remuneration governance

FirstRand's remuneration practices are governed by the FirstRand remuneration committee, which is a subcommittee of the main group board of directors. This committee met six times during the financial year. It is assessed annually for its skills, independence and efficacy by the company secretary and by an independent external service provider every second year. No concerns were raised during the assessment for the period. The committee draws on several other bodies in the group, including separate remuneration committees for each segment and subsidiary, which all consider individual awards within prescribed threshold levels. These committees all have non-executive director members who can feed back and escalate any issues to the group Remco. The group Remco is solely responsible for determining remuneration of executive directors and prescribed officers, and reviews all employees earning above a threshold, in line with King IV and Banks Act regulations.

Remco is also mindful of the various regulatory and governance requirements in each jurisdiction where it operates. As set out in various sections of this report, there are some differences in remuneration policies that apply specifically in UK operations, reflecting different requirements in that jurisdiction as well as the legacy remuneration schemes that were in operation when some businesses were acquired.

Remco membership	Meeting attendance
LL von Zeuner (chairman)*	6/6
GG Gelink*	6/6
RM Loubser*	4/6
WR Jardine*	6/6
JP Burger**	6/6

* *Independent non-executive director.*

** *Non-executive director.*

overview of the remuneration policy

Scope

The remuneration committee's mandate and policy extend across all subsidiaries and businesses in the FirstRand group.

Remuneration regulation

The group applies the following remuneration governance frameworks: the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standard (March 2017) and Directive 1/2018 issued by the Prudential Authority (PA), and the recommended practices of King IV, where appropriate. The group's UK operations apply the UK Prudential Regulatory Authority requirements.

The remuneration disclosure requirements of King IV and Pillar 3 are disclosed in this remuneration report.

Remuneration philosophy

The FirstRand founders embedded the view that remuneration must align with shareholder value. This ethos has shaped the group's remuneration philosophy and performance management framework.

The group adopts the principles of an outcomes-based remuneration philosophy, which it believes to be appropriate given the diverse nature of the businesses that make up its portfolio.

rem gov

The group's remuneration philosophy is founded on the following principles
Attracting and retaining talent – FirstRand aims to attract and retain the best talent in the market, through competitive reward packages, to execute on strategy and deliver on its promises to stakeholders.
Aligning with shareholders – Management should not do better than shareholders. The group's key performance measure, NIACC, ensures that employees only receive variable pay after all obligations are met, including "paying" shareholders for their equity first. The growth in management remuneration should not exceed the growth in accumulated net asset value and dividends over an economic cycle (currently six years).
Sustainable business – Management also has a responsibility to other stakeholders: regulators, customers, deposit holders, employees and wider society. In determining and assessing remuneration, Remco aims to ensure that the group delivers sustainable long-term growth for the benefit of all stakeholders.
Pay for performance – Variable pay is subject to financial and non-financial performance criteria aligned to the company's strategic objectives. To reinforce a culture of sustainable outperformance, the targeted remuneration mix offered to key talent is deliberately weighted towards variable pay (short- and long-term incentives).
Fair and responsible remuneration – FirstRand promotes equal pay for work of equal value and does not tolerate discrimination based on race, gender or any other arbitrary characteristic.

Pay for performance

FirstRand's remuneration approach has three objectives:

1. Incentivise employees to meet agreed key performance indicators.
2. Be competitive.
3. Reward sustainable value creation.

These objectives are realised through both short-term and long-term incentives. Group remuneration is anchored in the multi-year budget process, which considers strategy, risk appetite and the allocation of the group's financial resources. ROE targets are set at an appropriate level above the cost of equity to deliver economic profits or NIACC, the group's key performance measure. The targets are set to ensure an appropriate balance between earnings growth/returns and risk/volatility.

Fair and responsible remuneration

FirstRand applies the principle of equal pay for work of equal value (internal equity) across all levels of the group's employees. The group aims to ensure there is an even distribution of income between employees who do similar work, irrespective of race or gender.

In a performance-based culture, supported by rigorous evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees know that outperformance can and will be rewarded. However, inequalities of pay can never be based on arbitrary grounds. The group has robust processes that identify and correct any arbitrary inequalities in pay. These processes compare employees on objective criteria such as performance, skills and experience. The group's process is validated through an internal annual review which identifies and assesses cases of potential income differentials.

Principles that underpin the group's commitment to fair and responsible remuneration include:

Fair

> The principle of equal pay for work of equal value is applied across all job roles.

> Remuneration practices are impartial and not affected by self-interest and prejudice on arbitrary grounds including race and gender.

> Employee remuneration is fairly differentiated for performance, skills or expertise, and where unjustifiable income differentials are identified they are corrected.

Responsible

> Remuneration outcomes are aligned with group strategy and sustainable value creation.

> Incentives are based on corporate performance conditions and individual performance criteria.

> Incentive schemes do not promote excessive risk-taking.

> A separate risk remuneration committee ensures remuneration and STI pool assessments include a risk perspective.

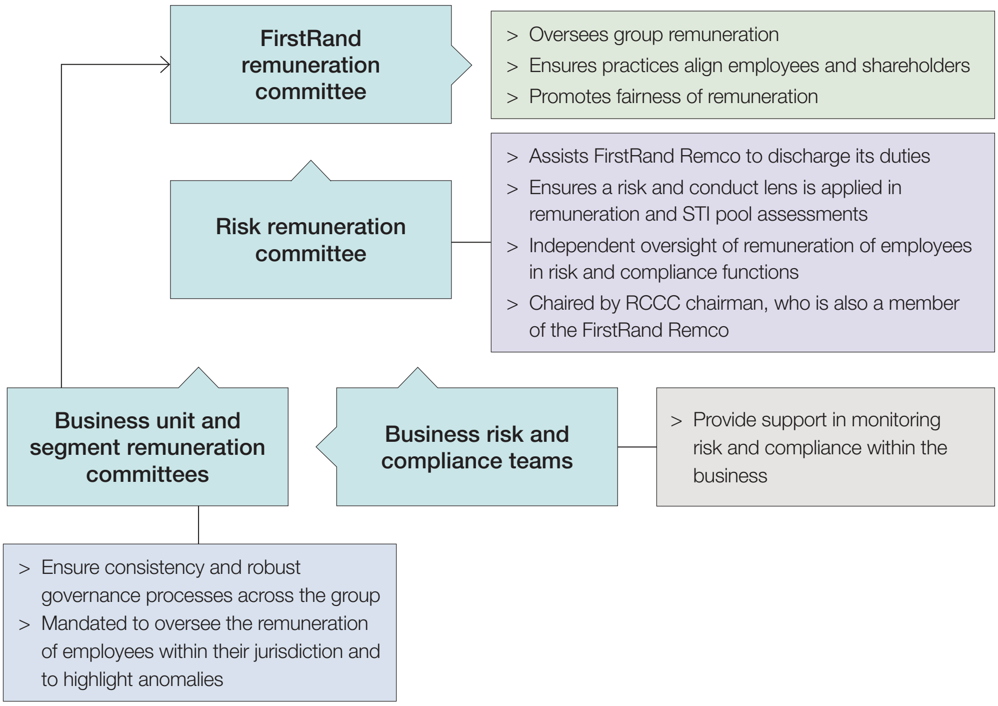
> The risk remuneration committee ensures that compliance and risk teams are rewarded for not overlooking excessive risk-taking or risky behaviour, even where it may lead to short-term gain.
> Variable remuneration is subject to malus and clawback.

