FirstRand

2020

report to society

CONTENTS

REPORT PURPOSE

FIRSTRAND'S PURPOSE IS TO BUILD 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.

Whilst FirstRand's *Annual Integrated Report* focuses on the group's financial and operational performance, the *Report to Society* aims to provide deeper insight into the social impact of that performance. FirstRand continues to refine its thinking and processes to better determine and measure this social impact.

This report covers the FirstRand group including its subsidiaries. The report links to the *Annual Integrated Report* (www.firstrand.co.za). All reported data is for the year ended 30 June 2020, unless indicated otherwise. Information in the profiled case studies may relate to events and initiatives that occurred after 30 June 2020 but before the issue date of this report.

FOREWORD

THIS HAS BEEN AN UNPRECEDENTED YEAR. THE COVID-19 PANDEMIC HAS HAD A PROFOUND IMPACT ON THE WORLD. IN SOUTH AFRICA IT RESULTED IN THE DEEPEST GDP CONTRACTION SINCE THE SECOND WORLD WAR. THE ASSOCIATED LOCKDOWN DEVASTATED THE ECONOMY AND IT WILL BE A LONG, HARD ROAD BACK TO RECOVERY.

FirstRand and its operating businesses provided help to many stakeholder groups in response to the pandemic. The group rapidly mobilised cash flow relief solutions for its customers; enabled the majority of our employees to work remotely and provided well-being support to assist them in adjusting to very challenging circumstances. Also, through the SPIRE fund we assisted government and broader society to tackle healthcare and food security challenges.

The COVID-19 pandemic accentuated the interconnectedness of the health of the planet, humans and the economy and afforded us the opportunity to reflect on how we live, how we work and how we do business. The pandemic demonstrated that we share the natural environment, we share our living spaces and that we need effective government. The pandemic proved that when we partner with others, we can do so much more, and this last point will be particularly key to South Africa's recovery. Government and business must continue to work together to get the country back onto a sustainable growth path.

Notwithstanding the COVID-19 focus on lives and livelihoods, environmental and social matters must continue to inform corporate purpose. As a public affirmation of the group's commitment to addressing the societal, economic and environmental needs of the countries in which we operate, FirstRand has become a signatory to the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD) and to the United Nations Principles for Responsible Banking.

This affirmation aligns to FirstRand's purpose statement to build a future of shared prosperity for our customers, employees and the societies we serve. I believe that the social impact strategies we have embarked on, many of which are covered in this report, demonstrate our deep commitment to delivering on this purpose.

Alan Pullinger, CEO

GROUP PROFILE

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and in the UK.

Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

Group earnings remain significantly tilted towards South Africa.

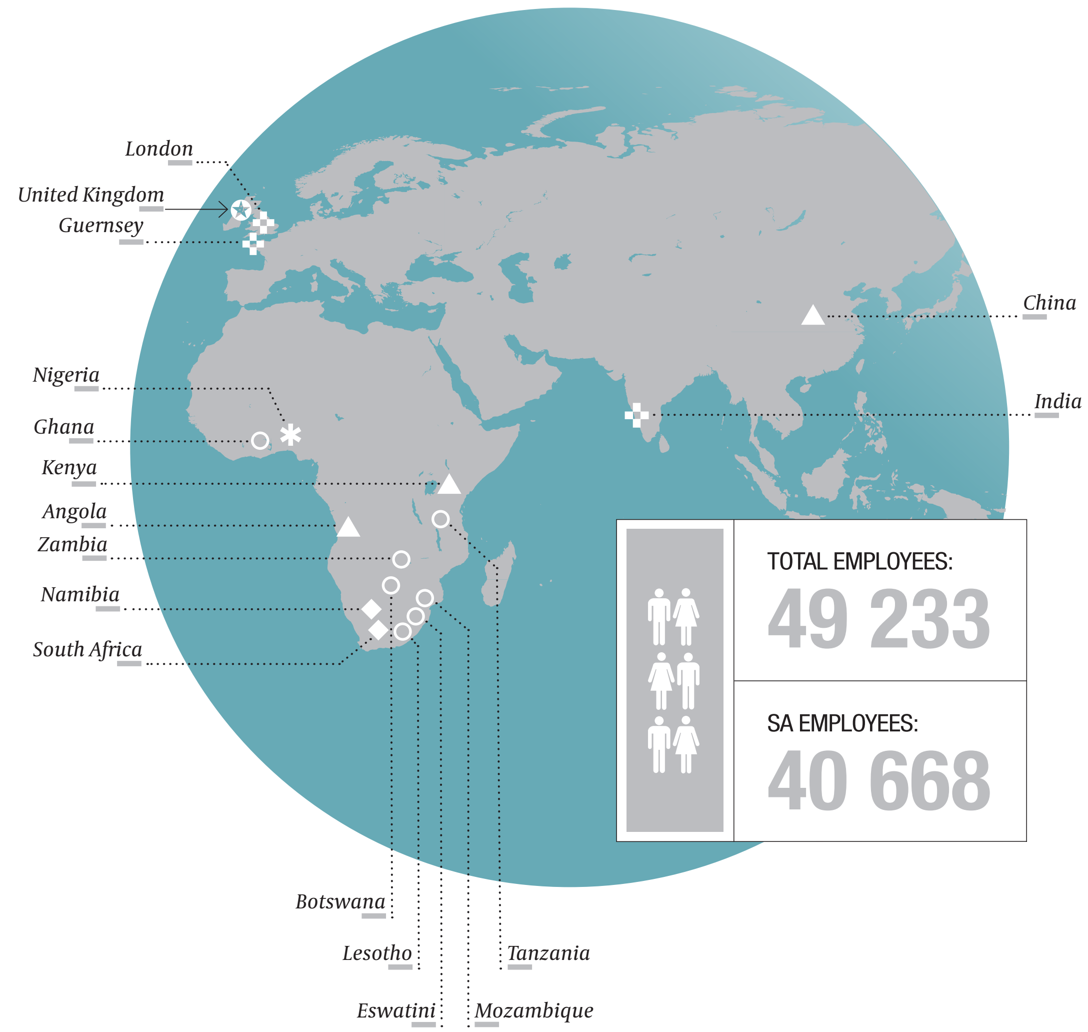
The group's strategy outside of South Africa includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can build competitive advantage and scale over time. In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

For a detailed review of the operations refer to the Annual Integrated Report (www.firstrand.co.za).

THE GROUP HAS A MULTI-BRAND STRATEGY, WITH A NUMBER OF LEADING CUSTOMER-FACING BRANDS IN THE PORTFOLIO

FNB	RETAIL AND COMMERCIAL BANK	**FNB** represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.
RMB	CORPORATE AND INVESTMENT BANK	**RMB** represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. Its strategy leverages a strong origination franchise, a leading market-making and distribution offering, a strong private equity track record and a growing transactional platform.
WesBank	INSTALMENT AND FINANCE PROVIDER	**WesBank** represents the group's activities in instalment credit, fleet management and insurance in the retail, commercial and corporate segments of South Africa. WesBank has a unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups.
Aldermore	UK SPECIALIST LENDER	**Aldermore** represents the group's activities in the UK. It has a clear strategy of offering simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords, vehicle owners and savers.
Ashburton Investments	ASSET MANAGEMENT	**Ashburton Investments** represents FirstRand's asset management activities. Ashburton has an active investment management strategy spanning traditional and alternate investments as well as unique on-balance sheet opportunities.

FIRSTRAND'S OPERATING FOOTPRINT



TOTAL EMPLOYEES: **49 233**

SA EMPLOYEES: **40 668**

- Full-service banking
- Investment banking
- Full-service banking, insurance and asset management
- UK specialist banking
- Branch
- Representative office

MACROECONOMIC CONTEXT

The macroeconomic environment created by the COVID-19 crisis is now considered to be the worst global economic crisis since the Second World War. It resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies. This translated into a once in a generation economic stress event.

This scenario prompted coordinated efforts by central banks and governments to lower interest rates and simultaneously provide fiscal stimulus packages to cushion the impact of the economic shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked.

South Africa's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown, with limited fiscal space to support the economy. South Africa's high debt levels and the potential for additional sovereign credit downgrades may further impact the economy. The South African Reserve Bank (SARB) provided monetary policy support, implementing 275 bps of rate cuts since the start of the crisis, however, the real-economy impact of COVID-19 remains deep given the loss of economic activity, tax revenue, and household and corporate income. These challenges will result in higher levels of bankruptcies, structural unemployment – particularly amongst the youth – and the disruption of global supply chains which means certain industries will not fully recover.

Given this backdrop, financial institutions must play an active role in helping economies and society recover from the impacts of COVID-19. They have the tools to drive sustainable, inclusive economic activities and positive social outcomes.

Financial intermediaries are able to:

1. provide products and services that assist people to create wealth and save for their futures
2. provide leverage for businesses to grow, create jobs and improve lives
3. provide a secure and readily available platform for payments
4. enable investment in transformational infrastructure
5. provide low-income consumers access to financial services through digital platforms, enabling economic productivity
6. alongside the South African Reserve Bank, ensure the stability and efficiency of the financial system

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

It is important to explain the financial system within which FirstRand operates to fully understand its contribution to the economy and society. A distinction is made between the real economy and the financial economy.

In the real economy, goods are manufactured, infrastructure built, agricultural production takes place, metals and minerals are mined, and services are provided to individuals, business and government entities.

In the financial economy, monetary services, including payments and credit, are provided. Financial assets such as deposits, bonds and shares are traded. These are also valued and priced in the financial economy, which gauges the risks of these assets.

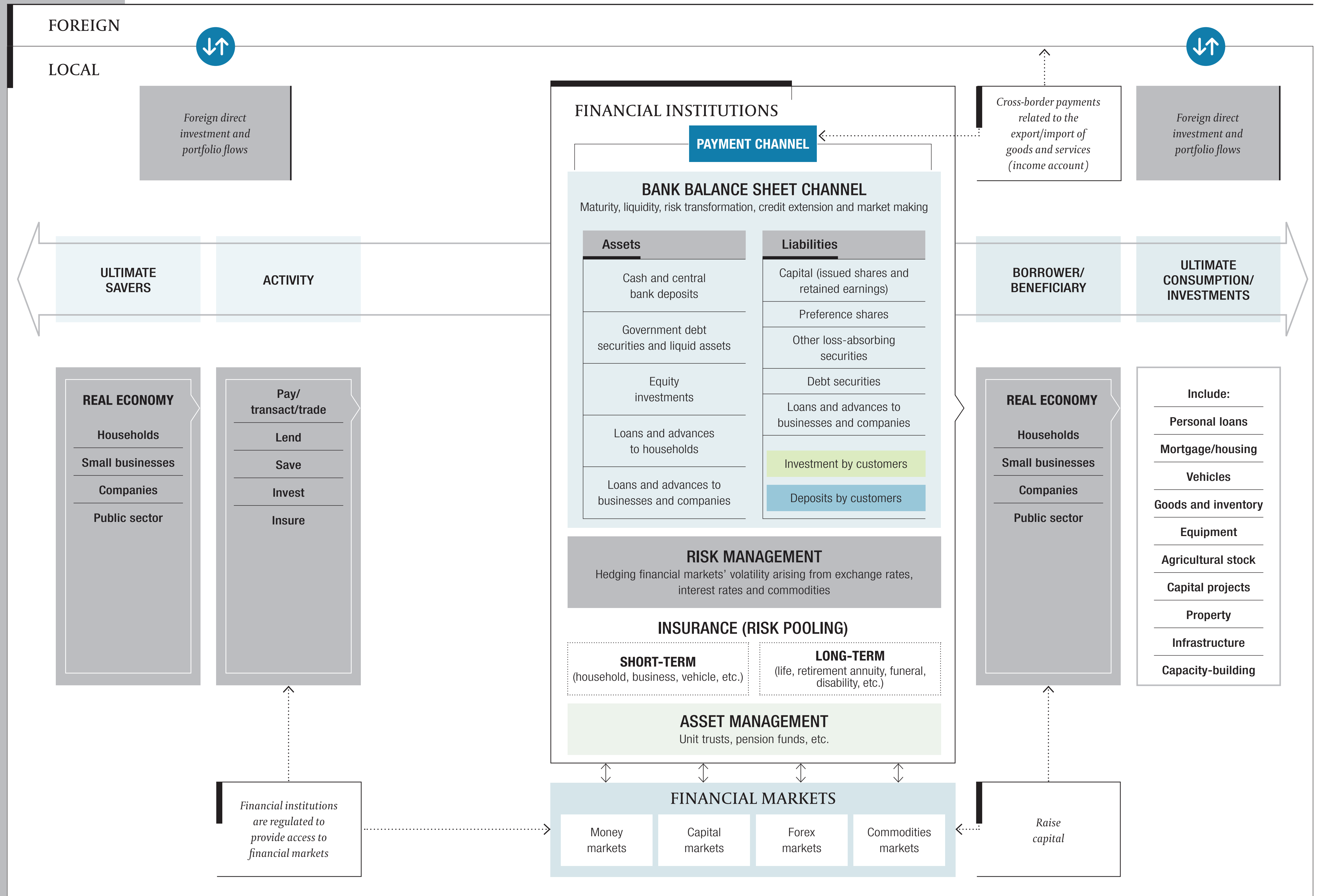
The sole purpose of the financial system is to serve the real economy.

Financial institutions provide many different services that create economic value and contribute to social development. They act as intermediaries in financial transactions, facilitating the flow of funds between participants in the economy. They are also the custodians of financial assets.

These institutions also transfer risk between market participants, either directly by means of trading and market-making activities, or indirectly through the shifting of risk between several market participants, as with insurance activities. This creates stability in the financial system and in society, as risk events are ultimately mitigated through broader distribution, and not concentrated in a single individual or entity.

Banks, in particular, have a further function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers).

Access to credit increases the supply of money in the system and has a multiplier effect on economic growth. Effectively, borrowers utilise their future income capacity to access current funding available in the financial system, which then enables individuals and businesses to make investments and purchases, and build infrastructure much faster than if they had to build up cash reserves. A bank, through appropriate internal risk management, together with regulators, also ensures that both individuals and entities in these saving and borrowing interactions are protected and are not exposing themselves to excessive risk, thus ensuring the safety and stability of the financial system.



FIRSTRAND'S SHARED VALUE CONTRACT WITH SOCIETY

The nature, size and scale of the group's business activities result in a broad set of financial and social outcomes:

- Provider of credit
- Custodian of the country's savings
- Provider of transactional platforms for people to access and spend their funds
- Material taxpayer
- Large employer

Given this position, FirstRand recognises that it has a responsibility to deliver both financial value and positive social outcomes for multiple stakeholders. Embedding the principles of shared value into strategy and operations was introduced as a strategic priority for the group in 2019.

These principles underpin the group's view that it must intentionally use core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale.

The group views this as a transformative and sustainable business strategy, albeit a long-term journey. It requires the group to commit to extracting economic and social value from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address key social imperatives or only drive profitability.

South Africa and the other regions in which the group operates face a broad range of social challenges, and whilst FirstRand cannot solve all of these challenges as a systemic financial services business, it has the capacity to be a force for good.

Using its core business resources and activities, the group can achieve positive, scalable and high-impact financial and social outcomes.

FINANCIAL RESOURCES	The group's financial resources management (FRM) framework which enables: • risk appetite, risk capacity, capital, funding; • productive and inclusive capital formation; • sustainability; and • disciplined allocation It also includes investment strategies which seek to influence both financial returns and social, environmental and economic externalities.
PLATFORMS	Technology platforms and the underlying systems, IT infrastructure and licences that enable customers to access products and services.
NETWORK	Knowledge, access to clients, ideas, skills and institutions.
OPERATIONS	The responsible stewardship of the group's operations, infrastructure and resources. The group's people are an important resource to deliver on strategy.
FOUNDATIONS	Corporate social investment (CSI).

THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING

In October 2020, FirstRand became a signatory to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Responsible Banking (the Principles).

The Principles, launched in September 2019, are designed to provide a universal framework for sustainable banking practices and encourage the banking industry to demonstrate how it makes a positive contribution to society.

The group believes the intended application of the Principles provides an important underpin to the sustainability of financial services for broader society. As an emerging market bank and one of the largest financial institutions in Africa, FirstRand can meaningfully contribute to and learn from this global coalition comprising approximately 200 other signatory banks.

UNEP FI PRINCIPLES FOR RESPONSIBLE BANKING

Principle 1: ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Principle 2: IMPACT AND TARGET SETTING

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

Principle 3: CLIENTS AND CUSTOMERS

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4: STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Principle 5: GOVERNANCE AND CULTURE

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Principle 6: TRANSPARENCY AND ACCOUNTABILITY

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.

PROGRESS SO FAR

In addition to the progress the group has made in embedding the principles of shared value, each segment has identified material environmental and social impacts and is busy refining strategies and identifying associated metrics and targets.

