

Investec plc Policy for the Assessment of Suitability of Board members and Key Function Holders (KFH)



Version control

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Approval

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v1.0	DLC NOMDAC	06/09/2021
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Glossary

This policy uses the following specific terms, acronyms and abbreviations.

Term	Definition
Being independent <i>(applicable to NEDs only)</i>	The term implies that a non-executive director (NED) does not have any present or recent past relationships, nor links of any nature with the relevant institution or its management body that could influence the member's objective and balanced judgement or reduce the member's ability to take decisions independently.
Competence	Having the skills, knowledge and experience necessary for the individual to discharge their responsibilities. It also includes achieving a good standard of conduct and ethical behaviour.
Diversity	The situation whereby the characteristics of the members of the management body, including their ethnicity, race, gender, age, geographical provenance (the region where a person has gained a cultural, educational or professional background) and other relevant personal attributes, are different to an extent that allows a variety of views within the management body.
Guidelines	The EBA & ESMA Guidelines on the Assessment of the Suitability of the Management Body and Key Function Holders revised in July 2021.
Key Function Holders (KFH)	Individuals who are not members of the board but exercise significant influence over the direction of the institution. They may include the CFO the heads of internal control functions and other individuals identified on a risk-based approach as KFH.
Independence of mind <i>(applicable to NEDs and executive directors)</i>	Refers to board members engaging actively in their duties and being able to make their own sound, objective and independent decisions and judgments when performing their functions and responsibilities.
Investec or Investec entities	For the purpose of this policy 'Investec' or 'Investec entities' refer to Investec plc and all entities in scope of Investec plc prudential consolidation, as set out in section 1.3.2
Management body	A board of directors made up of executive and non-executive directors
Prudential consolidation	The Guidelines define prudential consolidation as the application of the prudential rules set out in Directive 2013/36/EU and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis, in accordance with Part 1, Title 2, Chapter 2 of Regulation (EU) No 575/2013. Investec's interpretation of the prudential consolidation is set out in section 1.3.2 and Appendix 5.
Significant CRR institution	CRR institutions referred to in Article 131 of Directive 2013/36/EU (global systemically important institutions (G-SIIs), and other systemically important institutions (O-SIIs), and, as appropriate, other CRR institutions determined by the competent authority or national law, based on an assessment of the institutions' size and internal organisation, and the nature, scope and complexity of their activities, and for the purposes of Article 91 of Directive 2013/36/EU financial holding companies and mixed financial holding companies that meet one of the aforementioned conditions.
Suitability	Possessing sufficient knowledge, skills and experience, being able to act with honesty and integrity, being of sufficiently good repute, having independence of mind and being able to commit sufficient time to perform relevant duties.

Section 1 – Background, Purpose and Scope

1.1. Background

The ongoing suitability of board members and Key Function Holders (KFH) is crucial for the proper functioning of credit institutions, investment firms, financial holding companies and mixed financial holding companies (together ‘institutions’).

All institutions are required to assess the suitability of board members and KFH ahead of an appointment and on an ongoing basis. This Policy incorporates key aspects of the Guidelines and sets out common standards for conducting such assessments by relevant entities (subsidiaries) within Investec plc group.

This Policy does not overrule nor replace the existing legal and regulatory requirements applicable to various entities within the Investec plc Group. Entities within scope of this policy are required to comply with the pertinent local legal and regulatory requirements applicable to their entity regarding the assessment of the suitability of board members and KFH. Entities may choose to disapply or modify certain requirements set out within this Policy that contradict their respective local requirements (e.g. the criteria for the assessment of independence of board members).

The Investec plc Board and the Nomination and Directors’ Affairs Committee (NOMDAC) are responsible for ensuring that this Policy is implemented within all subsidiaries which are in scope of the Investec plc prudential consolidation. All entities within scope of the Investec plc prudential consolidation are responsible for ensuring compliance with this Policy, to the extent that the requirements contained within do not contradict the relevant local legal and regulatory requirements and in line with the proportionality principle set out below and providing an attestation to this effect to NOMDAC, as directed by Company Secretarial.