Practices that underpin the group's commitment to fair and responsible remuneration include:

> Adhering to legislative requirements relevant to remuneration and benefits.
> Setting salary ranges per role (based on role evaluations and benchmarking) for recruitment and the annual reviewing of salaries. New employees are placed within the salary range based on their skills, qualifications and experience in the role.
> Reviewing the remuneration of all employees at least annually, which considers employees' performance in their roles as well as market benchmarks.
> Annually reviewing and adjusting for internal income differentials, when required.

Remuneration governance and risk

An important principle of the remuneration approach is that it should properly factor risk into remuneration outcomes. FirstRand has adopted the Financial Stability Board Principles and Standards for sound compensation practices, which were introduced to reduce incentivisation of excessive risk-taking that may arise from the structure of compensation schemes. The risk remuneration committee provides a risk perspective that feeds into the group Remco. It is chaired by **the risk, capital management and compliance committee (RCCC)** chairman and members include the group executive directors and corporate governance and risk heads. It ensures that a risk and conduct lens is applied in assessing remuneration and that STI pools are adjusted downwards for risk and conduct events. Parallel risk remuneration committees operate alongside the business unit Remcos to ensure parity across business units and that remuneration outcomes reflect risk events at all levels.



Aligning remuneration to group risk appetite

The FirstRand remuneration process ensures that actions outside of risk appetite are not rewarded and that incentive pools are appropriately adjusted for risk and compliance events.

The risk and compliance process interacts with the remuneration process at two levels:

1. The chief risk officer (CRO) of each of the business segments, in conjunction with the group CRO, prepares a risk profile document that outlines an independent assessment of risks and the risk management processes. This assessment informs the overall submission to each segment remuneration committee. This ensures that each business segment's remuneration pool appropriately incorporates the risk and compliance features of the year, and that these features are incorporated when reward pools are considered.
2. To align the executive directors' and prescribed officers' remuneration scorecards to risk and compliance features, the group CRO, with input by the segment CROs, head of enterprise risk management and head of compliance, makes recommendations on the risk components of scorecards used by Remco in setting the remuneration of the executive directors and prescribed officers.

Remuneration of risk and compliance functions

To ensure that risk and compliance employees' remuneration is aligned to the outcome of the control functions they fulfil, the risk remuneration committee reviews such employees' remuneration when above an agreed threshold. This takes account of the overall risk profile of the segment they operate in, as well as risk and compliance profile changes during the year, including material risk and compliance events. The remuneration of these employees is based on the achievement of risk management objectives and conduct outcomes and is reviewed and benchmarked annually. The group CRO, together with the head of enterprise risk management and head of compliance, provides input into the compensation levels of risk and compliance managers and officers across the group. The risk remuneration committee then provides independent oversight.

Malus and clawback

Further mechanisms ensure employees operate within the group's risk appetite including malus and clawback provisions for both LTIs and STIs. Malus (the ability to reduce or cancel an award that has not yet vested) and clawback (the ability to claw back the proceeds of awards already vested and settled) ensure that any serious risk events can lead to consequences for award participants. The deferral of short-term incentives and the use of forward-looking LTI performance and vesting periods effectively extend the malus and clawback periods. Malus or clawback therefore aligns the behaviour of employees to the delivery of sustainable risk-adjusted performance.

Benchmarking of remuneration

The group undertakes a comprehensive external benchmarking process to ensure fair and competitive remuneration. The reward philosophy is based on sound principles aimed at attracting, retaining and motivating employees whilst ensuring compliance with institutional policies.

Guaranteed pay

Whilst the market median is the target for guaranteed pay for skills that are in high demand, high-performing employees may be paid at or near the upper end of the market range.

The objective is to reward employees equitably and fairly, based on both market data and internal comparators. By using market data obtained from reliable surveys, a pay range for each role in the market and position in this pay range is determined based on:

> Scarcity of skill
> Critical skill sets and roles
> Market placement

This approach ensures that guaranteed pay is competitive, enabling the business to attract and retain the best talent in the market. Benchmarking is conducted as part of the annual review cycle as well as on an *ad hoc* basis to ensure that the group remains competitive. If it is identified that an employee's remuneration is out of line with the market, a recommendation can be made for an interim adjustment. Alternatively an adjustment can be made during the annual salary review. All interim adjustments have strict approval mandates for governance purposes.

External market benchmarking

FirstRand consults with independent service providers to benchmark market data pertaining to guaranteed remuneration. *Ad hoc* surveys are also conducted if significant shifts in market practices occur. Local peer comparisons are also performed for executive directors and prescribed officers.

During annual salary reviews, the information is used by Remco to ensure appropriate pay levels and that the executive directors' and prescribed officers' total remuneration is aligned with the market.

PwC benchmarking

Executive directors' and prescribed officers' total remuneration is benchmarked by PwC using JSE-listed banking peers. This ensures that executive pay is competitive against peers and that the roles compared are of comparable scope and complexity. Where a comparable match is not available in the peer annual reports, data is sourced from Remchannel. This data is supplemented by banking peers' market-disclosed remuneration information.