This is not a zero-based exercise for the group, as its core business (looking after savings, delivering great customer outcomes, paying healthy taxes, creating employment, promoting inclusive growth and financial inclusion) is already contributing to positive social outcomes, however, a deliberate shift in intentionality and impact measurement is required.

making progress

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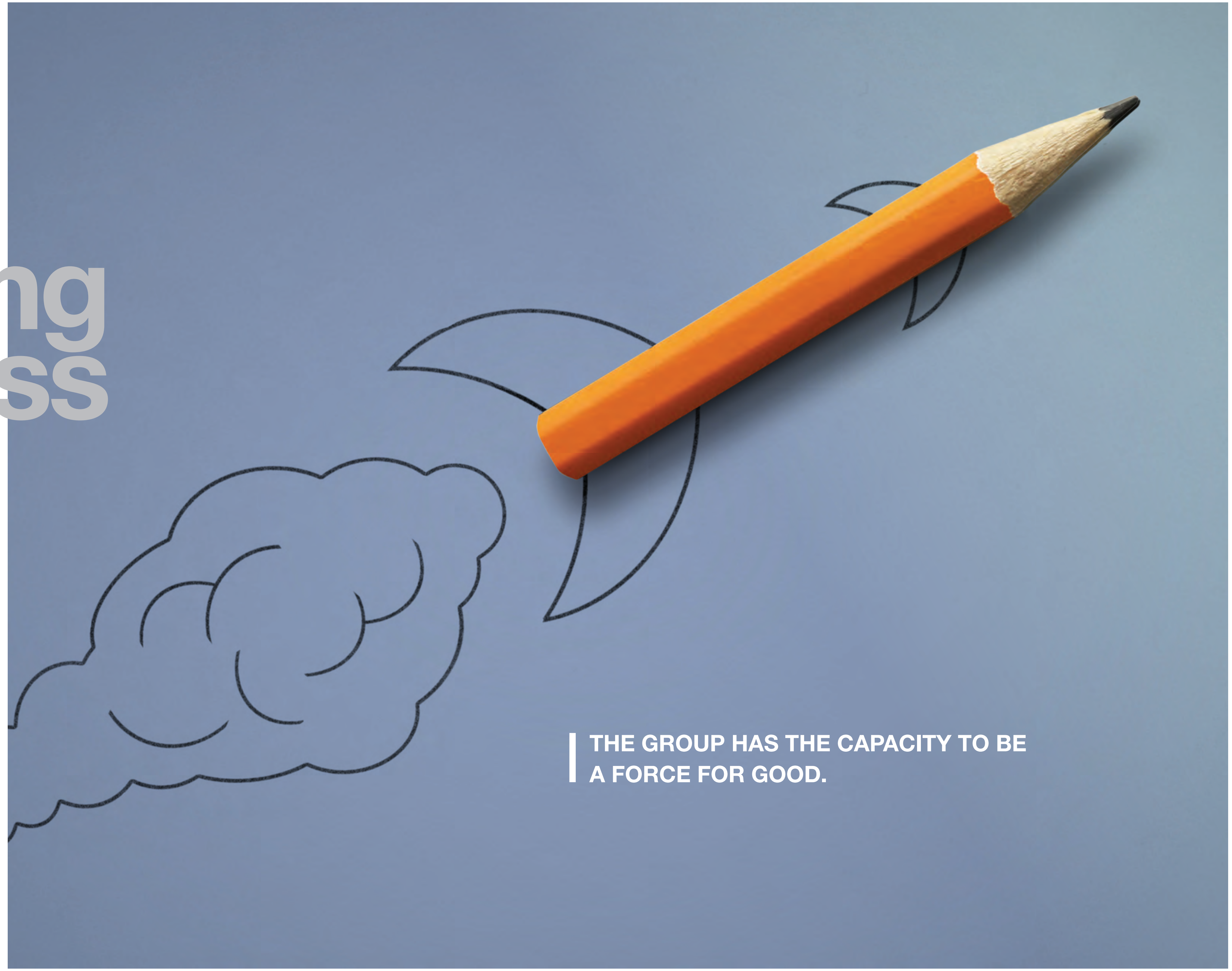

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DEPLOYING THE GROUP'S BALANCE SHEET TO DRIVE ECONOMIC GROWTH AND INCLUSION

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. FirstRand responded by rapidly mobilising COVID-19 payment relief solutions for customers. These solutions were particularly necessary for vulnerable small and medium-sized enterprises (SMEs) which are important growth and job creation engines of the economy. FirstRand also continues to invest in transformational infrastructure, empowerment transactions, and farming ventures led by black people, which will be important drivers for an inclusive economic recovery.

COVID-19 RESPONSE

The COVID-19 lockdowns resulted in unexpected loss of income for customers and the inability to cover monthly costs and obligations. In response, the group's operating businesses provided various cash flow relief solutions to preserve livelihoods and jobs.

RETAIL

Retail customers in good standing were offered **emergency funds designed to bridge short-term liquidity needs and provide cash flow relief.** The loans were priced at the prime interest rate with zero fees and a flexible repayment period starting three months after relief was taken up. No early settlement penalties were levied. Payment holidays were also offered.

COMMERCIAL

Relief was offered to commercial customers, primarily in the form of **payment holidays,** and additional relief was offered to SMEs through the government's COVID-19 Loan Guarantee Scheme.

CORPORATE

For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of **additional liquidity facilities, payment holidays and covenant waivers.**

DEBT RELIEF

as at 30 June 2020

	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio (gross advances) (R million)	% of portfolio for which relief was provided
Retail	203.3	674.3	68 834	473 102	15%
Commercial	16.7	31.0	30 832	135 030	23%
Corporate	n/a	n/a	58 083	359 704	16%
UK operations	86.7	86.7	71 889	306 246	23%
Total group	306.7	792.0	229 638	1 311 095	18%

RMB's specific COVID-19 payment relief to customers

RMB supported its clients through the COVID-19 pandemic, advancing new facilities to clients in priority sectors, waiving covenants on credit facilities and granting payment holidays. Overall, COVID-19 relief was offered to 21% of RMB's total book with 16% taken up. The adjacent table summarises some relief measures granted:

	RAND VALUE
Payment holidays	Over R3.5 billion in payment holidays granted
Liquidity facilities	R11 billion in additional liquidity facilities/new money granted for COVID-19-related support
Covenant waivers	Loan covenants relaxed on R25 billion of funding

CASE STUDY

HELPING THE CONTINENT RESPOND TO THE PANDEMIC THROUGH PARTNERSHIP

African Export-Import Bank (Afreximbank) is a multilateral trade finance institution that operates as an enabler of trade across the continent. It plays a critical role in funding African countries and is now focusing on supporting these countries in dealing with the impact of the COVID-19 pandemic. Afreximbank implemented its $3 billion Pandemic Trade Impact Mitigation Facility programme to assist African countries over the next three years.

In April 2020, RMB was appointed joint mandated lead arranger and bookrunner by Afreximbank for the refinance of its upcoming maturing debt obligations. RMB, together with the other mandated lead arrangers, was instrumental in delivering a restructured facility of $900 million for the client, despite unprecedented market volatility. RMB committed $75 million to the transaction.

FNB's specific COVID-19 payment relief to customers

At the onset of the national lockdown, FNB rapidly deployed solutions to minimise the impact of COVID-19 on customer finances by implementing flexible payment periods and zero origination fees. Relief to retail and business customers was facilitated via the banking app and digital channels, which assisted with swift fulfilment.

Some of the COVID-19 cash flow relief measures implemented by FNB, as at June 2020:

- **Relief on R100 billion of advances, benefitting 220 000 customers.**
- **Cash flow facilities provided to over 600 000 customers** with free credit life cover.
- **R119 million** of fees waived during the lockdown period (SASwitch fees, speedpoint rentals and merchant services for business customers).
- **R300 million worth of Credit Life*** (Inability to Earn (ITE) and Retrenchment) claims were approved for customers with valid claims.
- **Free retrenchment benefits** added to more than 400 000 existing insurance policies.

* *Covers full outstanding balance on customer's credit product in the event of death or permanent disability, and covers the monthly instalment of the credit facility for up to 12 months in the event of temporary disability and unemployment/inability to earn an income.*

Support for retail customers

Customers were able to achieve real savings and flexibility through the cash flow relief loan, rather than a traditional payment holiday. It limited compound interest typically charged at the prevailing rates of the existing agreement over an extended term (the COVID-19 loan is at prime). No other fees such as initiation or service fees were applied.

The **emergency loan solution** allowed for the relief to cover all product repayments.

Instead of extending the customer's term, the bank allowed the customer to **repay the cash flow relief amount separately.** This was achieved by creating a specific COVID-19 loan account to cover all the customer's payment obligations to the bank. A debit order suppression of existing products was activated and instead a payment instruction was triggered on the COVID-19 loan account.

Following the three-month payment break, the COVID-19 loan account was closed off and **collections against this account commenced over a flexible repayment period** (defaulted to 60 months with a penalty-free early settlement option). Debit orders against pre-existing product accounts were then reinstated.

Credit Life Insurance

In line with FNB's ongoing efforts to assist clients, 487 000 Credit Life policies taken out before August 2017 (Pre-National Credit Act Credit Life Insurance Regulations Policies) now include the ITE benefit in addition to the Retrenchment Benefit, at no additional charge to the client. All policies taken out after August 2017 include the ITE and Retrenchment benefit. Furthermore, 871 355 clients are eligible for automatic cover on their COVID-19 debt relief loans, at no additional charge.

COVID-19 claim stats at 30 June 2020	
Increase in claims ratio	200%
Value of ITE and Retrenchment claims (Approved)	R300 million
Value of ITE and Retrenchment claims (Paid)*	R83 million

** The benefits are paid over 6 – 12 months. For example, R1 200 may be approved with R100 paid monthly for 12 months.*

Additional capacity was created to ensure that the policy claims received were processed within an acceptable turnaround time. The process to review the validity of claims was streamlined and independent monitoring and quality assurance was implemented to review the rejected claims.

Support for commercial customers

Using customers' history and transactional data, customers in good standing were **proactively offered relief** based on behaviour.

FNB provided **relief to commercial customers** primarily in the form of payment holidays and additional relief was offered to SMEs through the government-guaranteed loan scheme.

FNB provided **cash flow relief facilities** with free credit life cover to over 25 000 customers

FNB also provided **temporary overdrafts of three months** to customers and in some instances, this was extended to six months.

The government-backed COVID-19 Loan Scheme for SMEs was designed to help businesses across the country who may not have been able to meet their financial obligations during lockdown. FNB **facilitated these loans via the FNB app** available 24/7, where businesses could apply in their own time, . At 30 June 2020, loans to the value of R1 billion had been paid out.

FNB acted as an **agent of South African Future Trust (SAFT)** and disbursed over R1 billion to SME employees affected by COVID-19. The funding was in the form of a loan between SAFT and the business. The loan is interest-free over five years and was administered by FNB on behalf of SAFT. FNB did not receive any administration fees or remuneration from SAFT.

FNB **paid 4 076 businesses and 30 477 employees to the value of R311 million** by the conclusion of the programme.

FNB partnered with the government and other banks to **disburse R350 per citizen per month for six months** to qualifying unemployed citizens. The role is limited to the administration of the payments and R12 million in beneficiary payments had been facilitated at 30 June 2020.

The Unemployment Insurance Fund used FNB's online banking platforms to make payments. Between April and June 2020, FNB had **disbursed R24.1 billion of UIF COVID-19 relief claims,** across 565 209 businesses and individuals.

CASE STUDY

SUPPORTING RETAILERS DURING COVID-19

The onset of COVID-19 had a significant impact on retailers' revenue due to reduced trading opportunities.

At FNB's BankCity headquarters, which under normal circumstances hosts 12 000 employees, the resident retailers faced severe economic impact as a result of the lockdown and work-from-home arrangements. In response, **FNB IMPLEMENTED A RELIEF PLAN TO PROTECT THE LONGEVITY OF AND INVESTMENTS MADE IN THE PRECINCT:**

FNB provided cash flow relief solutions including 100% free rental to all retail tenants for six months.

Further ongoing rental relief, according to select tenant criteria, is also available.

WesBank's specific COVID-19 payment relief to customers

As a leading stakeholder in the automotive industry, WesBank meaningfully supported the sector during the COVID-19 pandemic.

WesBank assisted customers with payment relief on a large scale, helping tens of thousands of people avoid falling into arrears. WesBank appealed to the Minister of Trade and Industry to allow the motor industry to reopen when the country moved to level 4, and as a result the automotive sector was able to trade again sooner than expected. WesBank also used its resources to assist communities and small businesses to stay afloat during this difficult time.

70 000
customers assisted with payment relief

390
balloon payments (R39 million) extended

R25 billion
of relief granted

R16.7 billion to retail customers

R8 billion to corporate and commercial customers

Aldermore's specific COVID-19 payment relief to customers

On 23 March the UK government announced that mortgage customers could apply for a mortgage payment break, if they were financially impacted. Aldermore responded quickly to this scheme, and supported over 13 000 customers with payment breaks for up to six months.

UP TO 31 OCTOBER 2020

Approximately **25%** of customers (13 253 customers) have taken a mortgage payment break

Aldermore has agreed to **extra support** for customers unable to resume paying their mortgage

Aldermore will accept **new payment break** requests or further deferrals up to 31 January 2021

TRANSFORMATIONAL INFRASTRUCTURE

During 2020, RMB's lending to transformational infrastructure was approximately

R11.2 billion

(2019: R12.4 billion)

Infrastructure development is imperative for economic growth and improving living standards. RMB remains a leading player in infrastructure and project finance across sub-Saharan Africa, providing advisory and funding solutions to key sectors such as public-private partnerships (PPPs), conventional power, renewable energy, road, rail, ports, water and telecommunications.

Infrastructure development in South Africa: *James Formby, CEO RMB*

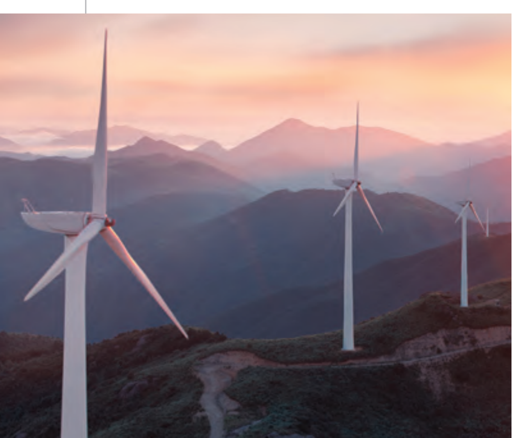
South Africa continues to face a constrained macroeconomic environment, partly as a result of the COVID-19 pandemic and partly due to the country's weak fiscal position prior to the pandemic and the impact of lockdown. The government has identified the necessary structural reforms to kick-start economic growth, however, progress has been slow. The COVID-19 pandemic and recent Moody's and Fitch downgrades have placed an additional burden on the economy, which is expected to contract by 8% in the 2020 calendar year. Ongoing job losses and the impact of the pandemic on key sectors require strategies that can revive the economy. Infrastructure-led investment is a key part of the President's recovery plan.

Infrastructure investment can have a significant positive impact on economies – many other governments have proposed this as a means of restoring growth as it has a multiplier impact, contributing to job creation and enabling industries or sectors to remain competitive. The South African construction sector has been hard-hit in recent years and has seen the closure of many companies. Execution on South Africa's infrastructure development will revive the construction industry and many other ancillary sectors that form part of the value chain, and will likely see the return of key skills and expertise to the market, which have been lost over the past few years.

PPPs and concessions have successfully delivered key infrastructure projects in South Africa over the past two decades. A stand-out has been government's renewable energy programme with 6 422 MW of electricity procured from 112 independent power producers in four bid rounds over eight years. This kind of success can be replicated beyond energy. To do this, a focused and meaningful partnership between government and financial institutions will be required. There has been encouraging engagement between the financial services industry, the Infrastructure Fund and Infrastructure South Africa (ISA), a working group that supports the Infrastructure Fund and is made up of public and private sector representation.

In addition, there has been considerable progress in identifying 50 projects to be expedited, as well as 12 special projects that were gazetted on 24 July 2020. These projects focus on sectors such as transport, water and sanitation, human settlement, agriculture and agro-processing, technology and energy, and can accelerate economic growth.

The financial services industry can contribute meaningfully to an infrastructure-led recovery as it has the necessary capital and skills. RMB has identified this as a strategic focus area for the coming years and intends to actively support government's infrastructure initiative. A key need is to augment skills and RMB, along with other players, intends to support this by seconding experienced people into ISA.



Financing the transition to a low-carbon and climate-resilient economy

As a financial intermediary, FirstRand can play an important role financing the transition to a low-carbon and climate-resilient economy.

The group's ambition is to actively participate in financing the green economy, pursuing significant opportunities for innovation, new technologies and new markets that will arise, and to help society adapt. Specifically, the group will focus on supporting clients to manage their climate risks (physical or transition risks) through the provision of climate-appropriate financial solutions for adaptation or balance sheet protection. These could include financing/investment/transactional services, advisory/analytics and data services, and capital raising and savings/investments/capital markets products. Solutions will focus on climate risk in carbon-intensive sectors, including energy and transportation, and on climate resilience in the most climate-vulnerable sectors, such as agriculture and property.

CASE STUDY

GREEN REFINANCE OF EQUITY STAKE IN SOLAR PROJECT

During the year, RMB refinanced a 35% equity stake in the Touwsrivier concentrator photovoltaic (CPV) Solar Farm, held by Pele Green Energy (Pele), a 100% black-owned, leading South African renewable energy company.

RMB acted as sole arranger and funder, and partnered with Pele to provide the necessary capabilities to navigate complex negotiations and processes, including the replacement of the project's operations and maintenance contractor and the exit of the project's international technology partner.

As a result, Pele owns shares in renewable energy projects with an installed capacity of 639 MW. As the lead shareholder and asset manager of the Touwsrivier CPV Solar Farm, Pele has established itself as a leading South African independent energy producer, not just in terms of black ownership, but also in terms of technical capabilities.

SUPPORTING SMEs

FNB contributes to economic development and employment by providing innovative funding solutions to SMEs.

FNB has extended

R19.5 billion (2019: R19 billion)

in unsecured limits to SMEs (R39.7 billion including secured funding).

CASE STUDY

SME BOOSTER LOAN

The FNB booster loan is a business credit product that is intended to support small businesses by providing them with a capital injection to help them grow.

A booster loan can be requested from as early as six months after opening a business account with FNB. No security or audited financials are required if the loan is approved, with the only requirement being that the business owner provides personal surety.

The loan amount offered ranges between R10 000 and R100 000 and the repayment is a fixed amount, payable over six months. The interest rate is up to 50% less than competing fintech lenders. No other commercial bank has developed a similar product.

The product was developed to solve for the specific challenge of applying for credit early in the business life cycle. Before this product, automated scored credit offerings to businesses that had not been operating for longer than 12 months did not exist.

Since launching the booster loan in August 2018, FNB has disbursed more than R43 million to over 700 businesses. The businesses that have taken up a booster loan typically show improved growth in turnover.

The product was designed to help move businesses into 'traditional' credit products over time. To date FNB has converted booster loans to:

- **32 loans** with limits of R6 million
- **95 overdrafts** with limits of R17 million
- **49 credit cards** with limits of R1.3 million

Assisting SMEs during COVID-19

In order to assist the suppliers in the group's supply chain during the COVID-19 pandemic, a decision was made to waive standard payment terms and settle supplier invoices early. This provided much-needed liquidity to suppliers.

	R million (1 March – 30 November 2020)	Number of suppliers
EME/QSE early payments*	2 384	2 857
Other supplier early payments	13 571	2 951
Total	**15 955**	**5 808**

* *EME suppliers – turnover of up to R10 million. QSE suppliers – turnover between R10 million and R50 million.*

FNB's Women in Business

FNB's Women in Business strategy has two focus areas:

- The growth of women in the workplace, which human capital is actively driving and measuring.
- The support and growth of women in business.

Women-led SMEs account for 47% of all SMEs in South Africa, making them a significant driver of inclusive growth and job creation (Source: South Africa's SME landscape report). FNB's research shows that women are operating in all sectors of the economy including mining, renewable energy, agriculture and tourism.

FNB currently has a market share of 32% of women-led businesses banking with FNB Business (Source: Genex 2019 survey results).

FNB assisted 1 017 women-led businesses to the value of R295 million

CASE STUDY

IFC FUNDING FOR WOMEN-LED BUSINESSES

In December 2017, FNB received financing of $200 million (R1.2 billion) from the International Finance Corporation (IFC) to support its lending to SMEs, with $50 million of the funds to be directed at women-owned businesses.