1.2. Purpose

The purpose of this Policy is to set out group standards for the assessment of the individual and collective suitability of board members and KFH within the Investec plc Group. All requirements outlined in this Policy apply to board members however only certain requirements apply to KFH. For ease, each requirement contained within this document is accompanied by a description of which category of individual it is applicable to.

The assessment of suitability comprises the following aspects:

- a. Sufficient knowledge, skills and experience (collectively ‘**competence**’) – *applicable to board members and KFH*
- b. **Independence** – ‘being independent’ and demonstrating ‘independence of mind’ to effectively assess and challenge the decisions of executive board members and other management and monitor management decision making – *applicable to board members only*
- c. **Sufficient time commitment** to performance of director’s duties, including compliance with the limits on the number of directorships – *applicable to board members only*
- d. **Honesty, integrity and reputation** – *applicable to board members and KFH*
- e. **Diversity of the board** – *applicable to board members only*

1.3. Scope and application of the Policy

1.3.1. Individuals within scope

The Policy applies to board members (executive and non-executive directors) and KFH of entities which are within scope of the Investec plc prudential consolidation.

1.3.2. **Entities within scope**

The following entities which are within scope of the Investec Plc prudential consolidation (**'prudential consolidation'**) are required to comply with this Policy, in line the *Proportionality principle* set out section 1.3.3:

- Investec plc – *financial holding company and the consolidating CRR institution responsible for ensuring that this Policy is implemented at both an Investec plc level and across all subsidiaries within the scope of the prudential consolidation*
- Investec Bank plc (IBP) – *CRR institution*
- Investec Wealth & Investment Limited (IW&I) - *investment firm subject to Investment Firms Prudential Regime (IFPR)*
- Investec Bank (Channel Islands) Limited (IBCI) – *credit institution*
- Investec Europe Limited (IEL) – *investment firm subject to Investment Firms Regulation (IFR)*
- Investec Bank (Switzerland) AG (IBSAG) - *credit institution; and*
- All other subsidiaries in scope of prudential consolidation, as set out in Appendix 5.

1.3.3. **Proportionality principle**

All entities within scope of the prudential consolidation should conduct suitability assessments of directors and KFH, taking into account the nature, scale and complexity of the entity's activities and in line with the application of the proportionality principle and the specific position concerned.

As such, CRR institutions within Investec plc Group (i.e. IBP and Investec plc) are generally expected to either comply with all requirements set out in this Policy or to adopt a separate entity level Policy and/or procedure regarding the assessment of suitability of board members and KFH.

Other entities within scope of the prudential consolidation are permitted to adopt a more proportionate approach to complying with this Policy, which reflects their size, complexity and local legal and regulatory requirements.

1.3.4. **Future impact of Brexit**

Following the UK's departure from the EU, the PRA confirmed that it expects UK institutions to continue to 'make every effort to comply' with the Guidelines, which includes the requirements set out in this Policy.

Section 2 – Suitability Assessment Criteria

The overall suitability of Directors and KFH's should be assessed prior to the employment/appointment commencing and at least annually thereafter. When duly justified, for example where shareholders nominate and appoint members of the board at the Annual General Meeting, the suitability of board member(s) can be completed within one month of the appointment.

2.1 Assessment of the Competence - *Board Members and KFH*

This section of the Policy predominantly refers to the assessment of the competence of board members however sections 2.1.1 and 2.1.3 also apply to the assessment of the competence of KFH.

Members of the board must, **individually and collectively**, possess the adequate knowledge, skills and experience to understand the firm's activities and main risks. This includes an appropriate understanding of those areas for which the member is not directly responsible but is collectively accountable, together with the other board members. Knowledge, skills and experience should be maintained at all times, taking into account changes in the nature, scale and complexity of the institution's activities.