Remchannel

Remchannel performs a comprehensive remuneration survey of guaranteed pay and short-term incentives in South Africa. It currently has 539 participating companies across all industries, ranging from small to large corporates and includes all the JSE Top 40-listed companies. It further provides comparator circles to ensure that benchmarking is done against industry peers at the correct level.

It also provides data for Namibia, Botswana and Eswatini.

Mercer

The Mercer Top Executive Remuneration Survey provides a thorough analysis of top executive pay amongst large corporations in South Africa. The survey includes all major financial services organisations.

Mercer applies multiple factors when assessing executive roles to arrive at what is known as an international position evaluation (IPE) level. Once ascertained, companies are benchmarked against the comparator group at the same level. The factors used to determine IPE levels include:

> annual turnover;

> assets under management;

> headcount across all jurisdictions; and

> multinational vs national operations.

The Mercer survey covers all elements of guaranteed pay, including payments in respect of short-term incentive schemes as well as the expected value of long-term incentives. It also provides a pay mix analysis across these three elements for executive remuneration.

AON McLagan Investment Banking Survey (for RMB)

The AON McLagan Investment Banking Survey includes the major investment banking firms. Participants in the South African remuneration survey include the international banks operating in South Africa and large local banks. The library of roles is appropriately aligned with RMB's business, especially front office roles.

Emergence Growth (for broader Africa subsidiaries)

Emergence Growth provides market data for the remuneration of executives and general staff which is used for benchmarking in the majority of the subsidiaries in broader Africa. The company conducts surveys that cover all elements of remuneration including guaranteed pay, short-term incentive schemes and long-term incentives, with strong financial sector cover. Additional *ad hoc* data is provided based on specific needs.

Aldermore benchmarking

Aldermore uses PwC, Willis Towers Watson and FIT Remuneration Consultants to individually benchmark senior roles.

Junior employee role pay ranges are reviewed annually.

Ad hoc surveys

In circumstances where it appears that pay for certain skills has fluctuated rapidly owing to factors such as scarcity of skills, a bespoke survey may be commissioned.

Components of remuneration

To deliver on its remuneration philosophy and principles, FirstRand's remuneration structure emphasises variable components with short-term incentives based on group, segment and individual performance. Long-term incentives calibrate to three-year, forward-looking group performance conditions. These overlay a guaranteed package that is competitive in the market, reflecting the role, skills and experience of the individual employee. The greater the influence of the individual on overall risk and returns of the group, the higher the proportion of long-term incentives awarded. LTIs also act as retention mechanisms, with deferred payments subject to continued performance and employment. The diagram below illustrates the different components of fixed and variable pay.

			Eligibility							
			AE	MM	SM	E	Not deferred and paid in year	Deferred for six months – one year	Deferred for two years	Deferred/vesting after three years
Guaranteed package	Increases are informed by inflation, market changes and individual performance	**Cash package**	✓				Cash package			
		Benefits > Retirement contribution > Medical aid and life/disability cover contribution	✓				Benefits			
Short-term incentives	Pool is based on financial and non-financial measures. Individual allocation linked to individual performance	**Cash award**	✓				Cash award			
		Deferred cash award	✓					Deferred cash award**		
		Deferred bonus award (share price linked)		✓	✓	✓			Deferred bonus award (share price linked)**	
	Allocation informed by pool increases and individual performance	**Deferred annual incentive bonus (DIP)**		✓	✓					Deferred incentive plan (share price linked)
Long-term incentives	Allocation is linked to pool increases, individual performance and prospective delivery. The vesting of all awards is subject to three-year corporate performance targets.	**Rand-based conditional incentive plan:** Share price linked plan based on achieving group performance targets.			✓	✓				Rand-based – conditional incentive plan
		Pound-based UK LTI:# 50% share price linked award and 50% deferred cash award.	✓*							GBP-based – UK LTIP

AE: all employees; MM: middle management; SM: senior management; E: executives.

* *All UK-based employees.*

** *For deferral thresholds, refer to diagram on page 15.*

\# *LTIs, only awarded to executives (i.e. Aldermore exco).*

Each of these components is based on pools that are set using the methods described in the table below:

Guaranteed package (GP) and benefits	Increases are linked to current inflation statistics, promotions and benchmarking.
Short-term incentives	**Annual bonus award** The STI pool is based on: > Unionised staff: based on a percentage of GP and annually reset with reference to the group's earnings performance. > Managerial: determined against financial and non-financial performance, with financial linked to earnings growth and NIACC. The outcome is adjusted for risk. **Deferred incentive plan** The pool growth will consider increases in guaranteed packages and changes in headcount (both reductions and increases).
Long-term incentives	The pool growth is linked to inflation and adjusted for strategic headcount growth at management level.

Guaranteed package and benefits

Cash package (based on cost-to-company)

The group has a cost-to-company (CTC) approach designed to attract and retain talent in line with the scope, nature and skills requirement of the role. CTC is generally market-related and reflects the responsibilities of the role as well as the expertise and skills of the individual employee.

Benefits are compulsory but employees can choose from various options.

Retirement contribution

All employees are contractually obliged to contribute to appropriate retirement savings vehicles. The group has a dedicated forum that works with these entities to improve retirement outcomes by maximising investment returns and minimising costs.

Medical aid and life/disability cover contribution

All employees are contractually obliged to belong to a medical aid and to have life and disability cover.

Short-term incentives

STIs reward both group and individual performance achieved during the year. STIs that exceed a certain threshold are deferred into cash and share price linked awards.

Pool determination

Remuneration is anchored to a multi-year budget process, which considers strategy, risk appetite and financial resource allocation. Specific qualitative and quantitative targets are core to the remuneration assessment. Quantitative targets include earnings growth and ROE targets, which are set to deliver positive NIACC. Normalised earnings are adjusted for the impact of impairments of intangible assets (as these are not part of headline earnings) and the STI pool will therefore reduce accordingly.

Remco will adjust STI pools downwards for material risk and conduct-related events. To do so, Remco assesses the following: control environment, internal and external audit results, compliance with risk policies and processes, and platform maturity. Conduct is also assessed in respect of employees, clients and the business and financial markets, as well as regulatory compliance.