The loan was fully distributed within the first year of the five-year term.

As at 30 June 2020:

Number of women-led businesses*	20 228 (2019: 20 014)
Asset base	R8.4 billion** (2019: R8.8 billion)

** Excluding related parties. | ** Year-on-year decrease due to COVID-19 impact.*

Supporting women-led businesses during COVID-19

The economic fallout of COVID-19 has had a significant impact on women-led businesses. FNB provided R295 million to 1 017 businesses through the government-backed COVID-19 loan scheme and helped administer SAFT loans to the value of R35 million for 430 women-led businesses, supporting 3 136 jobs.

Other support

FNB Women in Business provides other non-financial and mentorship support to its female clients. Examples include:

- national series of self-empowerment workshops;
- golfing clinics; and
- a six-month masterclass and mentorship programme.

SME DEVELOPMENT

FNB recognises that SMEs require a **broad range of solutions to overcome obstacles** to growth, optimise opportunities and improve business sustainability.

CASE STUDY

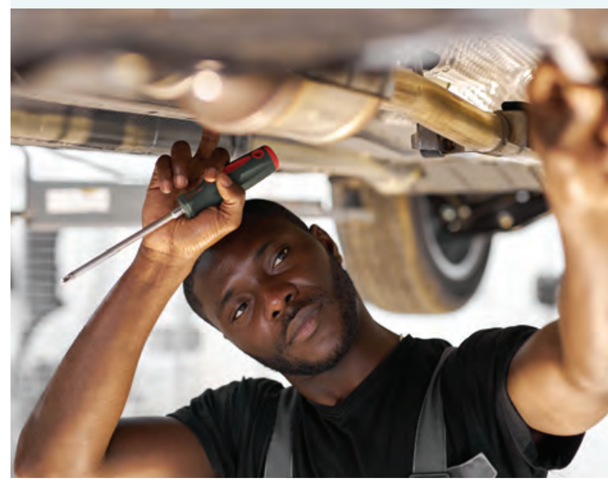
ASHBURTON IMPACT INVESTING

Ashburton Investments has helped unlock investments in SMEs and intermediaries which traditional funders have considered risky. It has partnered with National Treasury's Jobs Fund to develop a multimillion-rand facility that partially guarantees possible losses which may arise from these types of debt investments.

Ashburton's Credit Enhanced Funds (ACEF) I and II resulted from this partnership. The funds have attracted over R1.2 billion of capital since inception in 2014, most of which has already been deployed for job creation initiatives.

The companies that benefited from the debt deployed by the funds have created 16 876 new jobs for previously disadvantaged people, of which more than 85% were women. Approximately 70% of these jobs are in underserved provinces such as the Eastern Cape, Limpopo and North West.

Since inception, the two funds have also delivered financial returns of approximately 9% per annum, after fees, to investors (primarily pension funds and other institutional investors).



The funds have created 16 876 new jobs for previously disadvantaged people

CASE STUDY

10XE MENTORSHIP PROGRAMME

10Xe is a business accelerator programme designed to support high-growth potential black-owned SMEs that have scalable business models and demonstrate the capacity for significant job creation.

This SME mentorship programme has run for the past five years and addresses the particular challenges faced by scaling businesses.

The programme offers comprehensive SME support, including:

- bootcamps focusing on content delivery and peer-to-peer engagements;
- practical toolkits to implement learnings;
- specialist workshops focusing on strategy, HR and fundraising;
- providing additional capacity to deliver key business elements;
- mentoring by a seasoned CEO who has scaled a business;
- coaching for the founder/CEO; and
- assessments that identify business health and developmental areas.

Cohorts are sponsored annually with each cohort following a two-year programme. During 2020, FNB had three active cohorts, totalling 30 businesses. The participating SME sectors include ICT, marketing, healthcare and education.

The latest group of **12 SMEs to complete the programme created 192 jobs, experienced an average increase in business maturity* of 22%** and underwent training as follows:

- 1400 bootcamp hours
- 708 workshop hours
- 180 coaching hours

** As measured by the business maturity index (measures the level of sophistication of core business disciplines that are important in the scaling-up process).*

COVID-19 impact

With the repercussions of the lockdown period it has been crucial to enhance the support to programme beneficiaries to protect their survival and sustainability. This involved assessing which SMEs were high risk in terms of revenue at risk, cash flow runway and likelihood of survival. Thereafter, additional targeted interventions were provided such as strategy workshops, CEO coaching and leadership team assessments.

CASE STUDY

VUMELA

The Vumela Fund (Vumela) was established in 2009 as a vehicle for FirstRand to implement its enterprise and supplier development objectives.

Vumela focuses on the provision of growth equity finance to early-stage SMEs, has a total of R588 million under management and is managed by Edge Growth.

Since inception, Vumela has committed over R300 million to more than 20 early-stage businesses, creating in excess of 5 000 jobs.

Vumela has had three funds with different mandates. Vumela 1 and 2 are fully deployed and Vumela 3 is currently capitalised with R200 million to focus on the provision of supplier development funding across various stages of business growth – including short-term and long-term growth finance, debt and equity.

To date, Vumela 3 has made investments in five SMEs to the value of R72 million, including:

1. **R25 MILLION** loan funding to ProfitShare Partners, a fintech that funds short-term purchase order/contract finance for SMEs.
2. **R10 MILLION** equity funding to Inoxico, a B2B commercial credit information provider specialising in sourcing, verifying and analysing data on unlisted African businesses.
3. **R11 MILLION** equity funding to FoxP2, a creative advertising agency providing campaign solutions to corporate clients.
4. **R16 MILLION** equity funding to Sea Monster, an animation and gaming company that assists corporates to increase employee engagement and drive behaviour change through communication, education and entertainment.
5. **R10 MILLION** loan funding to Lestsema Consulting and Advisory, a South African management consulting firm.

CASE STUDY

SOCIAL ENTREPRENEURSHIP IMPACT LAB PROGRAMME

Social entrepreneurship plays a valuable role in tackling socio-economic challenges through commercial business models.

The FNB Social Entrepreneurship Impact Lab (SEIL) programme supports the growth of social entrepreneurs who are tackling pressing social, environmental and economic issues in South Africa.

This 18-month programme, which commenced in December 2019, supports 21 entrepreneurs through the provision of extensive entrepreneurial skills development, mentorship, connection to peers around the country, access to markets and finance, and access to tools and templates.

The current cohort represents various sectors including healthcare, education, waste management and water sanitation.

During the year, 420 hours of mentorship support and 176 hours of workshops were delivered to this group. Although the size of these enterprises is relatively small, with a total portfolio revenue starting value of R1.6 million, collectively they increased turnover by 16% from January to May 2020. Over the same period 181 jobs have been sustained and 12 new permanent jobs were created, while nine temporary jobs were shed.

The SEIL programme includes a grant component. In June 2020, R318 000 of grant funding was issued to Zinacare, which had shifted its business to provide COVID-19 testing services, providing a much-needed social service during the peak of the lockdown.

COVID-19 impact

COVID has had a mixed effect on this group of SMEs, with some experiencing increased opportunities based on the nature of their business, while others have been adversely impacted. Some were in a position to pivot their business models to meet the increased demand for certain commodities, particularly in the healthcare space and online services.

CASE STUDY

ZINACARE

During the COVID-19 crisis Philip Mngadi, the founder of Zinacare – a business that offers accessible, convenient testing for sexually transmitted infections (STIs) – saw an opportunity.

Mngadi launched Zinacare in 2018 in order to democratise access to testing services in sexual health, and specifically women's health, across Africa. Zinacare uses a digital platform to provide tests for STIs directly to customers.

In April 2020, in partnership with Ampath Laboratories and Redefine Properties, Zinacare quickly pivoted its business to COVID-19 testing in Gauteng. This has enabled Zinacare to create an additional 12 full-time and three part-time positions. It has also provided the opportunity to grow Zinacare's brand, secure additional revenue and contribute to an acutely needed service with a clear social benefit.

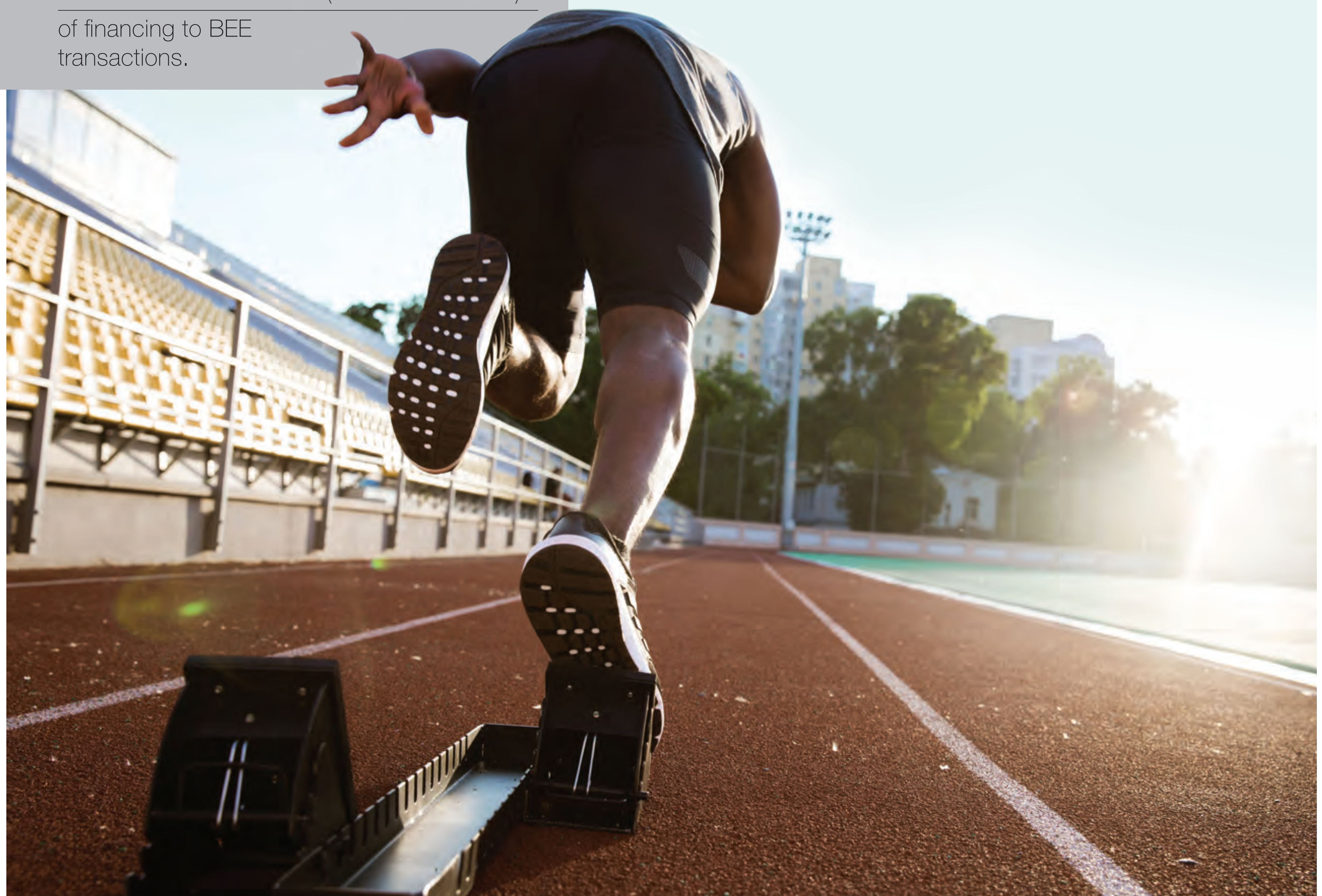
BEE TRANSACTIONS

A key driver of transformation and unlocking inclusive growth in South Africa has been the transfer of ownership of corporate assets through black economic empowerment (BEE). RMB is a market leader in advising, funding and structuring such transactions.

During 2020 RMB provided

R10 billion (2019: R8.1 billion)

of financing to BEE transactions.



CASE STUDY

AB INBEV BEE DEAL

In March 2020, AB InBev, (through its South African Breweries (SAB) subsidiary) concluded the partial unwind of SAB Zenzele which delivered R9.7 billion to its participants, the highest ever broad-based black economic empowerment (B-BBEE) value creation in the South African fast-moving consumer goods sector. Beneficiaries included 29 000 SAB retailer shareholders, 13 000 SAB employees and the SAB Foundation.

RMB, together with Morgan Stanley, worked to raise R7.6 billion from 9.5 million AB InBev shares traded on Euronext Brussels and the JSE Limited amidst the global COVID-19 pandemic. The fundraising was executed on behalf of SAB Zenzele participants who elected to receive cash from the partial unwind of SAB Zenzele.

Furthermore, AB InBev announced a new B-BBEE ownership transaction, to be implemented through SAB Zenzele Kabili, that will acquire R5.4 billion worth of AB InBev shares. SAB Zenzele Kabili will be listed on the BEE segment of the JSE Limited to facilitate trading and liquidity for the underlying participants. SAB retailer shareholders and employees participating in the current B-BBEE scheme will be given the option to reinvest some or all of their proceeds in SAB Zenzele Kabili. SAB retailer shareholders will vote on their reinvestment in SAB Zenzele Kabili which, if approved, will be implemented by 31 March 2021. RMB advised and was the global coordinator and joint bookrunner on the transaction.

CASE STUDY

RMB BEE HEDGE FUND

RMB launched a BEE hedge fund providing seed capital to assist black asset managers. Hedge funds typically require this kind of capital to launch a new fund or a new strategy to attract additional external long-term capital.

RMB provided an initial investment of between R5 million and R10 million to those managers who also contributed to the fund. Proceeds are used to assist with operational costs and establishing key processes such as reconciliations, preparation of pitch books and ensuring that the funds have adequate controls to run settlements. The capital is invested for two years to give fund managers adequate time to raise long-term funding, after which RMB capital will be returned. These funds are then reinvested in other hedge funds.

To date, R65 million out of the approved R100 million pool has been allocated to seven BEE funds:

- Mazi Capital Asset Management
- Sentio Capital Management
- Bataung Capital Partners
- Independent Alternatives
- Solaris Bataung
- Black Mountain Investment Management
- Forte Investments

Further investments will be considered in the 2021 financial year.

AGRICULTURE

Investment in agriculture is important for food security and industry transformation, and for ensuring the sector's sustainability given the size of its contribution to South Africa's GDP (2.6%). The importance of the sector was emphasised when agriculture was declared a critical industry and exempted from the harshest COVID-19 lockdown regulations.

In 2020, RMB and FNB lent

R3.2 billion (2019: R2.7 billion)

to black-owned companies in the agriculture sector.

RMB provided AAF with funding of R350 million

CASE STUDY

AKWANDZE: RMB PARTNERS WITH CLIENTS TO PROMOTE AN INCLUSIVE ECONOMY

RMB partnered with RCL Foods Limited and Akwandze Agricultural Finance (AAF) to support emerging and community-based farming in the Mpumalanga region. The transaction directly empowers the community, enables farmers to be climate resilient and supports inclusive economic growth.

ABOUT AAF

AAF is a development finance institution (DFI) that operates from Malelane in Mpumalanga. The financier supports emerging and community-based sugar farming operators in the region with a blend of funding and ongoing business support. The model has been successful in the region, with AAF operating on a sustainable and profitable basis.

RCL Foods considers AAF to be a key stakeholder in its sugar business. AAF clients, including emerging farmers and community-based joint venture farming operations, are the primary source of sugar cane for RCL-owned sugar mills in the region.

DEAL STRUCTURE

After visiting the Malelane region and various farming operations supported by AAF, the RMB team was impressed by the level of ongoing diligence and care that AAF exercised with its clients. It was clear that additional support would enable AFF to expand its socio-economic impact in the area.

RMB provided AAF with funding of R350 million to meet operational and capital expenditure requirements for community-based joint venture farming operations. The funds will also be used to refinance facilities used for irrigation and replant capital expenditure programmes, as well as for input costs.

Ongoing measurement of water use efficiency and productivity metrics was an important requirement of the deal, ensuring transparency on the impact generated.

CASE STUDY

FNB AGRICULTURAL TRANSFORMATION

FNB Agriculture supports the transformation of the industry and is committed to growing a larger base of black commercial farmers. Its agriculture solutions encourage and enable commercial farmers to proactively engage in transformation initiatives designed to empower black farmers, their employees and the communities in which they operate. Below is an example of the most common BEE structure, which highlights the value contributed and derived by each party.

As at 30 June 2020 FNB had extended **R669 million of funding to 126 black farming enterprises** deployed through structures as outlined below.

EXISTING COMMERCIAL FARMER	FARMWORKERS' TRUST/COMMUNAL PROPERTY ASSOCIATION
Brings	*Brings*
• Expertise and skills • Mentorship • Offtake • Transport • Equipment	• BEE credentials • Commitment • Water access • Discounted capital/ grant access
Achieves	*Achieves*
• Expansion opportunity • Access to discounted capital • Access to water	• Land ownership • Wealth creation • Training/mentorship • Access to offtake, transport and equipment

↓ ↓

ESTABLISH NEW OPERATING ENTITY

BORROWING ENTITY:
- Viable farming venture
- Own or lease land
- Shareholding confirmed by contributions
- Dividends create wealth

CASE STUDY

LEVERAGING PPPS TO FACILITATE ECONOMIC INCLUSION IN AGRICULTURE

The cost of funding transformational agriculture projects remains an obstacle as many are start-up/greenfields ventures with no historic trading record. Interest rates for these initiatives will always be at a premium because of the risk profile, often making credit unaffordable.

Within this context, FNB Agriculture entered an agreement with Proparco, which offered a $50 million (approximately R725 million) facility at reduced interest rates. The lower funding cost benefit is passed on to qualifying transformation projects which creates a direct interest rate benefit. Proparco is a DFI partly owned by the French Development Agency and promotes private investment in Africa.

To qualify for the Proparco funding benefit, projects must:

- Have at least 51% black shareholding.
- The project beneficiaries must be involved in the daily operations of the farming enterprise.
- The project must have a profit motive.
- Project sustainability must be demonstrated.
- A maximum amount of $10 million is allocated per project.

Since inception of the Proparco deal, **FNB Agriculture has issued indicative term sheets to six projects totalling R219 million.**

CASE STUDY

AGRICULTURAL ENTERPRISE DEVELOPMENT GRANTS

In the past two years FNB Business has deployed R25.5 million of enterprise development grants to two agricultural projects in the Western Cape. The funding was structured as non-recoverable grants and allowed black farmworkers to acquire a 30% shareholding in a commercial agricultural project.