2.1.1 **Assessment of individual competence - *board members and KFH***

An assessment of the individual competence of board members should consider the following factors (the below is not an exhaustive list):

- a. The level of knowledge and relevant skills attained through education and professional qualifications in areas such as banking and finance, economics, law, accounting, auditing, administration, financial regulation, information technology, and quantitative methods;
- b. Theoretical and practical experience relevant to the individual's role on the board and the firm's activities, specifically in areas such as banking and financial markets; legal requirements and the regulatory framework; strategic planning; the understanding of an institution's business strategy or business plan; risk management, accounting and auditing; the assessment of the effectiveness of an institution's arrangements, ensuring effective governance, oversight and controls; the interpretation of an institution's financial information; and the identification of key issues based on this information;
- c. Knowledge of relevant financial industry and regulation;
- d. The ability to understand money laundering and financing of terrorism risks; and
- e. Ethical standards, professional conduct and understanding of culture.

In carrying out the assessment of the **skills** applicable to the role of a board member, the relevant assessors (for example, Nomination Committee) should take into consideration the list of skills contained in the Guidelines (set out in Appendix 1), and refer to the collective suitability criteria set out in Appendix 2.

The competence of Directors and KFH's should be assessed prior to the employment/appointment commencing and at least annually thereafter. In respect of appointment of new board members, when duly justified, the competence assessment may be completed within one month of the appointment.

Entities within scope of this Policy are expected to have suitable processes and procedures in place to conduct such assessments. At a minimum, these policies and procedures should cover the process of assessing and documenting competence of board members and KFH upon joining (including the assessment of competence during the interview process, verification of academic and professional qualifications and the induction plan) and on a periodic basis thereafter (e.g. annual fitness propriety assessments and/or performance reviews, board effectiveness reviews, etc).

2.1.2 Assessment of collective competence – board members only

The assessment of collective competence and suitability is based on a comparison between the actual and the required composition with regard to the collective knowledge, skills and experience required of the board in order for them to be able to understand the institution's activities and the main risks.

The composition and the collective competence and suitability of the board should be assessed when considering new appointments, following resignations of board members and as part of significant business restructures which may require a re-assessment of the board skill set and experience.

When assessing the collective competence of the board, relevant entities may take into account the assessment matrix included in Appendix 2. Investec entities should also ensure that the ability to understand money laundering and financial crime risks is considered as part of these assessments.

2.1.3 Induction & Training – board members and KFH

Induction and training are key to ensuring the initial and ongoing competence of board members and KFH. Entities in scope of the Policy are therefore required to maintain suitable training and competence policies and ensure that appropriate financial and human resources are devoted to induction and training.

Newly appointed board members should receive an appropriate and tailored induction programme that covers Directors Duties and specificities of the institution's structure, its strategy, core activities and risks, and how the institution is embedded within the overall Investec Group structure. The induction programme should consist of the provision of key documents, accompanied by a series of meetings with key members of the board and senior management.

KFH should receive an induction programme tailored to their role, experience and the breadth of their responsibilities.

Board members and KFH should be provided with appropriate ongoing training and development to ensure that they are able to effectively discharge their duties. Ongoing training should aim to not only maintain but also to improve the required skills and qualifications of relevant individuals in order to ensure they possess sufficient knowledge of changes to the relevant legal and regulatory requirements of the institution, its markets and products and the institution's structure, business model and risk profile.

Records of any internal training provided to relevant individuals must be retained by each entity within scope of this Policy. In addition, board members are required to keep appropriate records of any external training courses or workshops attended which must be available upon request.

2.2 Assessment of Independence – *board members only*

When assessing the independence of board members, Investec entities should differentiate between the notion of '**independence of mind**', which is required of all executive and non-executive members of the board and the principle of '**being independent**', which is only relevant to non-executive directors (NEDs).