Remco considers formal submissions from the main businesses through the Risk Remco as described in the *Remuneration governance* section above.

Operating business STI pool determined bottom-up

STI pools for the group's various operating businesses are calculated bottom-up against the performance framework, subjected to oversight by the office of the financial director and thereafter presented to the Remcos of operating businesses and group Remco for challenge and approval. The calculation of STI pools is determined using both financial and non-financial performance measures. The sum of all these pools is constrained by the overall group pool increase.

Qualifying criteria

For an operating business to qualify for an STI pool, the business has to produce earnings and meet bespoke/individualised ROE hurdle rates which are either equal to or greater than group ROE hurdles. These hurdle rates are set considering the underlying activities and complexity of earnings generated. In the event that ROE hurdles are not met for any given year, the overall ROE profile over six years is considered, ensuring NIACC is cumulatively positive. In this event, the pool will grow lower than earnings growth.

For support areas, a bottom-up approach is applied based on individual and overall group performance as well as industry benchmarks.

For new business initiatives which do not yet meet group hurdle rates, the bottom-up approach includes measurement of the progress of business strategy and execution against targets.

Differentiated STI range

Remco applies a rate to qualifying pre-incentive pre-tax profits to determine the STI pool per operating business.

Range – Firstly, Remco determines an STI pool range as a percentage of pre-incentive profits allocated to the various operating businesses. These ranges are based on the nature and complexity of the relevant business's underlying activities and revenue streams and consider industry reward practices. More complex, diversified businesses are rewarded with a higher rate than monoline businesses.

Annual rate – Remco applies certain qualitative factors such as quality of earnings, progress against strategic objectives, risk and control, and ESG measures as captured in the scorecards to determine the appropriate rate within this range. It then applies this rate to qualifying pre-incentive pre-tax profits to determine the bottom-up STI pool.

Remco also considers non-financial measures in the determination of STI pools. Remco applies judgement and may make adjustments from a business's calculated STI pool for performance against these non-financial measures. These would include:

> diversification and quality of earnings;
> execution on strategic objectives;
> risk and control measures; and
> ESG measures, e.g. organisational culture, transformation and climate.

Risk adjustment – Appropriate risk-taking is factored into STI awards with pools adjusted downwards for sanctions and penalties due to risk or regulatory events, or an undesirable risk profile in an area, as described in the *Remuneration governance* section, above.

Final pool allocation

The bottom-up pool determination is constrained by the overall group STI pool calculation and adjusted accordingly. In determining the group STI pool, shareholders must do better than management.

1 FirstRand pool determination

Financial measures
> **Top-down:** group performance (including earnings and NIACC over the business cycle), industry benchmarking
> **Bottom-up:** business unit growth rate in profit before tax, NIACC, volatility over six-year business cycle
> New business initiatives

−

Downward adjustments
> Risk assessment with penalties for risk and compliance events

±

Non-financial measures
> diversification and quality of earnings;
> execution on strategic objectives;
> risk and control measures; and
> ESG measures, e.g. organisational culture, transformation, climate.

=

STI % rate applied to pre-tax profit to determine the FirstRand pool

2 Segment/operating business pool allocation

Qualification requirements:
> ROE hurdle rates through the cycle met
> NIACC evaluated

STI pool

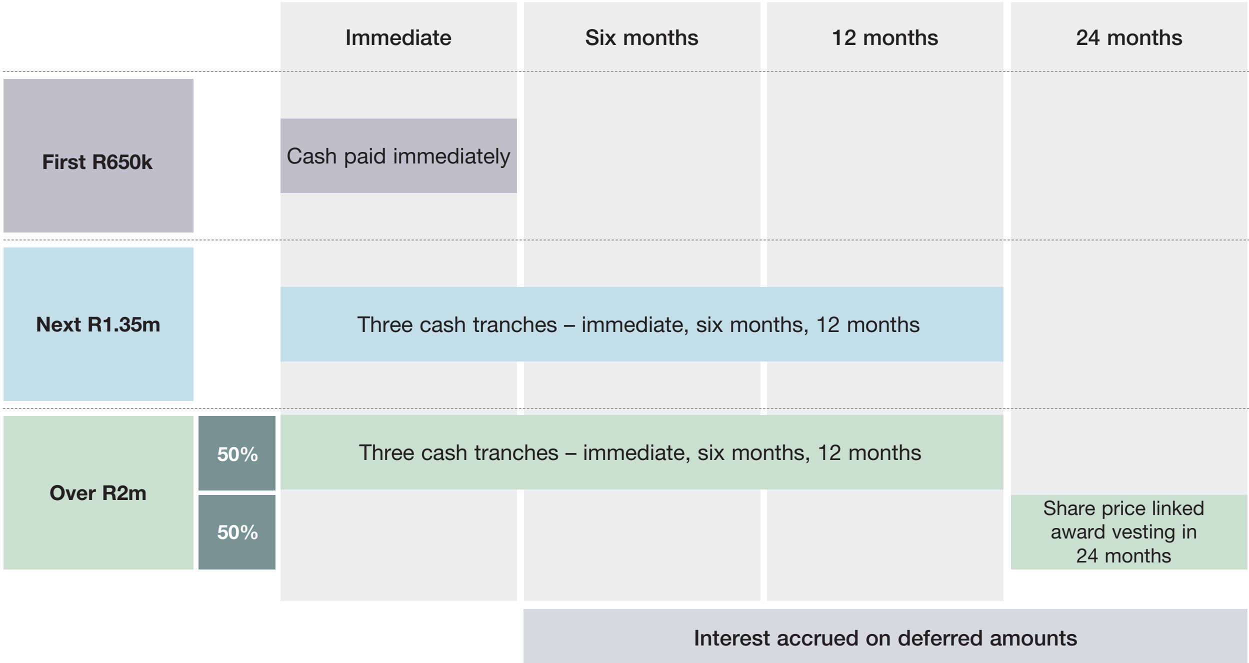
→

Proportional allocation to business units informed by:
> Nature and complexity of the business
> Activities and revenue streams
> Industry reward practices
> Business unit performance

Bonus deferral

In terms of good remuneration practice and to drive retention of senior employees, STIs above certain thresholds are deferred. Deferrals consist of both cash deferrals and share price linked deferrals where eventual payments are linked to the share price.