Additional funding was deployed to complete a 10 km water pipeline to secure 350 hectares of water rights for the farm.

The project has already created

50 permanent jobs

30 seasonal jobs

The following has been planted to date:

27 hectares of vineyards

11 hectares of cherries (under netting)

20 hectares of almonds

8 hectares of citrus

Once in full production, it is estimated the project will create

405 permanent employment opportunities

285 additional off-farm employment opportunities

It is estimated the project will create

R50 million in turnover by year ten with profits before tax of **R10** million

AFFORDABLE HOUSING

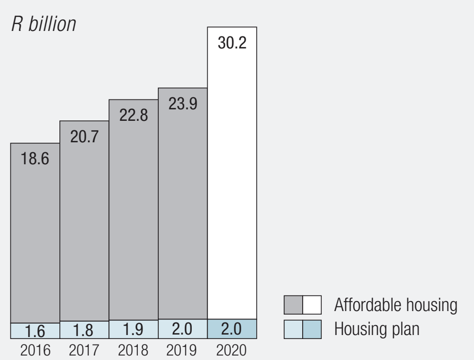
Owning a home gives individuals and households dignity and enhances quality of life by providing safety, improved living standards, economic empowerment, increased social cohesion, and improved educational outcomes and health standards.

FNB has developed affordable housing products to facilitate home ownership by offering mortgages to low-income communities with limited access to collateral to grow their net asset value.

The group's affordable housing book has grown to

R32.2 billion

representing 109 788 customers.



The affordable housing book grew R6.3 billion (24%) year-on-year. While the second half of the financial year saw some significant challenges due to COVID-19 and economic uncertainty, the affordable housing market remained relevantly resilient.

There is an increased need for an inclusive approach to address the affordable housing challenges including community participation and stakeholder engagement, while considering the broader socio-economic, cultural and spatial impact of housing development.

FNB continues to engage with a number of key stakeholders including government and housing developers to increase the supply of affordable housing stock and improve affordability for low-income individuals. Below are examples of how FNB partners with other players in this space.

FLISP

Finance Linked Individual Subsidy Programme (FLISP) is a government subsidy aimed at customers who fall within what is termed the gap housing market (those who earn too much to qualify for social housing and too little to afford a privately developed house). This subsidy can be used to augment a home loan, or to reduce it. FNB has embedded FLISP qualifying criteria into its business to enable affordability and improve customer experience.

During 2020:

1. **57%** of FNB's affordable housing customers qualified for FLISP as part of their home purchase.
2. **R105 MILLION** in FLISP financing assisted homeowners in purchasing their first property.
3. FNB paid out **1 046 SUBSIDIES.**

CASE STUDY

AN EMPLOYEE OF A CLEANING SERVICE COMPANY AT ONE OF THE FNB CAMPUSES, EARNING R3 600 GROSS MONTHLY INCOME, APPROACHED FNB FOR A HOME LOAN.

She was looking to buy a property in Orange Farm for R250 000. This properly was attractive to her as it had two units that could be rented out for R2 400 per month, which she could use to help her to repay her bond. FNB approved a loan of R128 000 and FLISP contributed R122 000.

Development finance institutions

FNB secured a R700 million credit line from the IFC with a funding benefit of 95 bps to the end user.

Qualifying criteria

- Affordable housing income range <R25 600 (Financial Sector Code (FSC)) definition
- Customers who fail credit on affordability
- Full benefit to end users and no profit or cost offset

Customers assisted

Year 1 ending June 2020:

Volume: Two customers assisted

Value: R567 000

Year 2 Quarter 1 as at September 2020:

Volume: 80 customers assisted

Value: R53 million approved

The implementation of the solution coincided with the COVID-19 state of disaster and the resultant market shutdowns. This dampened activity but early indicators such as pipeline signal that the solution will scale as the economy emerges from the COVID-19 lockdowns.

UK BUSINESSES

Aldermore and MotoNovo represent FirstRand's activities in the UK, comprising mortgages, buy-to-let, and vehicle and SME financing.

The barriers to asset ownership for young adults in the UK are high, particularly the level of deposit and income required. This makes home and vehicle ownership unattainable for many first-time buyers. As a young adult with little credit history it is also difficult to obtain finance.

CASE STUDY

ALDERMORE: ASSISTING FIRST-TIME HOME BUYERS

Aldermore uses its innovative approach to assist first-time home buyers to enter the property market by allowing greater flexibility for borrowers looking to maximise affordability through providing loan to value of up to 95%.

Aldermore's individual approach to underwriting remains its key strength in the market and sets it apart from high street lenders.

- First-time buyers made up 42% of new owner-occupied lending in 2020, up from 35% in the prior year.
- Lending to owner-occupied first-time buyers was up 23% year-on-year to £788 million.
- 84% of applications were received in the first three quarters of FY20, versus 76% in FY19, reflecting the impact of COVID-19.

CASE STUDY

PENSION FUNDS: INVESTING FOR IMPACT

Over the past few years, ESG (environmental, social and governance) considerations have become part of the mainstream investment process. What was once seen as a specialist, segregated activity is now recognised as an integral part of the risk management process.

Ashburton Investments commissioned research, carried out by financial research firm Intellidex, to assess the attitudes of South African institutional investors to impact investing. From August 2019 to December 2019, 49 South African pension funds – representing combined assets under management (AUM) of R2.6 trillion were surveyed. This is equivalent to 65% of the total R4.3 trillion AUM in the pension fund industry.

The research also aimed to determine the impact of a guidance note issued in 2019 by the Financial Sector Conduct Authority (FSCA) calling for greater disclosure on the "sustainability of investments and assets in the context of a retirement fund's investment policy statement".

Some key findings:

Almost all of the pension and provident fund managers surveyed expect sustainable investment to become more important in their investment strategies over the next five years.

The FSCA guidance had a notable impact, with most funds reviewing their policies as a result of it and 53% of the funds saying they had already met or exceeded the guidance in the FSCA note.

ESG factors were acknowledged by 86% of respondents as a consideration in investment decisions.

Transparency and measurement are major challenges that constrain greater sustainable investment by the funds.

Respondents consider the social element of ESG to be the most important, followed by governance and then environment. Important ESG issues noted:

- **Environment:** Climate change, water use and renewable energy.
- **Social:** Employment creation and economic inequity.
- **Governance:** Business ethics, bribery and corruption, and executive remuneration.

02

HOW THE GROUP'S PRODUCTS AND TRANSACTIONAL PLATFORMS DELIVER FINANCIAL INCLUSION TO BROADER SOCIETY

Rapid technological developments have allowed financial institutions to reach previously unbanked and under-banked segments of the population. Financial inclusion for individuals and SMEs is vital to transform and scale the informal economy.

eWALLET

Before the introduction of digital technology, the main method for domestic remittances was cash, which included paying someone to physically transport cash across the country. Introduction of services such eWallet created a safe, instant and convenient way to remit money.

eWallet allows FNB customers to send money to recipients who may not have a bank account. The money can be withdrawn from FNB ATMs or selected SPAR stores countrywide.

The use of the service has shown strong growth in the financial year to June 2020 as reflected below.

Measure	Value	Growth	Prior
Send Money (volume)	49.2 million	⇑ 6.7%	Prior period: 46.1 million
Send Money (value)	R28.4 billion	⇑ 9.7%	Prior period: R25.9 billion
Active Base as at 30 June 2020	6.7 million	⇑ 4.7%	As at 30 June 2019: 6.4 million
Monthly Senders (average)	1.2 million	⇑ 20%	Prior period: 1 million

Growth rates in volumes over the past four years

	FNB retail income segmentation	CAGR (%) per segment
Easy segment	R0 – R8.5k	27
Gold segment	R8.5k – R16.5k	18
Premier segment	R16.5k – R32.5k	26
Private client	R32.5k – R60k	34
Private wealth	R60k+	39

From a financial inclusion perspective, it is very pleasing that such strong absolute growth in 'sends' took place in the easy segment.

eWALLET RECIPIENTS

The reach of eWallet services across different geographies and income groups was explored using geolocation on ATM withdrawals. The classifications and analysis of income groups was aligned with CSIR (Counsel for Scientific and Industrial Research) and Stats SA. The results showed that since 2015 usage of eWallet has grown steadily at similar rates in metro, urban and rural areas.

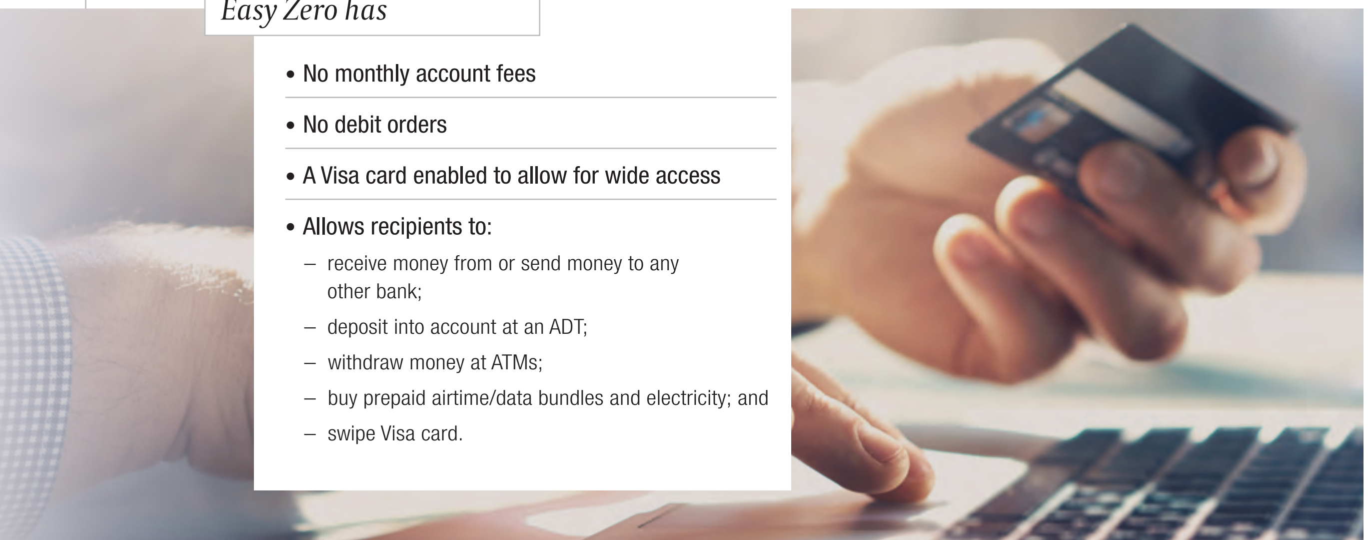
EASY ZERO

Easy Zero, an entry-level transactional bank account, has seen significant growth, further increasing financial inclusion. Easy Zero offers accessibility through a simple USSD account-opening process, requiring only a person's name, surname and ID number.

This product offers the functionality that is required by those individuals who often receive low or irregular income, but still wish to save and have access to basic banking transactions without having to worry about transaction fees, monthly account fees or rogue debit orders.

Easy Zero has

- No monthly account fees
- No debit orders
- A Visa card enabled to allow for wide access
- Allows recipients to:
  - receive money from or send money to any other bank;
  - deposit into account at an ADT;
  - withdraw money at ATMs;
  - buy prepaid airtime/data bundles and electricity; and
  - swipe Visa card.



For the financial year to June 2020

Volume of transactions (customer initiated)	3.9 million Prior period: 2 million	⇑ 95%
Active base	292 000 Prior period: 140 000	⇑ 109%
Value of transactions (customer initiated)	R1.3 billion Prior period: R712 million	⇑ 83%

FIRST BUSINESS ZERO: HELPING SMEs IN SOUTH AFRICA

First Business Zero is designed specifically for sole proprietor businesses with an annual turnover of up to R5 million. The account can be opened on the FNB app or online within a few minutes using **FNB's 'selfie' process to prove identity and verify the user.**

The key features of the First Business Zero proposition include no monthly account fee, unlimited free point of sale (POS) card swipes, an interoperable QR code for accepting payments, a linked business call account to ring-fence savings and earn interest, and an FNB Connect SIM card that includes free* data, minutes and SMSes.

Customers also have access to certain free FNB value-added services, including **Fundaba** (entrepreneurship e-learning programme), **Instant Accounting, Invoicing, Cash Flow and Payroll software.** Assistance is freely available via SecureChat on the FNB app and the 24/7 Business Help Desk.

* *FNB app carries no data costs for banking functionality only.*

First Business Zero is a digital on-platform business bank account

FNB rest of Africa subsidiaries

CASHPLUS: PROVIDING FINANCIAL INCLUSION

Africa is a largely cash-based economy, with the general population still preferring cash over digital options.

According to a study published by the World Bank less than a quarter of all adults in Africa make use of bank accounts from formal financial institutions and 90% of all consumer payments are conducted in cash.

More than 80% of FNB CashPlus agents remained operational throughout the COVID-19 lockdowns

[1] *Global System for Mobile Communications (GSM) is a standard developed by the European Telecommunications Standards Institute (ETSI) to describe the protocols for second-generation (2G) digital cellular networks used by mobile devices such as mobile phones and tablets.*

Some of the main reasons for the largely unbanked population in Africa is the limited infrastructure, poor GSM[1] network coverage, smartphone unaffordability and geographical inaccessibility experienced by many people outside the major metropolitan areas. Traditional bank branches and ATMs tend to be concentrated in urban areas, leaving rural communities without service or education on formal banking.

FNB aimed to deal with many of these challenges through its agency and merchant strategy in Zambia, Botswana, Eswatini, Lesotho, Ghana and Namibia.

From the first pilot launched in Zambia in early 2017, CashPlus has proved to be a success in improved financial inclusion for communities and has enabled growth for SMEs in FNB's African markets.

FNB partners with merchants, who act as agents of the bank, to provide day-to-day banking services to customers through the CashPlus channel. FNB sets the merchants up on the FNB platform and supports them with training (compliance, business and product), as well as marketing and branding material for use in their stores and areas of business.

Customer and merchant transactions are completed easily, securely and in real time via the FNB app or FNB mobile banking (USSD). FNB currently provides cash-in services, cash-out services and airtime and electricity purchasing services.

More than 80% of FNB CashPlus agents remained operational throughout the COVID-19 lockdowns, providing critical banking services to their communities. The steady growth in the channel despite the impact of the pandemic demonstrates CashPlus' relevance. In instances where FNB branches needed to be closed due to COVID-19 cases, customers were redirected to CashPlus agents, which enabled them to continue transacting.

Highlights at September 2020

1 115 active merchants
(2019: 498 – 224% year-on-year growth)

140 000 customers used the channel
(2019: 50 500 – 367% year-on-year growth)

R288 million of customer turnover
(2019: R100 million – 406% year-on-year growth)

Almost **2.7 million customer** requests serviced since inception

This CashPlus strategy brings several benefits to in-country customers and merchants.

BENEFITS TO CLIENTS

- Access to formal banking transactional services to all customers, no matter where they live.
- The merchant network allows FNB to be represented in local neighbourhoods across African subsidiaries without needing a formal branch environment, saving customers time and money that would otherwise have been spent travelling to physical facilities in towns.
- The familiarity and security of dealing with a local agent in their community.
- An alternative to dealing with large amounts of cash, thereby introducing a digital-friendly banking system to those in rural areas.
- Promotes personal savings and independent money management.
- FNB customers can send money to people in rural areas via the FNB eWallet service and the money can be withdrawn at the nearest agent.

BENEFITS TO MERCHANTS

- FNB recognises that the merchants are SMEs with growth potential. CashPlus could potentially increase the number of walk-in customers for approved FNB merchants.
- Allows cash to be recycled in the market by reducing the amount of cash that merchants need to constantly reconcile, secure and bank, saving them time and money.
- Merchants have an additional revenue stream by way of FNB commissions for the transactions they perform for FNB clients.
- Employment opportunities are created in the community as most merchants typically employ one to two cashiers per agency to serve customers on the CashPlus channel.

NAV»REIMAGINE HELP. REIMAGINE LIFE. #REALHELP

FNB continues to develop solutions designed to solve customer needs. These innovative 'life tools' are all housed on the FNB app and aim to make life simpler and help customers make smart financial decisions for themselves and their businesses.

NAV»MONEY

One million customers have benefited from assistance with credit, saving and spend decisions on nav» Money, enabling them to improve their financial health and budget in smart ways.

FNB recently launched a tool that automatically sorts and categorises spend so that customers can budget effectively and have insight into their monthly spending.

This allows customers to set budget limits. They receive notifications when they are halfway, just before they reach the limit and once they have hit their budget amount.

In April 2020, nav» Money also launched Money Coach in response to the COVID-19 pandemic to help customers navigate their finances with helpful money management tips.

- **110 000 customers** received money management coaching since inception in April 2020.
- **11 000 active saving goals** have been set up to the value of R421million since inception in May 2018.

NAV»CAR

FNB partnered with WesBank to provide customers with discounted deals on vehicles as well as access to pre-approved finance from WesBank, all in one place on the FNB app. This means customers can go to a dealer with a code, knowing that they are more than likely to qualify for finance.

Once the customer has purchased a new car, it is auto-populated in the nav» Car garage. The garage digitally stores a customer's car details and provides easy access to other tools such as fine payments, licence renewals and value estimates.

Since inception of nav>> Car in April 2017:

- 500 000 vehicle owners loaded their cars onto the FNB app.
- 538 000 unique visitors.
- 100 000 fines paid.
- 36 000 vehicle licences renewed and delivered.

NAV»WELLNESS

FNB launched nav» Wellness a year ago, and more than 100 000 customers are using it. The offering includes Click and Collect medication, personalised wellness scores and goals, and guaranteed monthly discounts with fitness, nutrition and health partners.

FNB is exploring ways to assist many of its customers who cannot afford formal medical aid

FNB has already partnered with NetCare to offer discounted vouchers for a virtual consultation with a GP at R290, a face-to-face consultation at R350 and a consultation with acute medication at R430. It also gives the customer the option to purchase and share the voucher with loved ones, friends, helpers or employees.

In November 2020, FNB proudly launched its Home marketplace, connecting FNB customers

NAV»MARKETPLACE

Home

Customers can now list to sell their property in minutes, either with an FNB 'business banked' real estate agent or privately. Customers also have access to thousands of potential pre-approved FNB buyers.

FNB has already helped thousands of families with both home buying and selling.

Since inception

- R17 billion in pay-outs to 16 000 customers
- 1.3 million unique visitors

Home Services

Customers who need help renovating or maintaining their property, can use FNB's Home Services solution which allows them to search for pre-approved and highly rated FNB banked businesses (e.g. plumbers, electricians, security and even renewable energy providers).