Independence of mind

Acting with 'independence of mind' refers to board members engaging actively in their duties and being able to make their own sound, objective and independent decisions and judgments when performing their functions and responsibilities. When assessing the independence of mind Investec should assess whether or not all board members have courage, conviction and strength to effectively assess and challenge the proposed decisions; are able to ask questions to the executive members of the board; are able to resist 'group-think'; and whether board members have any conflicts of interest that could impede their ability to perform their duties independently and objectively.

It should be noted that being a shareholder, an owner or a member of an Investec entity, a member of affiliated companies or affiliated entities or holding private accounts, loans or using other services provided by the relevant entity or any other Investec entity within the Investec Group, should not alone be considered to affect the independence of mind of a board member.

Being independent

'Being independent' implies that a non-executive director does not have any present or recent past relationships, nor links of any nature with the relevant institution or its management body that could influence the member's objective and balanced judgement or reduce the member's ability to take decisions independently.

Whilst the Guidelines recommend that, dependent on the type of financial institution, a certain number of independent non-executive directors should be appointed, Investec entities within scope of this Policy are expected to follow their local legal and regulatory requirements in this regard.

Further guidance on the factors to be taken into considering when assessing the independence of non-executive directors can be found in Appendix 3.

2.3 Sufficient time commitment and limits on the number of directorships – *board members only*

As part of the suitability assessment, Investec entities must ensure that directors are able to commit sufficient time to perform their duties, both at the time of the appointment and on an ongoing basis thereafter. Investec's directors must ensure that they inform their relevant boards or nomination committees, of any new internal or external appointments that may impact their time commitment or be in breach of any applicable regulatory requirements governing the maximum number of directorships in the jurisdiction.

Investec entities that are in scope of this Policy are required to maintain a record of any directorships and other business interests held by each director, which are used when assessing directors' time commitment and any potential conflicts of interest.

2.3.1 Sufficient time commitment

In the assessment of sufficient time commitment of a board member, the following factors should be taken into account:

- a. the number of directorships in financial and non-financial companies held by that member at the same time, including when acting on behalf of a legal person or as an alternate of a member of the board;
- b. the size, nature scope and complexity of the activities of the entity where the member holds a directorship;
- c. the member's geographical presence and the travel time required for the role; and
- d. the nature of specific position and the responsibilities of the member, including specific roles such as CEO, chairperson, or chair or member of a committee, whether the member holds an executive or non-executive position, and the need of that member to attend meetings in all companies involved.

A full list of factors that should be considered when assessing directors' time commitment can be found in Appendix 4.

2.3.2 Number of directorships – requirements applicable to significant CRR institutions only

Significant firms must ensure that their directors do not hold more than one of the following combinations of directorship at the same time:

- a. one executive directorship with two non-executive directorships; or
- b. four non-executive directorships.

Further guidance on calculating the maximum number of directorships can be found in Appendix 4.

2.4 Honesty, Integrity and Reputation – *board members and KFH*

Board members and KFH must be of good repute and act with honesty and integrity at all times. These criteria must be assessed prior to appointment, via the appropriate background screening and interview processes, and assessed/self-assessed on an ongoing basis thereafter. Investec entities in scope of this Policy should have robust policies and procedures in place with regard to background screening, periodic assessments and proactive disclosures of circumstances that may adversely impact the honesty, integrity or reputation of board members and KFH.

A generally accepted principle is that a firm can deem a board member or KFH to be of good repute and of honesty and integrity if there are no objective and demonstrable grounds to suggest otherwise.

2.5 Diversity and inclusion – *board members only*

Whilst the diversity of the board is not a criterion for the assessment of the members' individual suitability, Investec recognises the benefits of a diverse, representative board, and it should therefore be taken into account when recruiting board members.

Diversity of thought is necessary to provide the range of perspectives, insight and challenge to support good decision making, therefore consideration is given whereby the collective hold an appropriate balance of skills, knowledge and experience as well as ethnicity, race, gender, age, geographical provenance (i.e. the region where a person has gained a cultural, education or professional background) and other relevant personal attributes.