> **Up to R650 000:** paid in full in August.
> **Above R650 000 up to R2 million:** paid in three tranches – in August, December and the following June. The second and third tranches include interest.
> **Above R2 million:** half paid in three tranches – in August, December and the following June. The remaining half is deferred in a deferred bonus award, linked to the FirstRand share price, which vests after two years (for certain senior managers the deferral is 30% while deferral for executive directors and prescribed officers is 50%).



Deferred incentive plan

The DIP is a deferred bonus designed to drive high performance and ensure retention. Key professionals who are high performers with scarce skills **who do not receive LTIs** are eligible for a deferred bonus through the DIP. **Executive directors and prescribed officers are not eligible for the DIP.** These awards are allocated based on the individual's performance rating for the previous 12 months as part of the annual salary review cycle. Specific allocation guidelines are provided to businesses to inform awards. The award is only forfeited if the individual performance requirements are not met over the three-year vesting period or the individual is no longer employed by the group.

Alignment to shareholders is maintained as the final award value is anchored to FirstRand's share price and vests after three years, when employees are settled in cash. The change in the share price for these awards is hedged, ensuring there is no additional cost to the shareholder for share price changes.

The pool for these awards is developed bottom-up and moderated by considering inflation and strategic headcount growth.

Executive directors' and prescribed officers' STI

STI caps for executive directors and prescribed officers

Caps are set relative to the guaranteed packages of the executive directors and prescribed officers. The maximum will only be reached under very exceptional circumstances, with considerable outperformance on the scorecard metrics which would result in significant shareholder value creation.

	STI caps
CEO	300% of guaranteed package
CFO, COO and PO: Retail and commercial (R&C)	250% of guaranteed package
PO: Corporate and institutional (C&I)	350% of guaranteed package
PO: Aldermore	180% of salary

In the case of South Africa-based executive directors and prescribed officers their guaranteed package is their cost-to-company. In the case of the Aldermore prescribed officer (PO), the STI cap is applied on base salary excluding market-adjusted allowance and retirement contributions or other allowances. The lower STI cap for Aldermore reflects market dynamics in Europe where there are various remuneration-related regulations.

Executive directors' and prescribed officers' scorecards

After the group STI pool has been determined, Remco considers STIs for executive directors and prescribed officers using a scorecard. The STI scorecard categories and hurdles are only considered if STI pools are available for the year, i.e. the financial metrics have been met. As explained on page 14, STI pool determination is based on financial metrics (earnings and NIACC through the cycle). As such achievement of financial metrics is a first requirement before the below scorecards are considered for individual STI allocations.

STI determination to scorecards

1 **Step 1 = GATE**

> If annual financial targets and NIACC (measured through the six-year cycle) are not met, there is NO bonus pool or a reduced bonus pool (dependent on extent of targets not met), and therefore NO or a reduced STI.

> In addition, segment pool growth influences STI growth for prescribed officers (POs).

2 Executive directors' and prescribed officers' scorecards

Rating implication for STI calculation	
≤2	Does not qualify for STI
>2 to 3	Reduction to flat year-on-year STI change
>3 to 5	Increase in bonus compared to prior year considering personal performance, pool growth and STI ranges per rating band

3 Remco judgement (increase/decrease) where required

4 Constrained by STI caps (unlikely to get there)

5 STI quantum

The structure of executive scorecards fully incorporates ESG measures into the main scorecard, resulting in four high-level sections that each contains several categories of metrics that determine executive directors' and prescribed officers' STIs. Remco further refined executive scorecards in the year under review. Some of the changes made to the FY22 scorecards are the following:

> Aligned strategic section of scorecard to updated strategic framework on page 20.

> Moved the delivery against purpose category (referred to as shared value in the 2021 scorecard) from the ESG to the strategic section of scorecard. To maintain the effective weightings of the other categories in the strategic section, the financial performance section's weighting was reduced to 25% (2021: 30%).

> The ESG section weighting was maintained at 20%. Ensuring health of organisational culture and good corporate governance was split into two separate categories. Social investing has been added as a category in the ESG section of the scorecard.

The scorecard sections, weightings and examples of KPIs are shown below. Weightings for the various sections are aligned to the relevant executive's portfolio of responsibility and differ for each executive.

Section	Weight	Category	Examples of KPIs
Financial	25%	Group financial performance (executive directors and prescribed officers) and business performance (prescribed officers)	Long-term normalised earnings growth target: **Real GDP+CPI+ >0% to 3%** Short-term target: **annual budgeted earnings**. *(Based on group financial performance for EDs and weighted between own operating business/segment and group financial performance for POs.)*
			Long-term ROE target range: **18% to 22%** Short-term target: **annual budgeted ROE and NIACC** *(Based on group financial performance for EDs and weighted between own operating business/segment and group financial performance for POs.)*
Strategic	30% – 35%	Grow business at macro+ (more customers, more to customers, more efficiently)	Target **increase in FNB's active retail/commercial customer base and net increase in primary-banked relationships at RMB.**
			Increase in cross-sell ratio for FNB. Target: **annual budgeted advances and deposits.**
			Target: **annual budgeted operating expenses.**
		Broaden financial services offering	**Insurance KPIs:** growth in **EV, VNB, lives covered, APE, PBT and penetration of FNB** customer base relative to annual budget. Qualitative measure includes tracking of short-term insurance relative to business case. Investment management KPIs: growth in **AUM, AUA, trade values, account base and PBT relative to annual budget.**
		Build competitive advantage and scale broader Africa portfolio to deliver economic profit and dividends	Growth in **PBT, ROE, customers, advances, deposits, expenses relative to annual budget.**
		Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends	> **Aldermore Group KPIs:** delivery of the financial plan (ROE and NIACC), good-quality loan book growth, complaints (days to allocation), collections, group employee net promoter score, representation of women in senior roles. > FirstRand's **return on investment (ROI) KPI:** CAGR since investment **must exceed weighted average cost of capital.**
		Enabled by digital platforms	Progress measured against **build, utilise, migrate** and **decommission** components of platform journey.
		Delivery against purpose (shared prosperity)	> Meaningful **progress against phased approach to deliver shared prosperity (purpose).** > Progressive **embedment of shared-prosperity enablement in group frameworks** (FRM, measurement and reporting, governance, performance) and cascaded into segment/operating business frameworks. > Purpose (strategy and measurement) discussed at relevant board and management **committees**. > **Initial quantification of shared prosperity impacts** (metrics). > **Incorporate UN principles for responsible banking in external reporting** (report to society).
		Disciplined management of financial resources	> **Exceed minimum prudential requirements within internal targets** – active management and optimisation of funding/liquidity and capital stack. > **Actively manage and tilt balance sheet to reflect economic cycle** to enhance return profile on risk-adjusted basis and improve financial metrics. Management of financial resources that **does not introduce additional risk above natural risk profile.** Optimise **pricing of financial resources to ensure economic cost of resources appropriately transmitted to business.** > Target **highest credit counterparty rating in SA banking sector on standalone basis.** > **FRM frameworks and pricing** of resources **incorporate shared prosperity objectives.**