It only takes minutes for FNB banked customers to list their business on Home Services, gaining exposure to up to 3 million active FNB app users.

Customers can have peace of mind due to the security of the solution:

The interactions take place between a known FNB banked customer and a known FNB banked business, which have been vetted through a number of comprehensive checks before having the opportunity to service a customer.

Customers and suppliers can chat securely on the FNB app, share images of the problem area, and agree on a time for a site visit.

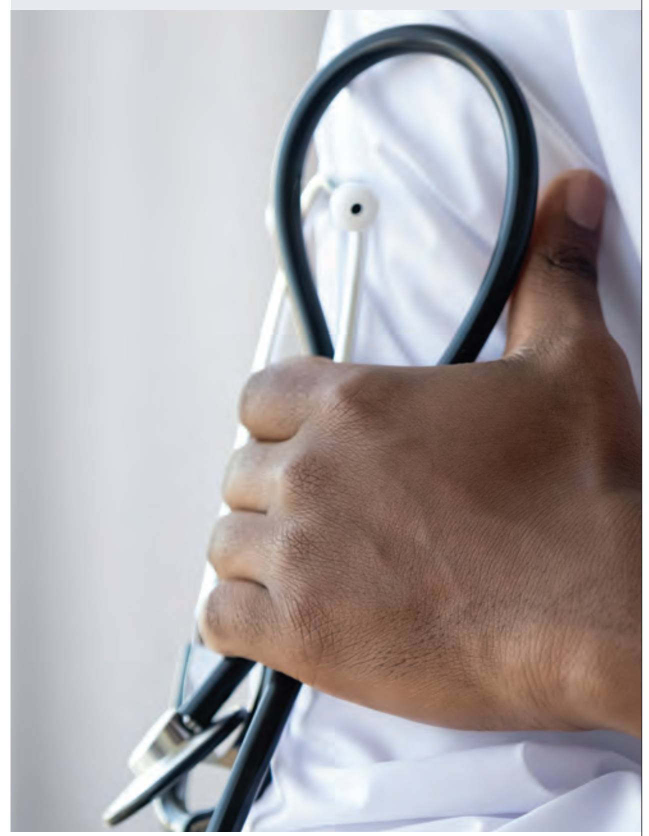
Payment can be done securely on the FNB app, and a review survey helps to build a trusted marketplace.

If a customer needs help with remediating the job quality, interaction or a loss concern, FNB offers a free FNB Law on Call consultation.

FNB believes this digitised marketplace will allow businesses to build their profiles, key skills and location coverage while boosting their income, and over time Home Services could become a key revenue line in their daily business. FNB already has close to 1 500 suppliers on the Home Services marketplace.

TRANSACT BUSINESS

FNB continues to **build solutions that promote financial inclusion,** healthcare accessibility and a better environment for clients, their employees and their communities. This has been facilitated through various initiatives.



CASE STUDY

DEVELOPING PRODUCTS ON FNB'S EXISTING PLATFORMS TO BROADEN ACCESSIBILITY TO QUALITY AND AFFORDABLE HEALTHCARE

FNB's capabilities have been bundled and enhanced to allow broader access to healthcare, for example:

Healthcare vouchers for GP consultations can now be bought on the FNB banking app. **THIS ENSURES THERE IS TRANSPARENCY IN CONSULTATION PRICING.** The industry has minimal rate standardisation, often leading to patients not knowing the consultation charge until after an appointment. Healthcare vouchers can be bought for family members, friends and staff.

FNB has gone live with direct integrations into healthcare providers to **SPEED UP THE CLAIMS PROCESS.**

The **FNB HEALTH CASH PLAN INSURANCE** product was introduced given that approximately **5 MILLION FNB CUSTOMERS DO NOT HAVE MEDICAL AID.**

- It is a personalised plan offering both daily cash and critical illness benefits.
- It is not a medical scheme, nor a substitute for one – clients can choose the premium amount based on their family needs.
- Clients can get cover from R50 per month and cover for children from as little as R12 per month (up to eight children). Benefits include up to R2 000 per day spent in hospital and up to R100 000 in critical illness cover.
- Other benefits include earning eBucks as well as access to free, dedicated professional telephonic medical advice.

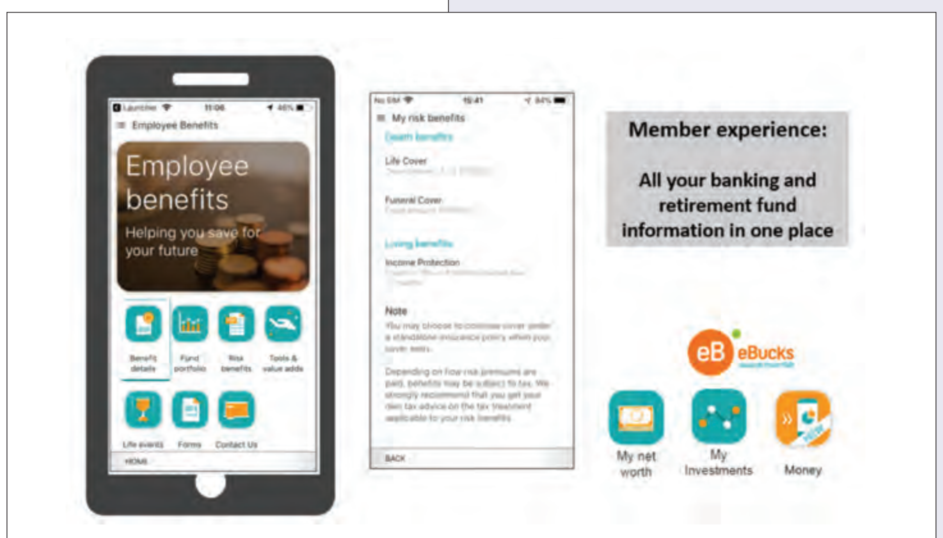
CASE STUDY

HOLISTIC FINANCIAL WELL-BEING FOR CLIENTS' EMPLOYEES

FNB offers business clients more than just retirement and risk cover for their employees. FNB enables business clients to build an attractive employment offering with preferential rates on banking, loans and insurance for their employees.

The FNB Umbrella Funds consist of either a pension or provident fund which business clients can offer their employees to help them save for retirement. They can also add life, disability and funeral cover.

It is a competitive, value-for-money offering with added value benefits such as eBucks, ICAS (24/7 telephonic advice and counselling) and free wills. Employees also gain access to FNB's educational resources and tools.



CASE STUDY

EMERGING FARMER GRANT MANAGEMENT PROGRAMME

Historically, government made grant payments directly to emerging farmers who were expected to manage large sums of money without any formal financial support or mentorship. Most agricultural projects failed, resulting in government having to refinance projects multiple times.

In partnership with the Department of Rural Development and Land Reform, FNB Agriculture developed a solution using FNB's 3PIM platform:*

- Allows government to transfer grant funding to each individual farmer ensuring that ownership sits with the farmer.
- FNB validates the account number with the National Treasury database.
- The farmers do not have access to the grant funding account. FNB makes payments to approved suppliers directly from the grant account against validated invoices on behalf of the farmers, in line with approved budgets.
- Non-standard call accounts are used to ensure immediate availability of funding and to generate better interest rates.
- 3PIM provides a full audit trail with bank statements enabling financial control and enhanced reporting.
- Instant accounting is provided (an automated solution that assists farmers to build a financial track record).
- FNB onboards each farmer and assists them with digital banking.
- As part of the programme, farmers are partnered with mentors who assist with financial education. FNB is looking to enhance this by offering financial wellness and SME training.
- A one-off management fee of R1 000 per farmer is charged.

Since inception in March 2020:

- 140 emerging farmers on-boarded with access to FNB banking facilities.
- Validated grants balances under management have grown to R728 million as at 30 October 2020.
- The farmers have earned R10 million worth of interest on the grant funding under management, for their own benefit.
- FNB Agriculture has made payments directly to suppliers on behalf of emerging farmers totalling R31 million.
- According to the department, these projects will create approximately 109 new jobs over the next 12 months.

* *3PIM is a system that gives the user the ability to open, manage and close any number of accounts, either for their own funds or for their respective clients, to be held separately from their operational balances.*

CASE STUDY

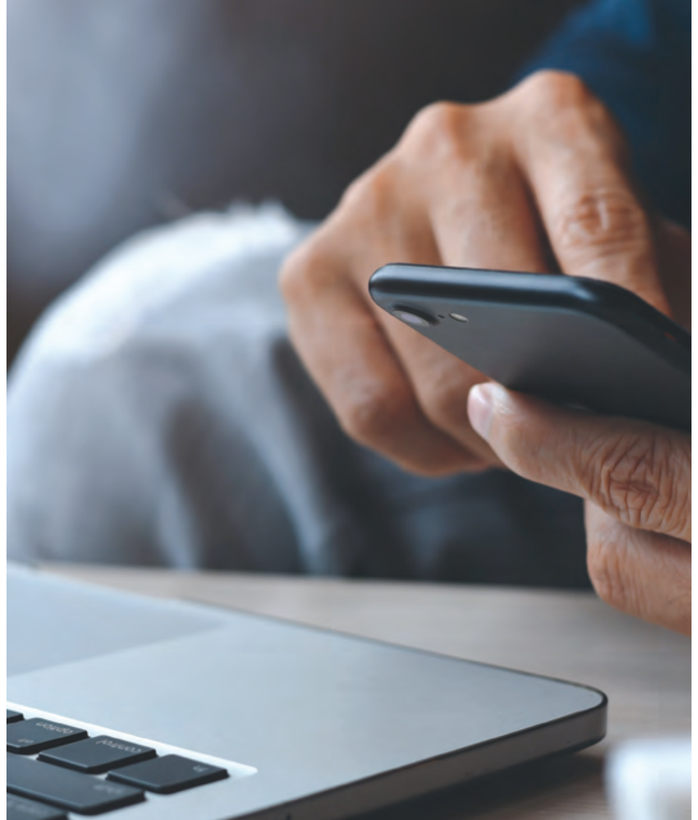
DIGITAL STOKVEL

In November 2019, FNB launched a digital stokvel* pilot in ten branches across Limpopo and Gauteng. The solution is designed to improve financial transparency, increase interest earned by members, decrease the banking costs for members and provide the added convenience and security of digital banking.

The solution provides a platform that allows stokvel members to check their contributions without visiting an FNB branch. Registration on the FNB app also allows stokvel signatories to digitally invite members to join and make payments directly to members' nominated bank accounts.

The pilot uptake has been positive and as at 30 June 2020, 540 stokvels were registered on the new digital solution with R1.5 million in initial deposits and a balance of R8 million in group savings.

This year saw multiple interest rate cuts by the South African Reserve Bank to stimulate economic growth. Within this context, FNB looked to provide a better rate to customers with a digital stokvel account. As the digital solution removes face-to-face engagement costs, these cost savings were passed on at a better rate, with a digital stokvel account earning on average 113 bps more than a traditional branch-based equivalent.



The product was officially launched to all customers in September 2020 and some of the enhancements include:

DIGITAL ACCOUNT OPENING

The ability to open a stokvel account via the FNB app which eliminates travel to branches and simplifies the account opening process.

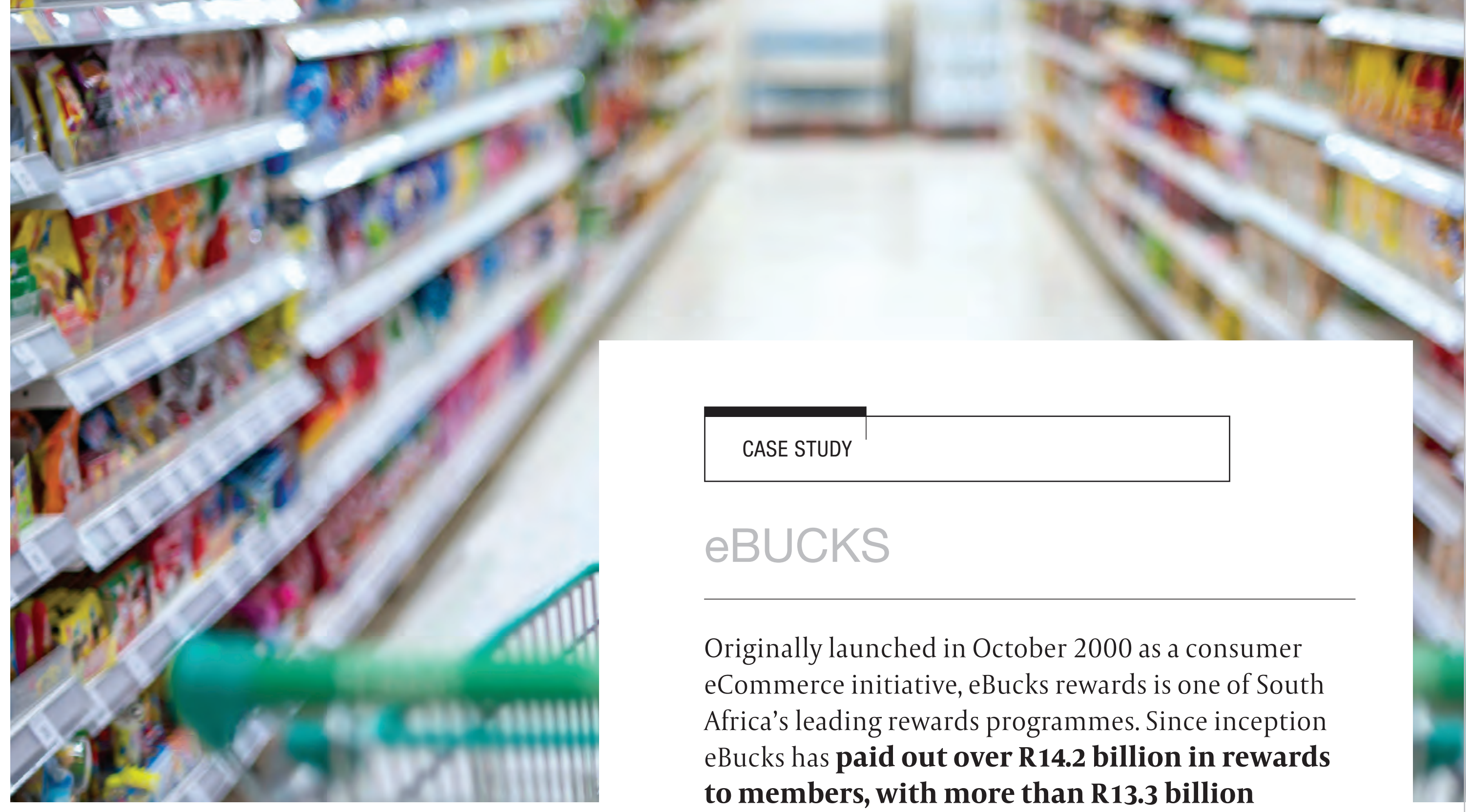
GROUP BUYING VIA HOME FINANCE

Stokvels will have the ability to purchase properties jointly, which contributes to long-term investments and wealth building for members.

INVESTMENT IN VARIOUS ASSET CLASSES

FNB will open the full investment spectrum to stokvels and they will be able to invest in unit trusts, money market funds, share trading and other investment instruments that will assist in building long-term wealth for members.

* *Stokvels are invitation-only clubs of 12 or more people serving as rotating credit unions or saving schemes in South Africa where members contribute fixed sums of money to a central fund on a regular basis (Source: Wikipedia).*



During COVID-19 and the national lockdown, customers turned to eBucks rewards to help extend and better manage their finances

CASE STUDY

eBUCKS

Originally launched in October 2000 as a consumer eCommerce initiative, eBucks rewards is one of South Africa's leading rewards programmes. Since inception eBucks has **paid out over R14.2 billion in rewards to members, with more than R13.3 billion already spent.**

The eBucks rewards programme is designed to encourage members to practise good money management by rewarding them when they practice responsible banking behaviour. The programme is open to FNB and RMB customers and allows members to utilise eBucks to supplement household income.

For example, members earn reward level points for having an FNB savings or investment account, maintaining a healthy credit status with nav» Money on the FNB app, and for using Cash@Till withdrawals, which are more cost-effective than ATM and branch withdrawals.

Tools on the FNB app such as 'Track my rewards' and 'Earn more eBucks', allow members to track their current banking behaviour daily and make changes to move up a reward level and earn more eBucks.

eBucks was the first rewards programme to offer prepaid products and service such as airtime, prepaid electricity and Lotto tickets. It was also the first to include earning rewards on fuel from any fuel station, and the opportunity to pay for fuel, groceries and pharmacy and clothing items using eBucks at participating partners.

During the COVID-19 pandemic and the national lockdown, customers turned to eBucks rewards to help extend and better manage their finances. Since the start of the national lockdown to the end of June 2020, members have spent over R451 million worth of eBucks on items such as fuel, groceries, airtime and data and other day-to-day necessities.

eBucks provides customers with the ability to send vouchers to other parties. Customers were able to send airtime and Checkers or Clicks vouchers to family members, employees or anyone needing them. eBucks also gave customers the opportunity to donate their eBucks towards the Solidarity Fund, **with a total of R691 500 donated.**

CASE STUDY

SOCIAL GRANT SOLUTIONS DURING THE PANDEMIC

FNB streamlined the South African Social Security Agency (SASSA) payout process by:

- increasing the number of pay points to maintain social distancing and managing long queues to help protect vulnerable elderly customers;
- introducing retail solutions such as Cash@Till as a SASSA payout, allowing payments to be staggered across collection points;
- reducing charges; and
- staggering the payout cycle over two days.

During the COVID-19 pandemic, **the main objective was to keep both staff and customers safe.** As an added measure, cloth masks were distributed to selected branches identified as key points for SASSA payouts, to hand out to queueing customers.

CASE STUDY

PARTNERSHIP WITH HOME AFFAIRS

In 2016 FNB initiated a project with the Department of Home Affairs (DHA) in partnership with other banks and the Banking Association of South Africa (BASA) to assist the DHA with additional points of presence and capacity for the efficient rollout of smart IDs and passports.

The partnership allows customers to book appointments for their smart IDs and passports online and to collect them at one of five FNB branches located in Gauteng, Cape Town or Limpopo. FNB plans to extend this service to all provinces over the next three years.

FNB has issued **over 200 000 smart IDs and passports** since inception.

PHYSICAL NETWORK: FNB FRONTLINE

FNB's physical network of 597 branches, 5 461 devices and five cash centres remains key to customer service.

As South Africa went into lockdown, FNB frontline staff kept the branch, cash centres and device network operational.

- During level 5, 50% of branches were operational.
- During level 4, 75% of branches were operational.
- Temporary service points outside branches were created to continue serving customers in the event of a branch closure or quarantine.
- Cash centres remained operational through all lockdown levels.
- ATMs maintained a continued presence with over 96% of all devices remaining operational.