Investec entities should aim to have diverse boards, including an appropriate representation of genders within their boards and management and ensure that the principle of equal opportunities is respected when selecting members of the board.

All institutions should align their practices with our diversity and inclusion principles, which are designed to promote a diverse management body and adopt a board diversity and inclusion policy, as appropriate. Where adopted, the policy should align to our diversity and inclusion principles, which are set out in Appendix 6.

2.6 Ongoing monitoring of individual and collective suitability- *board members only*

Investec entities should monitor, on an ongoing basis, the suitability of their boards in order to identify situations whereby a reassessment of the board's suitability should be performed. In particular, a re-assessment should be performed in the following cases:

- a. when there are concerns regarding the individual or collective suitability of the members of the management body;
- b. in the event of a material impact on the reputation of a member of the management body, or the institution, including cases where members do not comply with the institution's Conflicts of Interest Policy;
- c. where there are reasonable grounds to suspect that money laundering or terrorist financing has been or is being committed or attempted or there is an increased risk thereof in connection with that institution;
- d. as part of periodic (usually annual) board effectiveness review.

If a member of the board is not found to be suitable, such outcome should be documented and the appropriate regulators should be notified, in line with local laws and regulations.

Section 3 – Roles and Responsibilities

Who	Responsibility for
Supervisory board (non-executive directors only) or a nomination committee, if in place	<ul style="list-style-type: none"> • Conducting and documenting assessments of the individual and collective suitability of board members • Notifying relevant regulators about board members who failed a suitability assessment, in line with local policies and regulatory requirements • Establishing and documenting principles for the selection and succession planning of board members and for re-appointing existing board members • Ensuring that an appropriate balance of skills and experience within the relevant entity's board are maintained • Contributing to and ensuring that board members receive an adequate induction and adequate ongoing training (with support from Company Secretarial and other functions, where relevant)
All board members	<ul style="list-style-type: none"> • Notifying the board or nomination committee of changes to the number of directorships or other relevant business interests held or of any other information that may adversely impact their suitability • Notifying the board of any actual or potential conflicts of interest • Maintaining the required standards of training and competence
KFH	<ul style="list-style-type: none"> • Notifying the company of any actual or potential conflicts of interest, discloseable directorships and business interests or any other information that may adversely impact their suitability to perform the role • Maintaining the required standards of training and competence
Company Secretarial	<ul style="list-style-type: none"> • Contributing to and ensuring that board members receive an adequate induction and adequate ongoing training (responsibility shared with supervisory board and nomination committee, with support from other functions, where relevant) • Retaining evidence of individual and collective suitability assessments, e.g. board or nomination committees' minutes, candidate interview notes, outcome of the periodic board effectiveness reviews and ad hoc suitability assessments, etc)

Who	Responsibility for
	<ul style="list-style-type: none"> Ownership of the Policy and managing periodic reviews of the Policy and the attestation process on behalf of NOMDAC
Compliance	<ul style="list-style-type: none"> Monitoring and advising the board, nomination committees and Company Secretarial of regulatory requirements concerning the assessment of suitability of board members and KFH Assisting with board and KFH inductions, as and when required Participating in periodic reviews of the Policy
IBP Prudential Advisory & Reporting	<ul style="list-style-type: none"> Advising on the interpretation of prudential consolidation and other technical aspect related to CRDIV or CRDV
P&O	<ul style="list-style-type: none"> Maintaining appropriate policies and procedures relating to the background screening of board members and KFH Conducting background screening of board members and KFH and advising the board and relevant senior management of any adverse findings
Chairs of subsidiary boards in scope of Investec plc prudential consolidation	<ul style="list-style-type: none"> Attest to the compliance with the Policy to NOMDAC, as directed by Company Secretarial

Section 4 – Policy Ownership & Review and Compliance with Policy

This Policy is owned and reviewed by Company Secretarial, on behalf of NOMDAC, with input from the IBP Compliance function. At a minimum, on an annual basis, this Policy should be referred to NOMDAC for a review of its ongoing appropriateness, including whether any amendments or improvements should be made.

