which explain the group's capital management framework.

This forward-looking viability statement made by the board is based on information and knowledge of the group at 16 June 2020. There could be a number of risks and uncertainties arising from (but not limited to) domestic and global economic and business conditions beyond the group's control that could cause the group's actual results, performance or achievements in the markets in which it operates to differ from those anticipated.

## Conflicts of interest

Certain statutory duties with respect to directors' conflict of interest are in force under the UK Companies Act and the South African Companies Act. In accordance with these Acts and the Articles of Association (Articles) of Investec plc and the Memorandum of Incorporation (MOI) of Investec Limited, the board may authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he or she has, or can have, a direct interest that conflicts, or possibly may conflict, with the interest of the company. The board has adopted a procedure, as set out in the Articles and MOI that includes a requirement for directors to submit, in writing, disclosures detailing any actual or potential conflict for consideration, and if considered appropriate, approval.

## External directorships

Outside business interests of directors are closely monitored and we are satisfied that all of the directors have sufficient time to effectively discharge their duties.

### *Dealings in securities*

Dealings in securities are subject to the personal account dealing policy. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry best practice.

The policy is designed to discourage speculative trading and highlight potential conflicts of interest between the interest of employees and the Investec group or any of its clients, shareholders or potential shareholders. The UKLA's Disclosure Guidance and Transparency Rules require us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their "connected persons". These include directors and senior executives of the group. Staff are prohibited from dealing in all listed Investec securities during closed periods. Trading is restricted in respect of all Investec Limited, Investec plc, Investec Property Fund Limited (IPF) and Investec Australia Property Fund Limited (IAPF) securities as well as any warrants, OTC and exchange traded derivatives on the said securities. Staff are restricted from exercising options through Investec Staff Share Schemes during closed periods.

The UK and South African Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

Staff are required to undertake not to use any personal hedging strategies to lessen the impact of a reduction in value of any share award or any vested shares which are subject to a retention period following any vesting date. Any breach of this condition will result in the lapse of any unvested proportion of such reward, unless the DLC Remuneration Committee determines otherwise.

### *Directors' dealings*

Directors dealings in the securities of Investec plc and Investec Limited are subject to a policy based on the Disclosure Guidance and Transparency Rules of the UKLA and the JSE Listings Requirements.

All directors' and company secretaries' dealings require the prior approval of the compliance division and the chairman, the senior independent director or the chairman of the audit committee.

All dealings of persons discharging management responsibilities require approval by line management, the compliance division and the chairman.

### *Related parties*

Investec has processes and policies in place to govern the review, approval and disclosure of related party transactions entered into with directors, management and staff. DLC Nomdac reviewed key related party transactions during the year and ensured that the appropriate policies had been complied with. The DLC Nomdac also conducted a comprehensive review of the respective policies.

### *Time commitment*

All potential new directors are asked to disclose their significant commitments, and to give an indication of the time spent on those commitments. The DLC Nomdac will then take this into account when considering a proposed appointment on the basis that all directors are expected to allocate sufficient time to their role on the board in order to discharge their responsibilities effectively. This includes attending, and being well-prepared for, all board and board committee meetings, as well as making time to understand

the business, meet with executives and regulators, and complete ongoing training. All significant new commitments require prior approval.

### *Stakeholder engagement*

The board recognise that effective communication is integral in building stakeholder value and are committed to providing meaningful, transparent, timely and accurate financial and nonfinancial information to our stakeholders. As part of our stakeholder engagement philosophy and process, the chairman, SID and DLC Remuneration Committee chairman actively engage with UK shareholder representative organisations and our largest shareholders on an annual basis.

At the August 2019 annual general meeting a less than 80% vote was received for the resolution in regards to:

- the re-appointment of KPMG Inc. as joint auditors of Investec Limited

The DLC Audit Committee identified audit quality as a Key Audit Matter as defined by auditing standards and accordingly spent considerable time gaining assurance in this regard and included specific additional procedures to satisfy itself regarding audit quality, audit firm transparency processes, auditor independence and objectivity and auditor rotation planning, where Investec Limited is and intends to remain compliant with the mandated requirements around Mandatory Audit Firm Rotation ("MAFR"). Regarding KPMG Inc., a number of specific additional processes both at a local and international level were implemented to ensure and confirm audit quality.

The DLC Audit Committee considered the implications of the mandatory audit firm rotation rule as issued by IRBA, the requirements of the South African Companies Act, the views expressed by shareholders, the implications of having joint auditors and the risks inherent to an audit transition. Based on this assessment, the audit Committee decided to commence the process by rotating one of the joint auditors of Investec Limited effective from the financial year commencing 1 April 2023, with the remaining firm rotating two years thereafter. A competitive tender process has commenced to appoint the audit firm to be rotated for the financial year commencing 1 April 2023.

Refer to pages 141 to 142 for further details in regards to the DLC Audit Committee's review of the external auditors, and an update on the MAFR process.

### **Report to shareholders**

This report to shareholders has been approved and authorised for issue to the shareholders of Investec plc and Investec Limited on 16 June 2020 and signed on its behalf by:



**David Miller**  
Company Secretary

**Investec plc**



**Niki van Wyk**  
Company Secretary

**Investec Limited**