



FirstRand

NOMINATIONS POLICY

December 2020

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1 INTRODUCTION

The board of directors of FirstRand Limited (FirstRand or the group) and FirstRand Bank Limited (FRB or the bank) (collectively the board) has adopted a board charter (the charter) which documents the role, responsibilities, membership requirements and procedural conduct as recommended in the *King IV Report on Corporate Governance for South Africa, 2016* (King IV).

The charter is subject to the provisions of the South African Banks Act, No. 94 of 1990 (the Banks Act), the South African Companies Act, No. 71 of 2008, (the Companies Act), FirstRand's and FRB's memoranda of incorporation (collectively the MOIs), the JSE Limited Debt Listings Requirements (JSE DLR), King IV and any other applicable law, best practice or regulatory provision, as deemed appropriate. It is not intended to replace or amend the MOIs in any way whatsoever, and should any principles contained herein conflict with the MOIs, the MOIs shall take precedence over the charter.

Together with the charter, this policy sets out the policies and practices of the board in respect of matters such as the nomination, selection, screening and appointment of members of the board.

2 BOARD SIZE AND COMPOSITION

FirstRand and FRB both have a unitary board of directors comprised of:

- no less than six directors, and no more than 24 in total, as stated in the MOIs; and
- no less than two executive directors at any one time.

Directors are appointed through a formal and transparent process, in accordance with the appointment of directors and board diversity policy. The FirstRand directors' affairs and governance committee is mandated to identify suitable candidates for consideration by the board and to be proposed for election by shareholders.

The board is structured to ensure an appropriate mix and balance of knowledge, skills, experience and independence, appropriate to the strategic direction of the group and bank. Thus, the board composition will reflect the responsibilities that it is vested with and the duties it has to discharge and perform .

The size of the board will be periodically reviewed to ensure the presence of a wide range of skills without compromising common purpose, involvement, participation and a sense of responsibility amongst the members necessary to meet FirstRand's and FRB's objectives. Both executive and non-executive directors carry full fiduciary responsibility and owe a duty of care and skill and a duty of loyalty to FirstRand and FRB in terms of the Companies Act and the FirstRand group code of ethics.

3 BOARD MEMBERSHIP CRITERIA

Board members should individually and collectively cultivate the following characteristics and exhibit them in their conduct:

- **Integrity:** act in good faith and in the best interests of the group or bank.
- **Competence:** members to individually and collectively assume responsibility for the continual development of their competence to continue to be effective.
- **Diligence:** members must be diligent in performing their duties and devote sufficient time to the board's affairs to exercise well-considered judgement.
- **Informed:** members to take steps to ensure that they have sufficient working knowledge to make informed decisions and unrestricted access to professional advice.
- **Independence:** independence of mind in the best interest of the group and bank. Conflicts of interest (whether actual or perceived) should be disclosed, effectively managed and or avoided where necessary.
- **Fairness:** the legitimate and reasonable needs, interests and expectations of all stakeholders must be balanced with the best interests of the group and bank.
- **Courage:** members must have and exercise courage to act with integrity and honesty in taking risk for reward in all decisions in the best interest of the group and bank.
- **Responsibility:** make responsible decisions which build sustainable businesses by having regard to the group's and bank's economic, social and environmental impact on the community, reflecting on the role of the business in society and embracing a shared future with all the group's and bank's stakeholders.
- **Transparency and accountability:** members must be transparent in the way they exercise their governance role and responsibilities and accountable to answer for the execution of responsibilities, even when these were delegated.

The board should be comprised of individuals, who collectively possess the necessary qualifications commensurate with the size, complexity and risk profile of the group and bank. Board members will be expected to:

- acquire a working knowledge and understanding of the group's and bank's business, and the laws, regulations and customs (if any) that govern the activities of these businesses;
- have the ability to make sound business decisions and recommendations;
- exercise judgement independently; and
- exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct.