Any material changes to the Policy should also be approved by the Investec plc board.

The nomination committee, or where no nomination committee is established, the boards of the entities in scope of this Policy should ensure that such Policy is implemented, in line with proportionality principle set out in Part I of this Policy.

Appendix 1 – Assessment of Individual Skills

In line with the Guidelines Investec should consider the following skills when assessing competence of board members:

- a. **Authenticity:** is consistent in word and deed and behaves in accordance with own stated values and beliefs. Openly communicates their intentions, ideas and feelings, encourages an environment of openness and honesty, and correctly informs the supervisor about the actual situation, at the same time acknowledging risks and problems.
- b. **Language:** is able to communicate orally in a structured and conventional way and write in the national language or working language where the institution is situated.
- c. **Decisiveness:** takes timely and well-informed decisions by acting promptly or by committing to a particular course of action, for example by expressing their views and not procrastinating.
- d. **Communication:** is capable of conveying a message in an understandable and acceptable manner and an appropriate form. Focuses on providing and obtaining clarity, transparency and encourages active feedback.
- e. **Judgement:** is capable of weighing up data and different courses of action and coming to a logical conclusion. Examines, recognises and understands the essential elements and issues. Has the breadth of vision to look beyond their own area of responsibility, especially when dealing with problems that may jeopardise the continuity of the undertaking.
- f. **Customer and quality-oriented:** focuses on providing quality and, wherever possible, finding ways of improving this. Specifically, this means withholding consent to the development and marketing of products and services and to capital expenditure on, e.g. products, office buildings or holdings in circumstances where they are unable to gauge the risks properly owing to a lack of understanding of the architecture, principles or basic assumptions. Identifies and studies the wishes and needs of customers, ensures that customers run no unnecessary risks and arranges for the provision of correct, complete and balanced information to customers.
- g. **Leadership:** provides direction and guidance to a group, develops and maintains teamwork, motivates and encourages the available human resources and ensures that members of staff have the professional competence to achieve a particular goal. Is receptive to criticism and provides scope for critical debate.
- h. **Loyalty:** identifies with the undertaking and has a sense of involvement. Shows that they can devote sufficient time to the job and can discharge their duties properly, defends the interests of the undertaking and operates objectively and critically. Recognises and anticipates potential conflicts of personal and business interest. Such examples include: economic interests, close family relationships, other employments and previous employments within the recent past five years, being associated with material suppliers, consultancies or other service providers, membership in a body or ownership of a body or entity with conflicting interests & political influence or political relationships.
- i. **External awareness:** monitors developments, power bases and attitudes within the undertaking. Is well-informed about relevant financial, economic, social and other developments at national and international level that may affect the undertaking and also about the interests of stakeholders and is able to put this information to effective use.
- j. **Negotiating:** identifies and reveals common interests in a manner designed to build consensus, whilst pursuing the negotiation objectives.
- k. **Persuasive:** is capable of influencing the views of others by exercising persuasive powers and using natural authority and tact. Is a strong personality and capable of standing firm.
- l. **Teamwork:** is aware of the group interest and makes a contribution to the common result; able to function as part of a team.
- m. **Strategic acumen:** is capable of developing a realistic vision of future developments and translating this into long-term objectives, for example by applying scenario analysis. In doing so, takes proper account of risks that the undertaking is exposed to and takes appropriate measures to control them.
- n. **Stress resistance:** is resilient and able to perform consistently even when under great pressure and in times of uncertainty.
- o. **Sense of responsibility:** understands internal and external interests, evaluates them carefully and renders account for them. Has the capacity to learn and realises that their actions affect the interests of stakeholders.
- p. **Chairing meetings:** is capable of chairing meetings efficiently and effectively and creating an open atmosphere that encourages everyone to participate on an equal footing; is aware of other people's duties and responsibilities.