Section	Weight	Category	Examples of KPIs
Risk and control	20% – 25%	Control environment Market and business conduct Risk appetite and volatility Credit loss/impairments Operational, market and investment risks	> Notable decrease in number of “significant improvement required” and “unacceptable” audit findings. > No significant group compliance concerns raised at group risk committees. > Material improvement and/or near industry-leading customer complaints statistics. > No material regulatory fines/adverse feedback. Training statistics of key areas, e.g. anti-money laundering (AML) training, at ≥98% completion rates. > Within earnings volatility tolerances and top two in industry in terms of key risk and volatility metrics and clearly articulated segment-level risk appetite frameworks actively applied in budget process. > Impairments aligned to/better than peer group, with strong coverage levels (taking different accounting practices into consideration). > Credit, operational, market and investment risks within risk appetite and limits/thresholds.
ESG	20%	Ensuring the health of organisational culture	> Deep understanding of organisational culture and health, and associated drivers. > Strong leadership and focus on the FirstRand Promises and people matters in the business, as well as focus on providing leadership and resources to FirstRand employees such that they can perform optimally. > Commitment and openness to organisational and people diagnostics and appropriate responses to the results of these diagnostics. Results from organisational diagnostics indicate healthy levels of trust, engagement and low culture risk.
		Good corporate governance	Significant integration of governance considerations into policies, business processes and frameworks – evidenced and supported by documentation and reporting showing significant improvement year-on-year in prioritised governance metrics and frameworks and resultant scoring by ESG rating agencies from a governance perspective.
		Health of key relationships (customers, regulators, investors, rating agencies)	Qualitative assessment of frequency and quality of engagements with and feedback received from shareholders, debt holders, rating agencies and regulators for executive directors. Qualitative assessment of health of client relationships for POs – factors considered include brand health, customer loyalty, customer satisfaction/complaints and net promoter scores.
		Corporate social investing (CSI)	> Leverage group skills, resources, intellectual property (IP) and partnerships to accelerate the delivery of the foundations’ mandate at scale (i.e. create multiplier effect). > Deep understanding of the group’s purpose by the corporate foundation trustee board with clear focus areas where the foundation can work alongside FirstRand. > Segment and operating businesses provide rapid and effective response to disasters/crises using discretionary (non-foundation) funds (e.g. FNB Disaster Fund) and resources. > Effective operating model for social investing activities working with trustees of the different foundations.

Section	Weight	Category	Examples of KPIs
ESG	20%	Climate	> Compliance with and progress made in line with FirstRand's climate roadmap. > Active and embedded segment/operating business climate programmes. > Established reporting on climate risk profile. > Engagement with target clients (e.g. consumer education and engagement with material corporate clients in climate-sensitive sectors). > Incorporation of climate risk into credit risk models and/or underwriting criteria. > Broad-based awareness of and training on climate risk.
		Transformation	Measure progress on improvement in diversity at senior and top management level, taking consideration of the group's employment equity (EE) plans and targets.
		Talent management and succession planning	Ensure appropriate succession for critical roles (emergency, "ready now" and medium- to long-term). Appropriate processes in place to identify and develop diverse pool of candidates. Effective retention strategies for top talent. Evidence of growing talent internally.
Total	100%		

List of abbreviations used in table above:

ED: Executive director

EV: Embedded value

VNB: Value of new business

APE: Annual premium equivalent

PBT: Profit before tax

AUM: Assets under management

AUA: Assets under administration

CAGR: Compound annual growth rate

UN: United Nations

Group strategic framework on which the FY22 scorecards were based:

FirstRand commits to building a future of SHARED PROSPERITY through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

Diversified portfolio with unique strategies:

SOUTH AFRICA	BROADER AFRICA	UK
Platform-enabled integrated financial services providing ecosystems that create long-term value for clients and shareholders	Build competitive advantage and scale to deliver economic profit and dividends	Modernise, digitise and scale to a more valuable UK business that delivers economic profit and dividends

Enabled by digital platforms

Disciplined management of financial resources (capital, funding, liquidity and risk capacity) to deliver on financial commitments

Committed, accountable and empowered people key to delivering continued outperformance

Long-term incentives

Long-term incentives are granted each year to executives and senior managers with conditions tied to the compounded performance of the group over three years. Those who are in decision-making positions that affect the overall performance of the group and delivery of value to shareholders are eligible. These awards are designed both as incentives to create shareholder value and to retain participants through deferred vesting.

The LTI award is linked to the FirstRand share price and has a three-year vesting period. Vesting is subject to performance conditions being met. It is then settled in cash or, at the election of the participant, with shares purchased in the open market.

Objectives of the LTI award

> Remco aims to use long-term incentives to align employees to shareholder requirements of sustainability, quality earnings growth, superior returns and the creation of long-term franchise value. This is based on a graded vesting structure, where vesting levels are directly linked to performance outcomes, to give effect to the principle of paying for performance.

> The final value delivered is based on the group's share price, resulting in further alignment between employees and shareholders.

> The deferred vesting supports retention of critically important executives and senior managers.

Governance of the LTI awards and structure

> Remco annually approves:
  - the principles governing the LTI awards;
  - the total LTI award pool for the group;
  - the LTI awards made to executive directors and prescribed officers;
  - changes to eligibility policies for the awarding of LTIs to participants; and
  - the performance conditions for new awards, after assessment of the business priorities, forecasts and the prevailing and expected macroeconomic environment.