FNB implemented other safety precautions to keep staff and customers safe, such as:

- 3 000 protective screens distributed to branches.
- On-site ATM devices cleaned every 30 minutes.
- Sanitising packs distributed to frontline and cash centre staff.

COVID-19 has been a catalyst for the development of touchless transacting solutions using pre-staging and QR code technology to limit client contact with ATMs.

03

TREATING CUSTOMERS FAIRLY

This section provides detail on the group's philosophy and governance of treating customers fairly, and provides insight into the financial literacy education programmes that help existing and potential customers make informed financial decisions.

The fair treatment of customers is foundational to the group's business strategy. The group has strengthened governance frameworks, policies and processes over the past few years to support this objective.

THE PRINCIPLES OF TREATING CUSTOMERS FAIRLY (TCF) ARE IMPORTANT THROUGHOUT THE PRODUCT LIFE CYCLE.

CULTURE AND GOVERNANCE 01

The board of directors and senior executives are held accountable for ensuring that the group does the right thing. The culture of doing the right thing is embedded in the organisation through ongoing discussions at all levels of the organisation, which focus on applying TCF principles throughout the product and financial service life cycle. The Conduct Exco has the mandate to ensure that FirstRand builds trust through delivering fair and sustainable outcomes for its customers and that business practices are based on an ethical culture of doing the right thing.

THE GROUP:

- communicates its TCF values internally through the FirstRand Philosophy, policies and procedures;
- chooses its partners carefully, taking care to mitigate potential conflicts of interest; and
- has implemented internal controls to proactively detect and mitigate the risks of insider trading.

PRODUCT DESIGN 02

Customer centricity is at the core of the group's business model, products and services. Constant innovation ensures that products drive financial access and inclusion, great customer experience and value for money.

PRODUCT REVIEWS HAVE FOCUSED ON:

- dormant accounts;
- low-cost banking;
- product design and ongoing product reviews; and
- remuneration.

CLEAR DISCLOSURE 03

The group continues to invest significantly in consumer education initiatives. Dedicated teams review business documents to ensure that information provided is clear, simple and easy to understand. Ongoing quality assurance measures have been implemented to independently evaluate whether the group is providing correct and appropriate product information to customers.

THE GROUP CONTINUES TO FOCUS ON:

- staff training; and
- clear and plain language documentation.

SUITABLE ADVICE 04

TCF and market conduct outcomes are considered within remuneration models.

Staff are trained to assess and provide products which meet the needs of the customer and offer appropriate benefits. The quality of advice provided is continuously evaluated by business. Financial Advisory and Intermediary Services (FAIS) product-specific training modules ensure staff are aware of product features, benefits and pricing and can easily explain these to customers. Continuous professional development ensures ongoing learning and upskilling.

SERVICE LEVELS AND PRODUCT PERFORMANCE 05

Products are reviewed on an ongoing basis to ensure that they continue to deliver fair value. Internal stakeholders evaluate and ensure that investment product decision-making is aligned to customer mandates and risk profiles.

The group proactively monitors service levels and addresses service failures. Service concerns in the value chain that may result in product failures are promptly dealt with.

NO BARRIERS TO CLAIM OR COMPLAIN 06

Customers are informed of the channels to submit claims or complaints.

Claims and complaints are handled through face-to-face and electronic channels, including branches and dealer networks. Dedicated teams manage complaints and engage with business units to resolve the root causes of complaints. Complaints are tracked and analysed at the various business unit executive committees. Escalation procedures to senior management exist to ensure the impartial and fair handling of customer complaints.

Claims paid and rejected are monitored to ensure TCF principles are applied, and where necessary, product benefits and/or pricing is revised.

FINANCIAL LITERACY: EDUCATION SPEND AND PROGRAMMES

Financial literacy of South Africans continues to remain low, requiring new and innovative approaches to financial education.

Annual spend on consumer financial education:

R22 million	R28 million	R36 million	R37 million	**R38 million**
2016	2017	2018	2019	**2020**

FNB, WesBank and DirectAxis conduct financial education initiatives which target the low-income market. The programmes aim to help consumers make informed financial decisions. An ongoing focus is providing basic financial literacy education on digital platforms.

FNB has developed content that focuses on financial literacy, savings, credit and debt management and the benefits of digital banking channels. The content has been integrated across all channels: face-to-face workshops; the ten-week #HelpYourself television series; radio reach; and digital presence through www.fnb.co.za/education and Facebook.

Face-to-face interventions in non-metropolitan areas were the focus for the first half of the year. The programme content emphasised knowledge retention and quality interactions. The second half of the year required an innovative response to the pandemic and resultant social distancing and lockdown measures. Virtual workshops using online video conferencing facilities. were initiated. and while some traction was achieved, barriers such as data costs and technology access for low-income communities presented challenges.

In addition, there was an increased focus on digital content. Animated videos and audio clips were created to respond specifically to challenges faced by consumers as a result of the economic impact of COVID-19.

During 2020:

38 387 **workshop** participants reached

1 million viewers reached through **TV**

6.8 million listeners reached by **radio**

7.2 million people reached through **digital channels** with

2.4 million **video views** and

258 218 **consumers** who engaged with the content.

CASE STUDY

FNB BUSINESS HUB – A RESPONSE TO COVID-19

The COVID-19 national lockdown resulted in businesses across the country completely shutting down, except for those deemed essential by the national government. FNB focused immediately on supporting its clients and the economy in unprecedented times. Within days an FNB Commercial task force was created, with different teams providing financial and non-financial assistance to SMEs.

The task force created the FNB Business Hub, a central, digital support platform with helpful, educational and current information, developed to help businesses start, run, grow or reconfigure their operations.

The solution was built on the FNB app and the www.fnb.co.za website, allowing both FNB clients and non-FNB clients to benefit from its information, tools and solutions.

The FNB Business Hub features the following:

COVID-19 AND RELATED INFORMATION, including the latest government schemes aimed at COVID-19 relief and other help options available.

BUSINESS TOOLKITS, a crisis leadership toolkit to help businesses cope during COVID-19 and beyond.

BUSINESS TALK, masterclasses with industry experts, thought leadership content and business forums for clients to engage.

FUNDABA, an interactive education platform to help start, run or grow businesses.

Since the launch of the FNB Business Hub in April 2020, the following engagement has been tracked:

FNB banking app **total clicks** to date	76 150
FNB online **total page views** to date	537 450

FNB app:

Business toolkit	24 770 unique users
Business Talk	14 991 unique users
Fundaba	29 565 unique users
Info hub	27 244 unique users

CASE STUDY

DirectAxis Pulse

Pulse is a free and secure financial wellness tool that allows consumers to check their credit ratings and learn how to improve their financial position. It offers useful tips and insights, at no cost, to all South Africans.

DirectAxis Pulse currently has 380 000 users

SOME USER COMMENTS:

"The Pulse app is helping me to prepare to buy a home for me and my daughter."

"I used Pulse to improve my credit record so I could get a loan to start my fashion boutique."

CASE STUDY

MONEY MANAGEMENT

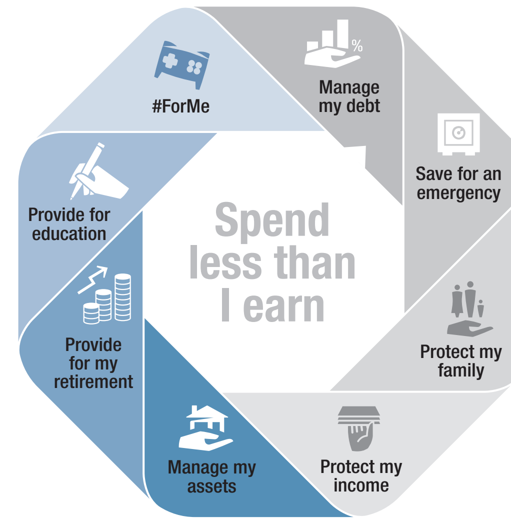
FNB is focused on helping individuals and communities achieve and maintain financial wellness by encouraging and educating clients to make positive changes in their financial behaviour.

The core strategy has been upskilling and assisting FNB staff in managing their money, ultimately setting up FNB staff for financial independence in order to better advise clients. Since May 2020 there have been multiple virtual employee money management masterclasses, attended by more than 27 000 staff members.

FNB has also launched client campaigns, giving contextual tips to set clients up for financial resilience. The power of these tips is that they are integrated into everyday banking activity and are subtle but relevant. Since April 2020, there have been over 1 million client interactions on money management.

The money management strategy holistically covers all aspects of personal financial well-being as depicted in the diagram:

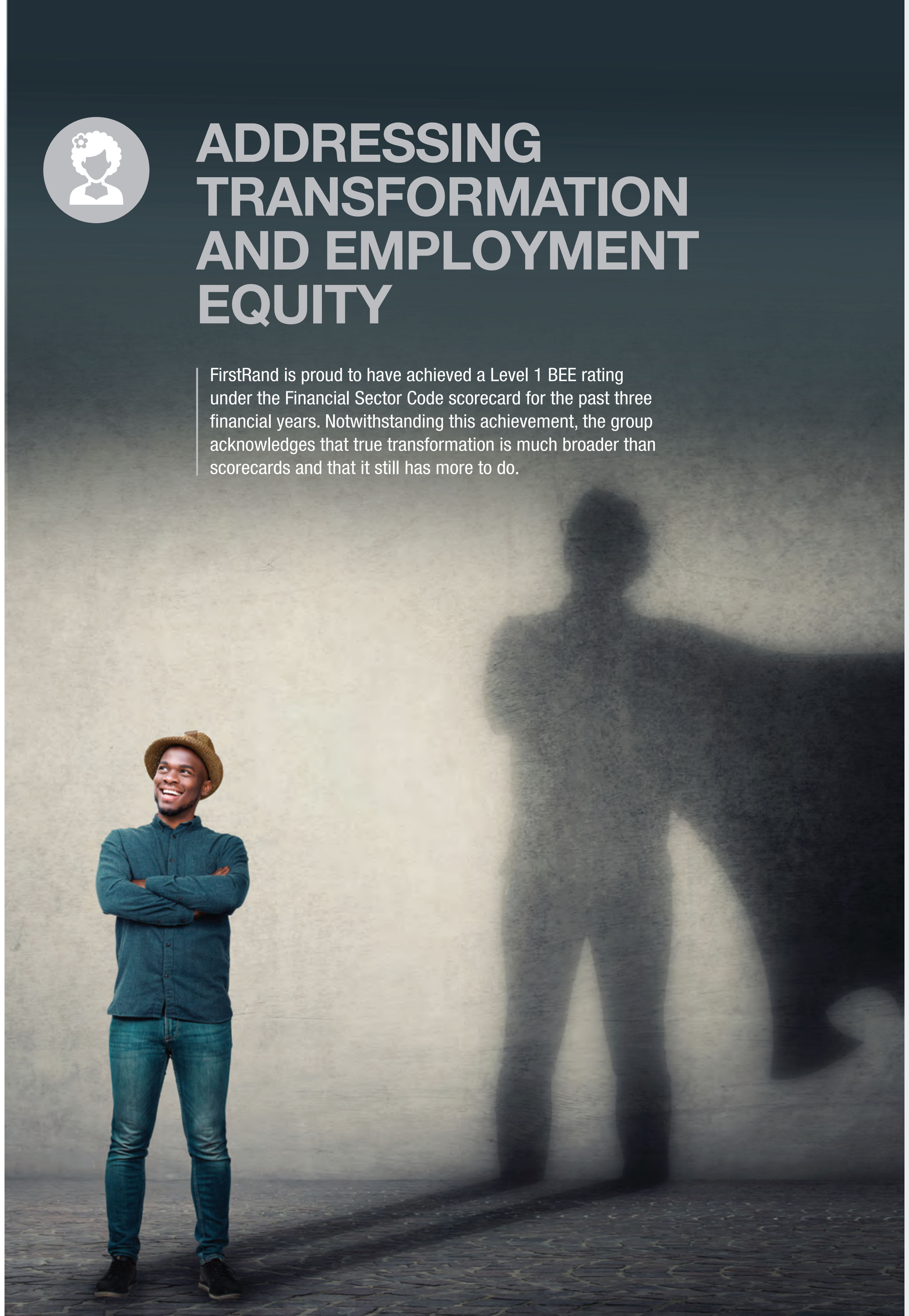
MONEY MANAGEMENT WHEEL



The table provides examples of money management campaigns to assist clients and employees manage their cash flow and set themselves up for financial resilience during the pandemic. Targeted clients included those who had qualified and/or taken up COVID-19 cash flow relief.

Campaign	Medium^	Timing	Reach
COVID-19 cash flow relief	Telephone calls	April 2020 – June 2020	84 679 clients
Digital client review	Emails	April 2020 – May 2020	770 000 mailers (43% open rate)
Free up cash flow pilot masterclass	Webinar	June 2020	3 000 clients
Staff money management masterclass	Webinar	May 2020 onwards	27 000 employees
Project Lekelela*	Telephone calls and emails	July 2020 onwards	32 365 calls 220 196 mailers

^ Client calls had an average successful discussion rate of 71%
** isiZulu for 'help'/'assist'*



ADDRESSING TRANSFORMATION AND EMPLOYMENT EQUITY

FirstRand is proud to have achieved a Level 1 BEE rating under the Financial Sector Code scorecard for the past three financial years. Notwithstanding this achievement, the group acknowledges that true transformation is much broader than scorecards and that it still has more to do.

DIRECT BLACK ECONOMIC INTEREST

FirstRand has transferred significant ownership of the company to black partners. Direct black economic interest, measured per the **FSC principles as at June 2020, is 27.83%, of which black female ownership is 13.23%.**

PREFERENTIAL PROCUREMENT

An organisation's procurement can play a powerful role in addressing some of the country's socio-economic challenges through its purchasing strategies and the transformation of supply chains.

The group continues to focus on transforming its supply chain, specifically focusing on:

- Increased spend with **SMEs** as a vehicle to create jobs.
- Increased spend with **black-owned suppliers** to contribute to a more inclusive economy.
- Increased spend with **black women-owned suppliers** to enhance gender participation in the economy.

Preferential procurement spend

Year	SME	Black-owned	Black women-owned
2016 – Rm	3 113	3 006	1 660
2017 – Rm	3 169	2 848	1 491
2018 – Rm	3 371	3 703	2 307
2019 – Rm	3 929	5 146	2 888
2020 – Rm	**4 265**	**6 169**	**3 565**

SMEs

As a vehicle to create jobs, FirstRand is committed to supporting SME suppliers. Since 2016, spend with SME suppliers has increased 37%:

- In the 2020 financial year 33% of the group's total procurement spend was with SME suppliers, a 9% increase from 2019.
- Furthermore, exempt micro enterprise (EME) suppliers also received preferential payment terms to assist them with their working capital management.
- Black-owned SME suppliers can also participate in the group's supplier development programme, where they are upskilled to enable an increase in their service offering and quality of service to the group and other clients.

Inclusiveness

The group's procurement strategy seeks to contribute to a more inclusive economy from a race and gender perspective, for example:

- In the 2020 financial year 48% of the group's total spend was with black-owned suppliers while black women-owned suppliers received 28% of the spend.
- Spend with black-owned suppliers increased 20% year-on-year and spend with black women-owned suppliers increased 23%.
- Over the last five years spend with black-owned suppliers increased by 105% and spend with black women-owned suppliers increased by 115%.

SUPPLIER DEVELOPMENT PROGRAMME

As one of the contributions towards the group's transformation objectives under the FSC, FirstRand's supplier development programme is well positioned to develop black-owned small businesses that are in the group's supply chain. The programme integrates with the group's preferential procurement strategy by promoting the development of businesses in key commodity areas with the intention of creating positive benefits for the group and the SMEs.

During 2020, the group spent

R405 million

(2019: R360 million) on supplier development.

CASE STUDY

FNB SUPPLIER DEVELOPMENT PROGRAMME

In 2019, 11 high-potential, black-owned suppliers from strategic commodity groups were selected to participate in a 24-month development programme.

This programme focuses on specific commodity groups that require strategic transformation across the finance industry, such as external debt collectors (EDCs) and valuation services, ICT service providers and marketing.

During the year, 1 439 hours of mentorship support and 568 hours of bootcamps were delivered to this group. The programme offers additional support, including specialised legal services.

Performance stats since programme inception:

- The SMEs showed **revenue growth** (EDC SMEs: 157% and other sector SMEs: 14%).
- The group **increased its procurement spend** with the SMEs (EDC SMEs 56% and other sector SMEs 112%).

COVID-19 impact

With the onset of the COVID-19 pandemic and the lockdown period, many SMEs were forced to reassess their strategy and operations while facing revenue and cash flow constraints. Soon after lockdown had been initiated, FNB assessed each SME and further support was made available, such as additional mentorship hours and cash flow forecasting to understand funding requirements.

CASE STUDY

SUPPLIER DEVELOPMENT INITIATIVE

FNB has partnered with Supplier Development Initiatives (SDI) to provide finance and advisory support to enable corporate procurement from micro-enterprises. The programme provides black suppliers with avenues to provide their products and services to large corporates.

The programme aggregates the micro-enterprises on a homogenous, national service platform. The SDI ensures the micro-enterprises are equipped to provide quality products and services, and have appropriate company documentation (e.g. tax status, BEE documentation). Participants are ranked and vetted according to their experience and incentivised to implement the highest standards.

At the start of COVID-19, the programme focused on enabling micro-enterprises to resume work during and after the lockdown. Through the SDI Force initiative, FNB extended R8 million in grant funding during lockdown levels 5 and 4. This assisted over 2 170 micro-entrepreneurs who provide access to their services through Uber/Bolt, SweepSouth (domestic cleaning services), Loadit (removal and moving services) and Wastepreneurs (informal recyclers).

The grant funding also enabled micro-entrepreneurs to repurpose their skills and acquire PPE and assets to deliver services in a safe and compliant manner in the context of COVID-19. Many had no income during the lockdown period and yet could play a significant role in assisting the private and public sector. For example, the SweepSouth entrepreneurs were not generating an income, with many of them being sole breadwinners and single mothers. However, on the platform they were visible to sectors requiring their services.

EMPOWERMENT FINANCING – BLACK BUSINESS GROWTH FINANCING

Black business growth financing (BBGF) includes financing black-owned SMEs, committing funds to black-owned fund managers and equity and asset financing at preferential rates.

In total, FirstRand lent R14 billion to initiatives during the 2020 financial year

CASE STUDY

FNB BBGF

FNB's BBGF initiative seeks to provide financial and non-financial support to black-owned and black women-owned private equity fund managers operating in the financial services sector. It also provides mid-corporate FNB commercial clients seeking effective B-BBEE investment with access to growth capital and transformation, in line with the objectives of B-BBEE.