Appendix 2 – Matrix for the Assessment of Collective Competence of Board Members

The Guidelines include the following assessment matrix which firms may, but are not obliged to use: [Annex I - Joint EBA and ESMA GL on the assessment of suitability](#)

Appendix 3 – Being Independent and Independence of Mind

1. *Being independent (non-executive directors only)*

The Guidelines state that in the following situations, it is **presumed** that a non-executive director ('the member') is regarded as not 'being independent':

- a. the member has or has had a mandate as an **Executive Director** within an institution within the scope of prudential consolidation, unless they have not occupied such a position for the **previous 5 years**;
- b. the member is a **controlling shareholder of the relevant institution**¹, being determined by reference to the cases mentioned in Article 22(1) of Directive 2013/34/EU, or represents the interest of a controlling shareholder, including where the owner is a Member State or other public body;
- c. the member has a **material financial or business relationship** with the relevant institution;
- d. the member is an **employee** of, or is otherwise associated with a controlling shareholder of the relevant institution;
- e. the member is **employed by any entity within the scope of prudential consolidation**, except when both of the following conditions are met:
 - a. the member does not belong to the institutions hierarchical level, which is directly accountable to the management body;
 - b. the member has been elected to the supervisory function in the context of a system of employees' representation and national law provides for adequate protection against abusive dismissal and other forms of unfair treatment;
- f. the member **has previously been employed** in a position at the highest hierarchical level in the relevant institution or another entity within its scope of prudential consolidation, being directly accountable only to the management body, and there has not been a period of at least **3 years**, between ceasing such employment and serving on the management body;
- g. the member has been, within a period of **3 years**, a **principal of a material professional adviser**, an external auditor or a material consultant to the relevant institution or another entity within the scope of prudential consolidation, or otherwise an employee materially associated with the service provided;
- h. the member is or has been, within the **last year**, a **material supplier or material customer** of the relevant institution or another entity within the scope of prudential consolidation or had another material business relationship, or is an senior officer of or is otherwise associated directly or indirectly with a material supplier, customer or commercial entity that has a material business relationship;
- i. the member receives in addition to remuneration for his or her role and remuneration for employment in line with point (c) **significant fees** or other benefits from the relevant institution or another entity within its scope of prudential consolidation;
- j. the member served as member of the management body within the entity for **12 consecutive years or longer**;

¹ The Guidelines define 'relevant institutions' as credit institutions as defined in Article 4(1)(1) of Regulation (EU) No 575/2013 and investment firms as defined in Article 4(1)(1) of Directive 2014/65/EU that do not meet all of the conditions for qualifying as small and non-interconnected investment firms under Article 12(1) of Regulation (EU) 2019/2033.

- k. the **member is a close family member of a member of the management body in the management function** of the relevant institution or another entity in the scope of prudential consolidation or a person in a situation referred to under points (a) to (h).

The mere fact of meeting one or more situations under the above is not automatically qualifying a member as not being independent. Relevant institutions should consider that being a shareholder of a relevant institution, having private accounts or loans or using other services, other than in the cases explicitly listed within this section, should not lead to a situation where the member is considered to be non-independent if they stay within an appropriate de minimis threshold.

As such, where a member falls under one or more of the situations set out above, the relevant Investec entity may still be able to demonstrate that the member should nevertheless be considered as 'being independent'.

2. Independence of mind (executive and non-executive directors) – conflicts of interest considerations

The following circumstances could create actual or potential conflicts and should, therefore, be considered when assessing a person's independence of mind:

- a. economic interests (e.g. shares, other ownership rights and memberships, holdings and other economic interests in commercial customers, intellectual property rights, loans granted by the institution to a company owned by board members);
- b. personal or professional relationships with the owners of qualifying holdings in the institution;
- c. personal or professional relationships with staff of the institution or entities included within the scope of prudential consolidation (e.g. close family relationships);
- d. other employments and previous employments within the recent past (e.g. five years);
- e. personal or professional relationships with relevant external stakeholders, (e.g. being associated with material suppliers, consultancies or other service providers);
- f. membership in a body or ownership of a body or entity with conflicting interests;
- g. political influence or political relationships including in situations where a member of the board is a Politically Exposed Person.