No person who has been:

- an executive director of the bank or group;
- the chief executive officer (CEO) of the bank or group;
- an executive officer of the bank or group, as defined in the Banks Act;
- the designated external auditor directly or indirectly responsible for performing the statutory audit of the bank or group;

- a key member of the external audit team directly or indirectly responsible for performing the statutory audit of the bank or group; or
- the curator of FirstRand or FRB,

at any time during the preceding twelve months, can be appointed as a non-executive director of FirstRand or FRB, unless, in exceptional circumstances, the Prudential Authority (PA) approves the appointment of any of the aforementioned persons to serve as a non-executive director, after such a period shorter than twelve months as may be specified in writing by the PA.

In respect of determining adequate capacity, the FirstRand nominations and DAG committees shall assess and duly take into consideration every director's circumstances, and the nature, scale and complexity of other directorships held, in order to assess and ensure that directors are able to devote sufficient time to duly discharge their responsibilities as a director of the bank or group.³

4 BOARD MEMBER SELECTION

The board, with the assistance of the FirstRand nominations and the DAG committees, will have a formal, transparent and rigorous process for identifying, assessing and selecting board candidates for recommendation to shareholders. All board appointments are subject to no objections being raised by the PA and shareholder approval at the annual general meeting following the appointment.

During the selection process, the board would consider the guidance provided in terms of director appointments as per Directive 4 of 2018, which was issued by the PA in terms of section 6(6) of the Banks Act.

The selection process will include reviewing whether the board candidate:

- possesses the relevant knowledge, skills, experience and, particularly in respect of non-executive directors, independence of mind, given their responsibilities on the board and considering the group's and bank's business and risk profile;
- has a record of integrity and good repute;
- has sufficient time to fully carry out their responsibilities; and
- has disclosed all conflicts of interest.

In terms of the FirstRand director screening policy, the following checks/tests are conducted on the appointment of a director and/or thereafter on a frequent basis, but no less than annually:

- credit check;
- criminal check;
- CIPC external directorship check;
- anti-money laundering (AML) sanctions screening;
- politically exposed persons (PEP) screening;
- adverse media screening;

- qualification checks (on appointment only); and
- reference checks (on appointment only).

A director shall be deemed not to be independent if the director, amongst other factors:

- is a substantial shareholder, i.e. a shareholder of more than 5% of the total nominal value or the total voting rights in respect of all the issued shares, of FirstRand or FRB;
- has, within the last three years, been a principal of a material professional advisor or a material consultant to FirstRand or FRB;
- is a significant provider of equity or other sources of capital or a material provider of funding to FirstRand or FRB;
- is the recipient of a form of remuneration other than directors' fees or directors' remuneration;
- is or has, within the last three years, been a significant or ongoing professional adviser to or an internal auditor of FirstRand or FRB;
- is a member of the immediate family of an individual who falls within any of the aforementioned categories;
- has been an executive director, the CEO or an executive officer of FirstRand or FRB at any time during the preceding three years;
- has served as an independent non-executive director of FirstRand or FRB for a period of nine years (should FirstRand or FRB decide to reappoint a person who already served as an independent non-executive director for a period of nine years or longer, to remain a member of the board after the aforementioned nine-year period, that person shall be regarded as a non-executive director, but not as an independent non-executive director);
- has been the designated external auditor directly or indirectly responsible for performing the statutory audit of FirstRand or FRB; and
- has been the curator of the bank or the group at any time during the preceding three years.⁴

5 AMENDMENTS TO THE POLICY

Changes to this nominations policy or any deviations, together with the reasons therefor will be immediately announced on SENS in accordance with the JSE DLR.

6 REFERENCES

- 1 Prudential Authority Directive 4/2018, 8.1.1.3
- 2 Prudential Authority Directive 4/2018, 8.1.4.4
- 3 Prudential Authority Directive 4/2018, 8.1.4.1
- 4 Prudential Authority Directive 4/2018, 8.1.2