The operation of the LTI

The diagram below sets out the key features of the in-flight awards and current design features of LTIs.

Key element	Policy and eligibility
Geographical differences	The LTI plans differ for South African and UK employees. > South African and broader Africa employees: The FirstRand CIP is denominated in South African rand and linked to the FirstRand share price. > UK employees: The UK LTI is denominated in British pound. For Aldermore and MotoNovo employees 50% is linked to the FirstRand share price and the balance is deferred in cash.
Award allocation	The allocation of this pool to the operating businesses is determined by considering: > the franchise value created; and > the sustainability of the operating businesses' contribution to shareholder value. The allocation to individuals is driven by eligibility criteria and the guaranteed package of the individual. Awards are made annually but no one is guaranteed an annual allocation. Allocation depends on the total pool available per operating business, the role of the individual and each individual's performance.
Vesting value	All LTI awards are subject to forward-looking performance conditions linked to group outcomes and are settled in cash based on the underlying value of FirstRand shares or in market-procured shares based on election. Therefore, participants are fully exposed to fluctuations in the group's share price over the vesting period.
Shareholder protection	FirstRand protects shareholders from dilution as it does not issue shares to settle awards. As such, the group does not require a dilution limit to protect shareholders from excessive dilution. When shares are required to settle a participant on vesting, these shares are acquired in the market at the prevailing price. FirstRand also protects shareholders against future volatility in the share price and the potential for higher cost arising from a higher share price at vesting by hedging the outstanding awards. The hedge costs are taken through earnings and all performance criteria are measured including these costs. Shareholders only bear the award value at cost.
LTI award vesting period	The performance conditions for all awards are measured over three years. The awards vest three years from the award date to the extent that the conditions have been met.
Performance conditions	The section below provides detail regarding the performance conditions selected. From 2021, 100% of LTI awards are subject to performance conditions as professional staff were no longer eligible for LTI awards, and participate only in the DIP. For Aldermore group and MotoNovo employees, the performance conditions are linked 20% to FirstRand group in the same way as the FirstRand LTI instrument and 80% to Aldermore performance conditions using a balanced scorecard of growth in earnings, ROE and conduct assessment for Aldermore group. These are set for each annual award.
Vesting ranges	The group introduced graded vesting to its LTI awards in 2019. In the graded vesting structure, minimum performance conditions are set to achieve each vesting level: threshold vesting, on-target (100% vesting level) and a range of stretch targets. If the performance conditions for threshold vesting have not been met, the vesting outcome will be zero and the award will lapse. For 2019 and 2020, threshold vesting was 70% and decreased to 50% from 2021. ROE **and** earnings growth conditions are set for each vesting level.
Maximum LTI vesting level	Graded vesting applied to LTIs since 2019 include stretch targets for vesting above 100% of the LTI award. The LTI awards can vest at a level of up to a maximum of 150%. This level of vesting will correlate with exceptional value for shareholders based on the performance conditions set for these levels of vesting.
In-flight awards	Current in-flight awards were made in September 2019 (which have failed), September 2020 and September 2021. Awards for 2022 will be made in September 2022.

Key element	Policy and eligibility
Changes to conditions of in-flight awards	Remco does not: > amend in-flight awards' conditions once issued; > reprice share incentive awards for changes in the share price; or > re-test performance conditions or delay measurement of performance conditions.
Downward adjustments	In circumstances where the performance conditions have been met, Remco can apply downward adjustment on the vesting outcome based on specified criteria, including compliance with the group's climate roadmap (from 2021).
Dividends	Dividends are not accrued on LTI awards over the vesting period.
Settlement at vesting	At vesting, the employee will receive the vesting value, based on the share price at the end of the vesting period. Settlement is in cash or shares on election.
Change in employment before award vests	Refer to *termination treatment and malus provisions* below.
Provisions for clawback (post vesting) of awards	Refer to clawback provisions below.
Change of control	In the event of a change of control there will not be automatic early or accelerated vesting of awards. Directors may adjust, replace or convert awards, or take any such action they deem appropriate in the event of a change of control, to protect the interests of both the acquirer and participants and ensure that they are placed in a substantially similar financial position. The intention is to not prejudice the employee or the acquirer.

Measures selected as LTI performance conditions

In line with FirstRand's stated commitments to shareholders, the group continues to use ROE **AND** earnings growth as its key performance conditions. An important feature of the group's approach is that both ROE and earnings growth targets must be achieved for the awards to vest. This makes the vesting more onerous compared to typical market practice.

Remco sets the ROE targets with reference to cost of equity. This means that the awards drive delivery of NIACC, reflecting economic value added for shareholders. In addition, strong earnings growth delivery will support capital levels, NAV growth and dividend growth. These measures drive shareholder returns. The group further believes that growth should not be achieved at the expense of ROE and this has been strongly embedded in the risk return and FRM frameworks.

After Remco has evaluated delivery relative to the performance conditions and determined the vesting outcome, it considers non-financial measures and can adjust the vesting outcome downwards by a maximum of 20%. This could be exercised if material negative outcomes for the business occur that were within management control. These could include:

> issues that materially damaged the group's franchise, including its reputation;

> material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee;

> concerns regarding adherence to the liquidity and capital management strategies in place; and

> lack of compliance with the group's climate roadmap over the three-year period (included from 2021).

Remco does not assign weightings to each separate performance condition, as this would create separate instruments which could drive behaviour where the one condition is favoured at the cost of the other. The vesting outcome is determined by plotting actual earnings growth against the various vesting ranges (see chart on page 30). This outcome is then constrained by the ROE requirement that is set as a minimum for any of the vesting ranges. This approach ensures that management does not chase growth at the expense of ROE, thereby ensuring that economic value is generated by the business.

Remco typically considers the following factors in setting performance conditions for LTI awards and followed this approach in setting conditions for the 2022 award, with the outcome disclosed in the implementation report.

> The group's ROE projections and the stated long-term through-the-cycle ROE range of 18% to 22%.