Under this initiative, FNB has committed R200 million in total to five separate black fund managers (R40 million each) on a preferential risk-reward basis relative to traditional commercial funding.

FNB clients can leverage these financial commitments to gain access to capital for growth, optimise their B-BBEE credentials and at the same time gain access to specialist BEE investors seeking active equity investment opportunities.

All black fund managers supported are 51% or more black women-owned, with one exception being 49% black women-owned.

With the capital raise often being the most challenging task of any private equity fund manager, supporting these black fund managers with secured access to capital is key. It enables them to focus on portfolio management and growth and to establish a proven deal track record that is capable of supporting their future capital raising initiatives.

The deployment of capital by these black fund managers in FNB commercial clients seeks to provide an essential link for FNB commercial clients to increase black equity.

EMPLOYMENT EQUITY

South Africa remains the group's primary market, with 40 668 employees (2019: 40 233) representing 83% of its workforce. African, Coloured and Indian (ACI) employees make up 80% of the South African workforce (2019: 79%).

FirstRand has an employment equity plan, a regulatory requirement from the Department of Employment and Labour, which aims to increase the representation of women, black people and people with disabilities in the workplace. The group's employment equity plan for 2019 to 2022 focuses beyond merely complying with legislation, but rather seeks to influence a culture of inclusion. The plan's initiatives focus on succession planning, gender inclusion, inclusive leadership and management, and skills and leadership development.

The group is working hard to develop a leadership pipeline that includes more women and black people by ensuring their readiness through targeted leadership development programmes. The group's recruitment strategy is also deliberate and gives preference to ACI employees, as well as women especially at senior management.

The group aims to achieve the following female representation targets by 2022:

- **33%** at top management (currently 25%)
- **38%** at senior management
- **49%** at middle management
- **56%** at junior management

The group furthermore aims to achieve 51% ACI employees at senior management level, 72% at middle management level and 87% at junior management level.

Group initiatives to promote gender diversity include the Lotus programme developed five years ago by RMB, with the aim of encouraging women to grow as natural leaders through networking and development opportunities, while the bank in turn benefits from attracting and retaining more female talent. This seven-month programme is designed to enable women to claim their personal power and find the courage to change direction if they need to.

The 2020 cohort was launched in March with a total of 93 women from RMB, FCC, Ashburton and WesBank participating. An in-country programme is also being run in Botswana for the first time.

In addition, the group is focused on entrenching gender parity by addressing unconscious bias, offering flexible working options and support for parents and employees with family responsibilities, including effective return to work programmes.

The group's policies are non-discriminatory and are reviewed for bias against diversity and inclusion.

The following analysis below provides workforce diversity information for the group's South African operations and is disclosed on a financial year basis as reported for the Department of Labour and FSC purposes.

SA WORKFORCE

	Headcount	ACI male %	ACI female %	White and foreign national %
2020	40 668	30	50	20
2019	40 233	30	49	21
2018	37 958	29	49	22
2017	38 237	28	48	24
2016	37 137	28	47	25

JUNIOR AND MIDDLE MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2020	27 056	31	46	23
2019	26 390	30	45	25
2018	24 829	29	44	27
2017	24 348	28	43	29
2016	23 505	27	42	31

SENIOR MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2020	2 075	26	18	56
2019	1 991	25	17	58
2018	1 795	24	15	61
2017	1 658	22	13	65
2016	1 522	21	12	67

TOP MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2020	12	17	17	67
2019	12*	17	17	67
2018	60	17	18	65
2017	65	18	15	67
2016	60	20	13	67

ACI male % ACI female % White and foreign national %

** In 2019, FirstRand aligned its classification of top management with the EEA9, which provides guidance on grading systems and equivalent levels for EEA2 and EEA4 reporting. This has resulted in only Stratco (FirstRand group executive committee) being reported as top management.*

05

PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

The group's strategic intent is for employees to experience an innovative environment that encourages diversity of thought and contribution, and in which individual well-being is cared for.

The group acknowledges that its employees are its most important resource, and that they are key to delivering on strategy. As such, helping employees navigate the stress and uncertainties of the COVID-19 pandemic and lockdown was a priority.

At the onset of the pandemic, the group instituted a number of key forums to manage the needs of employees. These forums met frequently to:

ASSESS ongoing operational resilience for group employees operating on premises and remotely;

TRACK the case incidence of COVID-19 within the employee base;

PROVIDE a single point for regular communication updates on the COVID-19 outbreak, medical trends and responses; and

ENSURE the provision of appropriate medical and wellness support to employees.

Employees were provided with the necessary equipment, virtual private network (VPN) access, hardware support and data solutions to enable the majority of the workforce to operate effectively from home. Microsoft Teams was deployed across the group in three days and is now the primary tool of trade.

Appropriate protective measures were implemented to ensure a safe working environment. At on-site premises, temperature/symptom screening was conducted by designated healthcare representatives whereby symptoms, screening and positive statuses could be reported.

This enabled employees to record their temperature and complete symptom screening, and vulnerable employees could make the necessary medical declarations.

The group also provided PPE to all front-line employees (all other employees were provided fabric masks and spritzer packs) and installed screens as appropriate, implemented safe zoning and floor spacing to enforce social distancing, and conducted ventilation monitoring, visitor pre-screening and sanitising of all premises. Medical teams were allocated to manage flagged employees and positive cases in the group's employee base. These medical teams also conducted COVID-19 risk assessments and advisory services.

CASE STUDY

PRODUCTIVE ME: ENABLING WORK-FROM-HOME

The FNB Productive Me journey, launched to utilise space efficiently and offer staff the ability to work from any location, started in 2018. This was a significant enabler for employees to remain productive during the COVID-19 pandemic and lockdown. Productive Me capability aligns FNB's physical workspaces with its principles of digitisation and agility to meet the evolving needs of customers and employees.

Many of the work-from-home concepts and principles were already established before the pandemic, allowing rapid transition and minimal disruption of operations, for example:

- Concepts around task-based working had already been piloted.
- A work-from-home catalogue had been developed, allowing staff to order furniture and accessories for their home office directly from the eBucks store and qualify for staff discounts.
- Human capital resources could easily be accessed via a central point, including well-being and operational updates on COVID-19.
- Increased security and access of information had already been considered for remote working.

MENTAL WELL-BEING

From a well-being perspective, the group ran several interventions, focusing particularly on mental health. The COVID-19 pandemic fundamentally changed the way people worked and lived, especially in lockdown levels 5 to 2.

The anxieties and uncertainty caused by the pandemic and its potential second-wave effects on employment, financial, social and political stability continue to have a negative effect. In response to the mental well-being risk faced by employees, the group has implemented the BeingWell strategy to normalise the conversation around mental health and to encourage employees to engage with the group's well-being programmes.

The services provided within the employee well-being model continue to leverage off medical scheme benefits, the employee assistance programme (EAP), human capital teams and business to maximise the value to both the employee and the employer.

FirstRand endeavours to empower employees to be resilient and resourceful, and to take a holistic approach to managing their well-being

This holistic well-being approach was applied during the various levels of COVID-19 lockdown, with targeted interventions conducted at an organisational, regional hotspot, affected team and individual level and included various engagement channels such as:

- ICAS push notifications and 24/7 access to virtual counselling.
- Line manager psychological fitness training.
- Mental well-being talks by affiliated psychologists.
- Mental health screening.
- COVID-19 medical Q&A sessions with doctors.
- COVID-19 intranet portal (easily accessible portal with up-to-date COVID-19-related information and resources).
- Various initiatives during lockdown, such as a 21-day mindfulness retreat, days of food inspiration and 21 days of virtual exercises.
- COVID-19 employee engagement survey and feedback sessions.

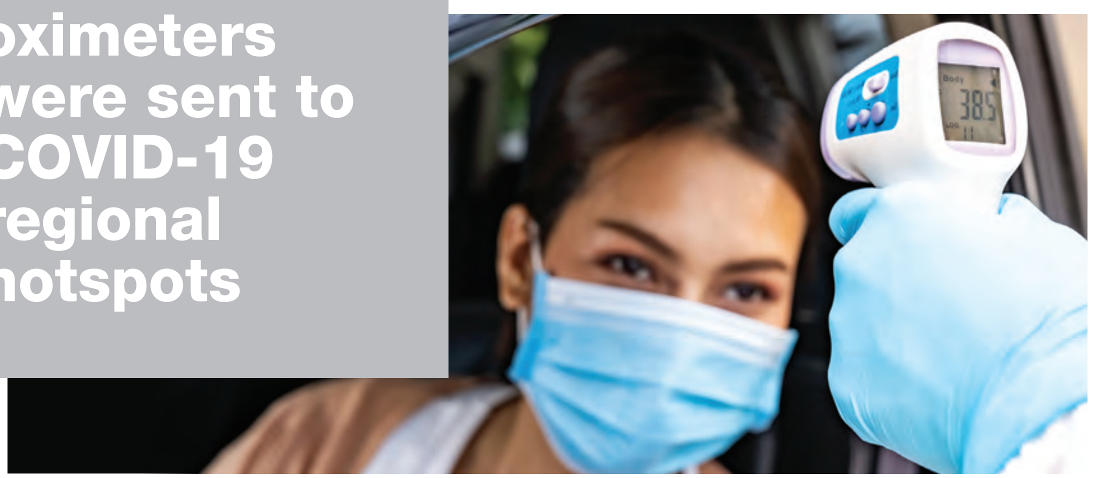
A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Incidents of gender-based violence and harassment (GBVH) increased during the lockdown period, with employees approaching the group for help. The group assisted these employees with accommodation, additional security, trauma counselling and legal guidance in emergency cases. This led to the formation of a GBVH work stream comprising of the employee well-being, communications, reward and benefits and crime teams. The GBVH stream is developing a policy guideline and process, which leverages off existing support and benefits, to provide real-time physical and emotional assistance.

OTHER SPECIFIC COVID-19 INTERVENTIONS

- **COVID-19 DRIVE-THROUGH AND SWABBING STATION ERECTED AT MERCHANT PLACE, SANDTON CAMPUS** for employees and members of the public – operational from May 2020.
- **SELF-CARE DAY:** 7 761 South African employees were given a free day of leave as a token of FirstRand's appreciation for responding to the pandemic and maintaining business as usual despite the challenges.
- **A COVID-19 VULNERABLE EMPLOYEE MEDICAL DECLARATION** allows vulnerable employees with co-morbidities to declare their medical status so that they can be accommodated if required to be on-site.
- **ISOLATION HOTEL FOR EMPLOYEES:** Employees diagnosed with COVID-19 or awaiting test results who are unable to isolate at home can make use of private isolation facilities including hotels, guest houses and furnished apartments. The group covers all accommodation expenses including three meals per day. This accommodation has been offered since May and will be available until the national state of disaster ends.
- **PROVISION OF PULSE OXIMETERS:** A device, used to measure an individual's blood oxygen levels, were sent to COVID-19 regional hotspots and distributed to employees who were identified as high risk.
- **EMPLOYEE SAFETY:** Due to strained economic conditions, a high crime rate and the increase in gender-based violence, the group provided paid access to armed response for employees. The group pays the monthly fee for every South African employee to have access to real-time armed response if they need help. Employees can access the benefit 24/7 via a mobile app and may use it at home, at work, while on holiday – anywhere in South Africa. In the future, the group will roll this out to the rest of Africa subsidiaries.
- **EMPLOYEE DEATH BENEFITS:** If an employee passed away during the pandemic, access to funds for their families would be delayed. To mitigate this and assist families who may be under financial strain due to the pandemic, the group negotiated benefits and access to funds for the families. This included:
  - an additional month's salary;
  - a lump sum from the estate; and
  - extended medical aid benefits while the deceased estate is wrapped up.

Pulse oximeters were sent to COVID-19 regional hotspots



LEADING LIGHT PROGRAMME

Given FirstRand's activities as a financial services business, the risk of theft, fraud and corruption is continuously monitored and controls implemented to mitigate against such occurrences. FirstRand relies on its employees to be alert to any potential incidents and to take appropriate action so that its customers, business and reputation are safeguarded against associated losses.

> The Leading Light reward programme incentivises employees to report unethical practices. The programme is managed by FirstRand's ethics office and has significantly helped to detect and prevent losses.

This programme serves to guide and reward employees who have been vigilant and prevented FirstRand from incurring losses.

Data collected from the detection of theft, fraud, corruption and other unethical practices is used to train and inform employees of fraudsters' methods, improve systems and protect customers.

During the 2020 financial year a total of **987** Leading Light entries were received.

R301 million of attempted theft, fraud, corruption and other unethical activities was reported to Leading Light, of which R298 million was saved.

R260 000 was awarded to the Leading Light winners.

Leading Light is used to train and inform employees of fraudsters' methods

YOUTH EMPLOYMENT

The youth unemployment rate in South Africa is unacceptably high, negatively impacting lifelong earnings, economic growth and social cohesion, juxtaposed with an increasing pension and healthcare funding gap.

CASE STUDY

FIRSTJOB WORK EXPERIENCE INITIATIVE

Recognising the need for work experience amongst youth, FirstRand launched the FirstJob programme in 2018. Over the past two years, more than R283 million has been invested and 2 542 meaningful work experiences have been created.

Since inception, a group-wide absorption rate of 42% has been achieved and the programme has improved youth employability.

The programme runs across the entire group to ensure that the FirstJob youth are provided with meaningful work experience and are supported by dedicated line managers.

The foundational principles of the FirstJob programme are:

- increasing youth employability;
- mentoring by line managers;
- ensuring meaningful work experiences; and
- growing FirstRand ambassadors.

The investment for the 2020 financial year was over R160 million with 922 unique work experiences created. At the time of reporting 457 youth were in the process of completing the programme due to the staggered intake.

The demographics of the FirstJob youth:	
	62% female
	91% black African
	8% Coloured
	1% Indian

Statistics SA reports that the unemployment rate for matriculants is far greater than for graduates. The group is therefore recruiting a higher proportion of matriculants.

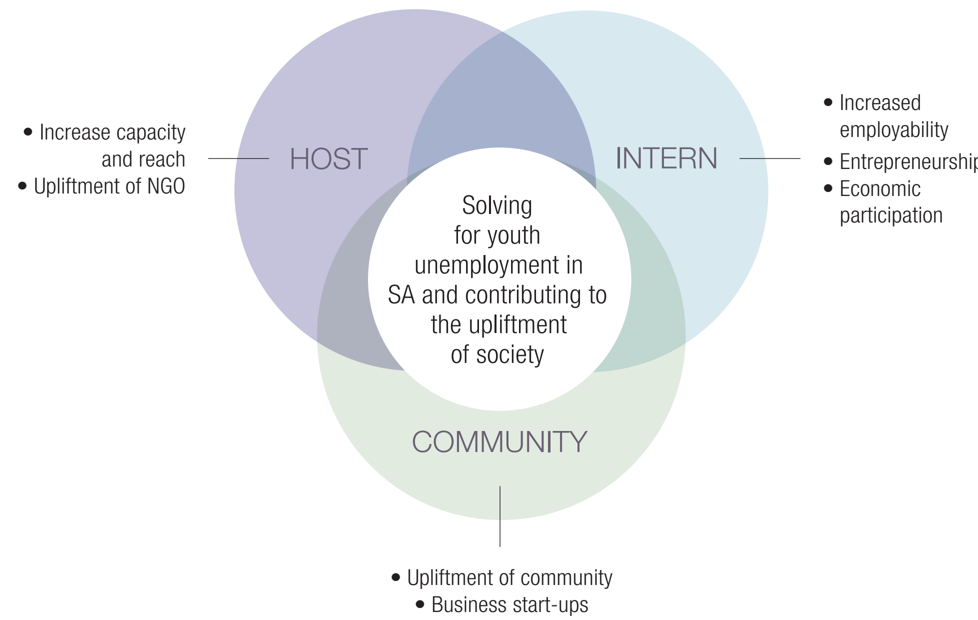
Surveys are completed with the participants in order to remain relevant, and have found that over 64% are breadwinners; most of the youth have more than two dependents and 36% of youths' homes do not have either electricity, tapped water and/or toilets.

The FirstJob programme continues to create work experiences for unemployed matriculants and graduates. Learnerships focus on acquiring scarce, critical and/or future skills (including entrepreneurship, various ICT skills, business analysis and project management.

FirstRand has partnered with a leading business school for the graduate programme. The programme provides a holistic skill set (business and personal) to the graduates and includes a project focused on entrepreneurship, which helps prepare graduates who want to set up their own businesses.

As an extension of the youth initiative, in April 2019, FirstJob began a programme in partnership with the FirstRand Foundation (FRF) and FirstRand Empowerment Foundation (FREF). Through this programme, youth are placed with NGOs to capacitate resources to deliver on their strategies.

The NGO partnership programme also enables FirstJob to reach youth in remote, rural areas such as Matatiele, Hamburg and Ugu district where unemployment rates are particularly high.



The programme has resulted in both personal achievements and work-related accomplishments:

- Most of the youth placed on the internal programme successfully achieved a post-school qualification.
- Some of the youth used their stipends to build homes for their families.
- Some youth started small businesses which also resulted in employment opportunities created for other youth in their communities.

Going forward

- **Greater focus will be placed on entrepreneurship** training to build skills necessary for the business and to support self-employment.
- **The FirstJob Digital Academy** will be introduced as part of the FirstJob external strategy.

DIVERSITY AND INCLUSION

CASE STUDY

LGBTQIA+ AFFINITY GROUP

RMB is committed to fostering a workforce that is representative of South Africa's diversity and where all voices are heard.

In September 2020, RMB launched its first LGBTQIA+ affinity group, Origin Lambda. Its purpose is to create a safe space for employees to bring their core identities to work and to discuss LGBTQIA+ challenges and insights.

Practically, this involves creating internal and external networks to drive initiatives, staying close to the LGBTQIA+ alumni base, being visible as an employer of choice for LGBTQIA+ talent and continuing to advocate for inclusivity.

CASE STUDY

VOICES OF CHANGE

To recognise and celebrate the role of women in society, RMB was one of the key sponsors of the annual Voices of Change webinar which took place in August 2020.

This initiative encourages men and women to play leading roles in driving gender parity in the workplace and to create impactful and lasting change

It also enables global organisations across various industries to work together to address critical issues such as gender-based violence and the gender pay gap.

06

A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT

Social investing (or CSI) occurs through the FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust.

In response to the unexpected and unprecedented social challenges that the COVID-19 pandemic presented, FirstRand created SPIRE* immediately following lockdown. SPIRE is a public benefit fund created to assist government and other social partners in responding to the healthcare challenges of COVID-19 in South Africa and key markets in the rest of Africa. SPIRE facilitated a number of interventions particularly focused on healthcare solutions and feeding schemes for vulnerable communities.