Being a shareholder, owner or member of an institution, a member of affiliated companies or affiliated entities, having private accounts, loans or using other services of the institution or any entity within the scope of consolidation should not be considered by itself to affect the independence of mind of a member of the management body.

All actual and potential conflicts of interest at management body level should be adequately communicated, discussed, documented, decided on and duly managed by the board (i.e. the necessary mitigating measures should be taken). A board should abstain from voting on any matter where that member has a conflict of interest.

Appendix 4 – Sufficient Time Commitment and Limits on Number of Directorships (Board members only)

In the assessment of sufficient time commitment of a member, institutions should take at least the following into account:

- a. the number of directorships in financial and non-financial companies held by that member at the same time, taking into account possible synergies when they are held within the same group, including when acting on behalf of a legal person or as an alternate of a member of the management body;
- b. the size, nature, scope and complexity of the activities of the entity where the member holds a directorship and, in particular, whether or not the entity is a non-EU entity;
- c. the member's geographical presence and the travel time required for the role;
- d. the number of meetings scheduled for the management body;
- e. the directorships in organisations which do not pursue predominantly commercial objectives held by that member at the same time;

- f. any necessary meetings to be held, in particular, with competent authorities or other internal or external stakeholders outside the management body's formal meeting schedule;
- g. the nature of specific position and the responsibilities of the member, including specific roles such as CEO, chairperson, or chair or member of a committee, whether the member holds an executive or non-executive position, and the need of that member to attend meetings in the companies listed in point (a) and in the institution;
- h. other external professional or political activities, and any other functions and relevant activities, both within and outside the financial sector and both within and outside the EU;
- i. the necessary induction and training;
- j. any other relevant duties of the member that institutions consider to be necessary to take into account when carrying out the assessment of sufficient time commitment of a member; and
- k. available relevant benchmarking on time commitment, including the benchmarking provided by the EBA.

Number of directorships for significant CRR institutions

Significant firms must ensure that their directors do not hold more than one of the following combinations of directorship at the same time:

- a. one executive directorship with two non-executive directorships; or
- b. four non-executive directorships.
- Directorships in organisations which do not pursue predominantly commercial objectives do not count. This includes charities, other not for profit organisations and companies that are set up for the sole purpose of managing the private economic interests of members of the board or their family members, provided that they do not require day-to-day management by the member of the board.
- Where a directorship involves at the same time executive and non-executive responsibilities, the directorship should count as an executive directorship.
- Where multiple directorships count as a single directorship (as describe below), that single directorship should count as a single executive directorship when it includes at least one executive directorship; otherwise it should count as a single non-executive directorship.
- The following count as a single directorship:
 - a. executive or non-executive directorships held within the same Group; or
 - b. executive or non-executive directorships held within:
 - i. firms that are members of the same institutional protection scheme provided that the conditions set out in Article 113(7) of the CRR are fulfilled; or
 - ii. undertakings (including non-financial entities) in which the firm holds a qualifying holding.

Appendix 5 – Prudential Consolidation

The Guidelines define prudential consolidation as the application of the prudential rules set out in Directive 2013/36/EU and Regulation (EU) No 575/2013 on a consolidated or sub-consolidated basis, in accordance with Part 1, Title 2, Chapter 2 of Regulation (EU) No 575/2013.

Investec plc and all subsidiaries shown in the following diagram (except for Ninety One plc, Investec Capital Services (India) and JSM Advisers, which represent investments or joint ventures) are deemed to be in scope of Investec plc prudential consolidation and required to comply with the Policy.

Any queries related to the interpretation of Investec plc prudential consolidation should be directed to Kelly Watson (Wiles) at IBP Prudential Advisory & Reporting team.