> The group's long-term earnings growth target of South African real GDP plus CPI plus 0% to 3%, which is set after reviewing:

- the size of its South African earnings base and balance sheet and the challenge of growing these materially above system growth given its relative market share;
- required investment in platforms and new business development for future growth strategies, given the group's preference to expense and not capitalise where possible;
- the outcomes of the budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views;
- the macroeconomic outlook together with the probabilities assigned to the different scenarios; and
- the requirement to protect the return profile and not incentivise earnings growth at the expense of returns.

ROE is based on reported net asset value and not decreased for items such as goodwill.

Executive contracts and policies

There are no contractual entitlements to payments on termination and no special termination arrangements or golden-parachute agreements in place. Contractual notice and accrued leave are paid out where legally required. Unvested deferred STI awards or unvested LTI awards are dealt with in accordance with the rules of the applicable scheme. Malus and clawback provisions apply to STI and LTI as detailed below.

Notice periods for executive directors and prescribed officers

All executive directors and prescribed officers in South Africa have a notice period of one month which can be extended by mutual consent. In the UK, Steven Cooper has a notice period of six months. Executives have no guaranteed termination payments.

Buy-out awards and sign-on bonuses

FirstRand differentiates between buy-out awards and sign-on bonuses.

Buy-out awards

The group uses buy-out awards when recruiting employees to compensate them for incentive awards they will lose on leaving their previous roles. For example, these are done:

> when the business is heavily reliant on high-demand scarce skills;

> to replace prospective employees' current benefits; and

> to remain attractive and competitive in the market.

Buy-out awards can be made in cash, deferred awards or LTIs, and will mirror the value, nature and time period attached to the incentive that is being bought out with a cash payment subject to clawback in the event that the employee leaves. LTI awards are subject to the respective performance conditions. Furthermore, the buy-out is subject to FirstRand leaver forfeiture provisions and remains subject to malus and clawback in line with policy.

Sign-on bonuses

Sign-on bonuses are rarely paid to attract employees to join the group. These may occur in exceptional circumstances, however, these awards require specific executive approval and are subject to FirstRand leaver forfeiture provisions and malus and clawback in line with policy. Executives are not eligible for sign-on bonuses. These bonuses are generally funded from the business's STI pool.

Termination categories

The following conditions apply to outstanding STI and LTI awards upon termination of employment:

	STI	LTI
Resignation and fault terminations		
Resignation or dismissal	Employees who resign or are dismissed before the vesting or payment date of cash or share price linked awards will forfeit these awards.	Employees who resign or are dismissed before the vesting date of the outstanding LTIs will forfeit these awards.
No-fault terminations		
Retirement	The cash and share price linked awards of employees who retire in terms of the group's retirement policy continue for the duration of the vesting period and remain subject to the applicable rules.	The LTI awards of employees who retire in terms of the group's retirement policy continue for the duration of the performance period and remain subject to the applicable rules and performance conditions.
Death, retrenchment, injury, disability or ill health	The cash and share price linked awards of employees are retained and settled within 30 days in terms of the applicable rules.	The awards are pro-rated for the remaining vesting period and adjusted for the performance conditions, which are tested against the roll-forward conditions to date and settled within 30 days in terms of the applicable rules.

Malus and clawback

Malus and clawback are applied to all variable pay and can be invoked upon the occurrence of trigger events and applied as follows:

> Malus is applicable to awards that have not yet vested or settled, allowing for them to be cancelled on the occurrence of a trigger event.

> Clawback applies once an award has vested upon the occurrence of a trigger event. Remco has the discretion to claw back any variable remuneration in the event of the trigger events detailed below. The clawback applies for three years after payment.

A trigger event may include, *inter alia*:

> the discovery of a material misstatement of performance that resulted in a variable reward made, with the board being satisfied that the employee has contributed to and is responsible for said misstatement;

> the discovery that the assessment upon which the award was made was based on erroneous, inaccurate or misleading information;

> any action or conduct which, in the reasonable opinion of the board, amounts to dishonesty, fraud or misconduct;

> the discovery of a material failure in risk management to which the employee had contributed and is responsible for; and/or

> the discovery that performance related to financial or non-financial targets was misrepresented and that such misstatement led to the over-payment of incentives.

Minimum shareholding requirement

With effect from 1 September 2017, executive directors and prescribed officers were required to hold FirstRand shares to the value of at least 50% of their last three years' annual post-tax LTI vesting.

Given the failure of the 2017 and 2018 LTI vestings, this policy was revised in 2021. The shareholding requirements are set relative to guaranteed pay and are outlined in the table below. The effective date is September 2022 or five years from the date on which the relevant executive was appointed, whichever is the latter. The Aldermore CEO has an effective date seven years from joining to comply with the minimum shareholding requirement (MSR), given the newly introduced deferral requirements under the Capital Requirements Directive V (CRD V).

Minimum shareholding requirements from the effective date	CEO	SA prescribed officers and executive directors	Aldermore prescribed officer*
	300% of GP	200% of GP	100% of salary*

* *Aldermore requirement is lower given the higher level of guaranteed pay in the UK relative to South Africa.*

Remco monitors compliance with the policy through quarterly disclosure to the board and annually through the shareholding disclosure in the annual integrated report.

Non-executive director fee principles

> The group chairman's fee covers the chairmanship and/or membership of and attendance at the board and all board subcommittee meetings.

> Non-executive directors are paid an annual fee (quarterly in arrears) for their board membership.

> Members of board committees are paid an annual fee (quarterly in arrears) for attendance at committee meetings scheduled during the cycle. Members are not paid for meetings that they do not attend during the governance cycles.

> Chairs of committees are paid a premium, being twice the standard membership fee.

In setting the fees for non-executive directors the following factors are considered:

> Internal benchmark exercises against the fees paid by peer banks (using same comparator group used for executive remuneration benchmarking).

> External benchmark data provided by PwC.

> General increases applied to employees (executives and senior management) within the organisation.

> Any other relevant factors (e.g. considerations during the pandemic).

Non-binding advisory vote

The 2022 remuneration policy and implementation report will be tabled for a separate non-binding advisory vote by shareholders at the AGM. Remco commits to engage with shareholders in the event that either the remuneration policy or the implementation report, or both, are approved by less than 75% of the votes exercised. If this is the case, Remco will invite dissenting shareholders to engage.