** FirstRand SPIRE (South African Pandemic Intervention Relief Effort).*

SPIRE: COVID-19 RESPONSE FOR BROADER SOCIETY

SPIRE leveraged the FirstRand group's platforms, systems, client relationships and outreach ability to the top 1 000 SA corporates and more than 50 000 SMEs. Through the rapid mobilisation of these resources, SPIRE was able to create solutions to social challenges at scale. SPIRE has also engaged extensively with the Solidarity Fund, Business for South Africa (B4SA), various local and international foundations, and governmental departments and agencies.

SPIRE has three focus areas:

1 **HEALTHCARE CAPACITY**

Adding capacity to the public healthcare system through the purchasing of additional essential medical equipment and protective wear as well as extending medical facilities in a long-term sustainable manner such as ICU extensions.

2 **CARE HOMES**

Preventative care for the elderly in resource-constrained care homes, given their high vulnerability to COVID-19, through direct support for the most vulnerable, and training management and healthcare workers.

3 **FOOD**

Working with partners to help feed vulnerable communities with future initiatives focused on the distribution of e-vouchers.

SPIRE has delivered a number of projects to date:

- Expanded ICU capacity by more than 100 beds across several public sector hospitals.
- Supplied high-flow oxygen equipment to regional hospitals.
- Contributed to the acquisition of 200 ventilators.
- Manufactured more than 300 000 cloth masks through the Maskathon initiative.
- Distributed food parcels.
- Supported donor-dependent retirement homes (>150 vulnerable care homes).
- FirstRand procurement platform provision to Solidarity Fund (enabled the procurement of over R100 million PPE purchases).
- Developed and shared advanced epidemiological models focused on containing the spread of COVID-19 and ensured optimal allocation of resources.

Protection for frontline workers (PPE, test kits and safe and convenient accommodation).

94 000
N95 masks distributed to various hospitals and facilities

100 000
UltraGene COVID-19 kits

Similar programmes were established in Namibia through the Health Optimisation in Pandemic Emergency Fund (HOPE) and in Ghana through the Accelerated Support for Pandemic Intervention and Relief Effort (ASPIRE). There were also various pandemic-related initiatives undertaken by the subsidiaries in Botswana, Nigeria, Zambia, Mozambique and the UK.

FirstRand group and Foundations' contribution:

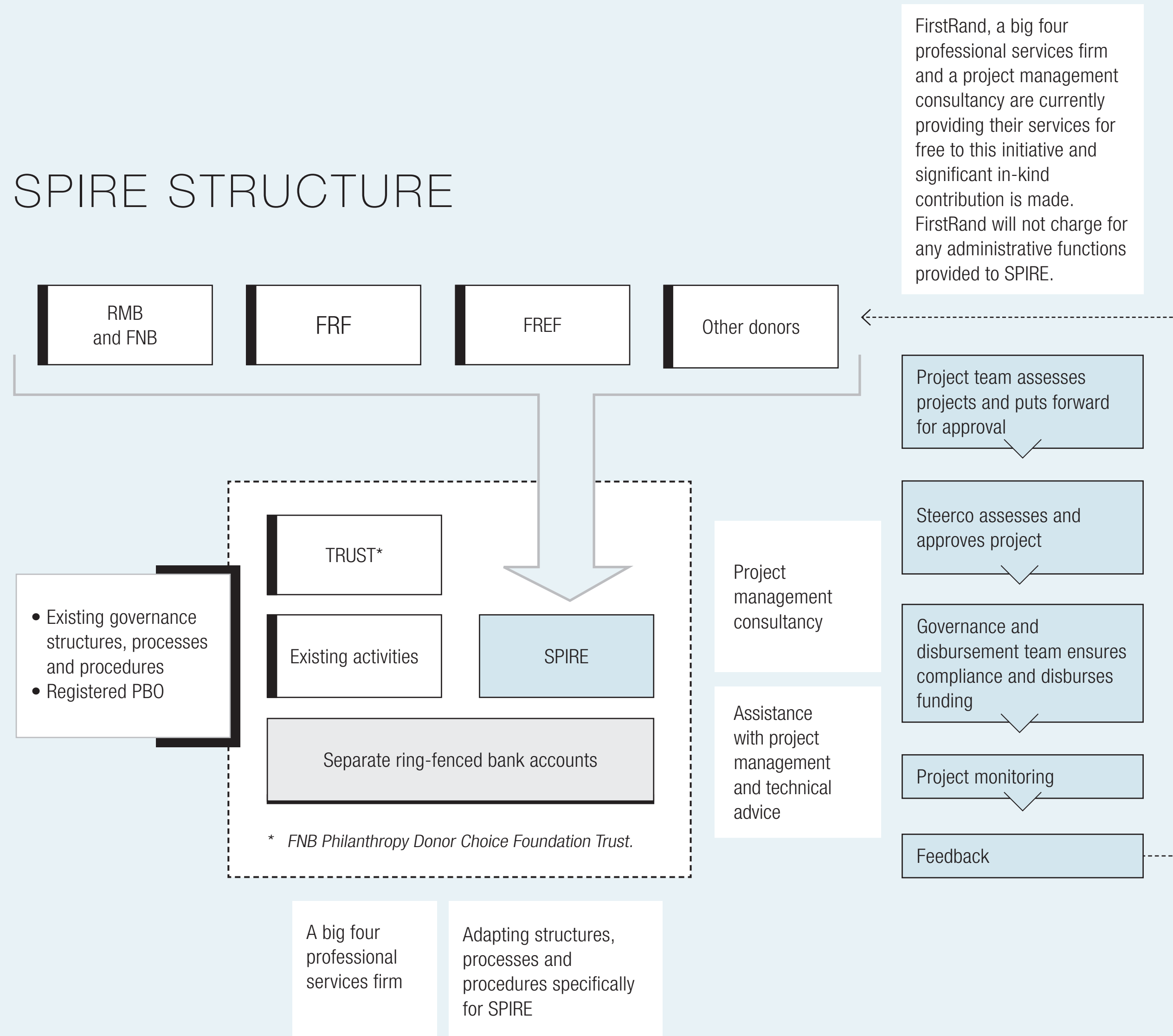
An anchor investment of R100 million in SPIRE was funded by the FirstRand Empowerment Foundation (FREF), the FirstRand Foundation (FRF), FNB and RMB.

The FNB Philanthropy Donor Choice Foundation Trust, a registered public benefit organisation (PBO), with the appropriate internal controls in place (which are verified by PricewaterhouseCoopers (PwC), manages the receipt of funds and distribution of resources to achieve SPIRE's goals.

SPIRE and its oversight steering committee are staffed by senior FirstRand group executives at no cost to the SPIRE fund.

The FirstRand group is playing a significant role in various other national and industry initiatives through its role at B4SA (health and economic streams) and through direct engagement with government.

SPIRE STRUCTURE



SOME SPIRE CASE STUDIES

Healthcare

CASE STUDY

DEVELOPMENT OF THE INTUBOX

SPIRE funded the development of the Intubox, a Perspex box that protects hospital workers and critical care patients from airborne virus-spreading particles during intubation, extubation or aerolising procedures. The Intubox is a solution to any treatment that requires barrier enclosure protection for hospital workers. It can also be used during the treatment of patients with multidrug-resistant or extensively drug-resistant tuberculosis or viral haemorrhagic fever such as Ebola.

The Intubox was approved by medical doctors and professors. SPIRE funded the development of a prototype and the manufacture of the first 500 boxes, 375 of which were donated to Charlotte Maxeke hospital.

The creation of the Intubox demonstrates the world-class medical, biomedical, engineering and financing skills that exist in South Africa, and shows/proves that medical needs, employment and production capacity can all be activated simultaneously in new ways to solve new challenges, especially if funding is immediately available.

CASE STUDY

UBUNTU BEDS

A joint initiative between Ubuntu Beds and SPIRE allowed public healthcare workers to access private accommodation close to their workplaces at no cost.

This initiative was launched in May 2020, and to date 892 healthcare workers have been placed for 19 439 bed nights in 869 establishments with more than 15 000 rooms situated across the country, close to hospitals and clinics. The average stay is between seven and 14 days, and rooms are open to both the private and public healthcare sector. Healthcare workers have access to self-catering facilities, and in some instances Wi-Fi, TV and laundry services.

This collaboration has resulted in a four-way win: health workers can be accommodated closer to their workplaces, health workers' families are protected from being exposed, beds are filled, and job retention is improved in the hospitality and related services sectors.

CASE STUDY

ADDITIONAL ICU CAPACITY FOR CHARLOTTE MAXEKE HOSPITAL

In July 2020, SPIRE provided much-needed additional ICU capacity to Charlotte Maxeke Johannesburg Academic Hospital (CMJAH). With the addition of 29 beds, the extension more than doubled the ICU capacity of the hospital. SPIRE provided R5 million of funding, additional project management services and procurement capacity. This allowed the project to be completed in less than two months.

This project has been used as a template for a number of other ICU expansions supported by SPIRE, including another ward at CMJAH, and wards at the Livingstone (18 additional beds) and Dora Nginza (44 additional beds) hospitals in the Eastern Cape, and nine additional beds at the King Edward VIII Hospital in KwaZulu-Natal.

To date, ICU expansions and upgrades to the value of **R19 million** have provided 168 new beds and 371 bed refurbishments across 11 hospitals.

Support for care homes

Globally, the death rate from COVID-19 increases sharply for those aged 70 and above. SPIRE has focused on preventative efforts at old age care homes and has prioritised COVID-19 hotspots.

Approximately 400 state-funded care home facilities have been identified through engagement with the Department of Social Development.

To date:

- PPE has been delivered and care packs have been ordered for **157 homes** (i.e. consumables such as surgical masks, sanitizers, gloves and equipment such as oximeters, nebulizers and face shields).
- **18 800 staff and residents** have been reached.
- Training has been conducted at approximately **150 homes** via the Centre for HIV-AIDS Prevention Studies (entailing understanding COVID-19, how to manage and prevent the virus and providing compassion for the elderly).
- **13 000 care packs** have been delivered.

Food

Food insecurity in South Africa has been further exacerbated by the COVID-19 pandemic. SPIRE mobilised several initiatives to provide food to vulnerable communities. To date SIPRE and the FirstRand Volunteers have donated:

R3 million in food hamper relief through partner NGOs, impacting 7 500 families.

R1.5 million in food e-vouchers which were distributed to 4 301 beneficiaries in vulnerable communities in KwaZulu-Natal and the Eastern Cape.

R1 million to #PayFoodForward, an NGO that distributes maize to vulnerable communities.

- In partnership with Grain Care, FirstRand has distributed 33 tons of maize to 1 904 beneficiaries in communities across Limpopo, Free State and North West.

R3 million to assist FoodForward South Africa (FFSA) to establish operations in Mpumalanga.

- FFSA redirects quality, edible surplus food that would otherwise have gone to waste, to vulnerable communities. Once at scale, FFSA will be able to feed between 20 000 and 25 000 people per day in Mpumalanga, one of South Africa's most productive and important agricultural regions, where poverty and hunger continues to persist.

Subsidiaries respond

FNB Ghana launched ASPIRE and provided GH¢200 000 in anchor funding. The bank also donated GH¢415 000 as part of its contribution to the Ghana Association of Bankers to help the government fight and contain the spread of COVID-19.

RMB Nigeria contributed ₦100 million to the Coalition Against COVID-19 (CACOVID), a private-sector task force in partnership with the federal government, the World Health Organization (WHO), the Bill and Melinda Gates Foundation and the Central Bank of Nigeria.

FNB Mozambique donated funds to purchase 2 500 face shields for hospital workers and a further 1 000 face masks for charities.

FNB Zambia sponsored test kits and donated 15 000 face masks to vulnerable communities.

FNB Botswana contributed P10 million in support of government interventions. It has focused on supporting local companies with financial resources to produce medical equipment and PPE. Another focus has been assisting with disinfecting public areas, such as public transport zones.

RMB, through the FirstRand Namibia Foundation Trust, donated N$500 000 to assist a COVID-19 emergency response programme, directly targeting Windhoek's informal settlements. Through this programme the team has helped set up over 10 000 handwashing units known as Tippy Taps, servicing 40 000 families.

The Namibia team partnered with RMB client Bokomo to provide meals and feed vulnerable communities during this crisis.

FirstRand Namibia donated 15 fever screening thermal cameras to the value of N$1.4 million to the Ministry of Health and Social Services.

FNB Lesotho committed M250 000 as part of the contribution to the pledge made by the Banker's Association of Lesotho to support the government's fight against COVID-19.

FNB Eswatini Foundation pledged R1 million to the Ministry of Health. It was used to fund urgent supplies needed in the fight against COVID-19.

Aldermore staff raised £37 000 in a fundraising drive for the UK's National Emergencies Trust COVID-19 response.

Aldermore made a corporate donation of £10 000 to Mind's mental health emergency appeal.

More than £40 000 in funds raised from the **#MotoNovoCharityDrive organised by Aldermore** was donated to 20 smaller charities.

CASE STUDY

EARLY CHILDHOOD DEVELOPMENT PROGRAMME

FNB's early childhood development (ECD) programme began in 2017 in response to the lack of focus on the grassroots education sector. The programme focuses on uplifting ECD facilities across the nation.

This is achieved through the adoption of ECD facilities by FNB staff who identify major challenges and assist to resolve them through sharing of knowledge and expertise, leveraging networks and fundraising. To date, over 800 ECD facilities have been adopted by FNB staff.

Many ECD facilities are not registered with the Department of Social Development (DSD) and therefore do not receive much-needed grants. In these instances the FNB adopters work with the facility to obtain registration.

An important aspect of the programme is to ensure that ECD facilities become self-sustaining. For example, since completion of training in Eersterust, teachers have found more motivation to teach and the children are more enthusiastic about school. This has resulted in more parents enrolling their children.

The positive impact on the ECD facilities extends to the surrounding communities. The FNB ECD team, along with adopters, have planted vegetable gardens to produce fresh fruit and vegetables, enabling teachers to sell surplus produce to their communities and create additional income for themselves. The vegetable gardens are also used to teach children about healthy eating and growing their own food.

The COVID-19 lockdown forced all ECD facilities to close, leaving teachers without income. Added to this, many children across South Africa who rely on the food provided by their ECD facility no longer had access to their daily meals. The FNB ECD team promptly responded by working with teachers from adopted ECD facilities to identify vulnerable families in need of food. Funds were raised through calls for donations from FNB employees, through the FNB Volunteers programme, from programme partners and civil society. Funds were used to buy food buckets filled with basic food supplies to feed a family of four for three weeks at a cost of R300 per bucket. More than **7 000 buckets and food parcels** were delivered to children and families of adopted facilities countrywide.

Once lockdown restrictions eased and ECD facilities could reopen under conditions set out by the DSD, the FNB ECD team assisted their adopted facilities to implement the required departmental standard operating procedures. These require PPE that many facilities were unable to afford. With the assistance of the FNB Fund, FNB Volunteers and other donors, **424 ECD facilities have managed to reopen by November 2020.**

FIRSTRAND FOUNDATIONS

The group is acutely aware that an economy cannot hope to grow without an educated workforce.

In response:

the foundations have focused on systematic education initiatives, allocating

R286 million in 2020

(2019: R338 million)

These initiatives cover the whole education continuum, from ECD to primary and secondary schooling, tertiary education and workplace readiness, with the aim to increase employability and productive livelihoods.

The long-term vision for the three foundations is:

- FirstRand Foundation (FRF), as a corporate foundation, focuses on the Financial Sector Charter themes and is more closely aligned with business.
- FirstRand Empowerment Foundation (FREF) deliberately focuses on empowerment outcomes in compliance with the B-BBEE codes and better leverages the FirstRand ecosystem to magnify the potential impact from investments.
- FirstRand Staff Assistance Trust (FSAT) will continue to be employee focused.

FirstRand social investing structures

THE FOUNDATIONS – THE BASICS

	FirstRand Foundation (including fund and trust)	FirstRand Empowerment Foundation	FirstRand Staff Assistance Trust
Established	1998*	2005	2005
Type	Independent corporate foundation	Independent BEE ownership trust	Independent staff assistance trust
Number of trustees	13 (9 independent)	8 (6 independent)	6 (1 independent)
Funding based on**	1% net profit after tax (NPAT) of FirstRand Limited, excluding Aldermore and rest of Africa	Dividends from endowment	Dividends from endowment
Value of endowment at 30 June 2020	Not applicable	Approximately R4 billion^	Approximately R0.6 billion^
Registered PBO	Yes	Yes	No

* *Originally established as the Southern Life Foundation in 1988 and changed to the FirstRand Foundation in 1998.*

** *In terms of SARS regulations, the FRF Trust is required to distribute at least 50% of all funds received by way of donation (i.e. FirstRand's 1% NPAT) within 12 months of the end of the year in which the donation was received. In addition, investment income earned by the trust must be spent within five years of earning it. As FREF is financed through dividend income (and not via donations), it does not face spending requirements of this sort.*

^ *Endowment values have declined in line with the FirstRand share price.*

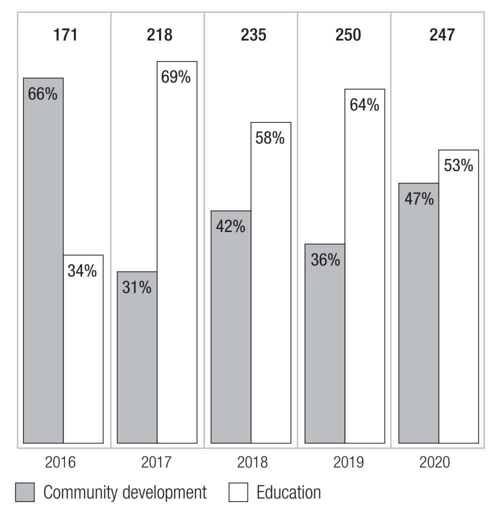
Establishment of FRF

FRF was established in 1998 as the legal vehicle through which FirstRand Limited and its customer-facing businesses (FNB, RMB and WesBank) direct their individual and collective CSI. From inception, FRF received 1% of FirstRand Limited's NPAT.

Legally, there are two disbursing structures – FRF, through which donations are made to public benefit organisations that do not qualify for section 18A tax deductible status, and the FirstRand Educational Trust, for payments to educational projects and institutions that do qualify. All disbursement decisions are made by the trustees.

FRF's strategy over the past 20 years has been to be the foremost corporate social investor and knowledge collaborator committed to contributing to the development of a better South Africa through mainstreaming disability, capacity building, leveraging partnerships and knowledge sharing. Following a review of its 20-year experience and impact, it is the intention to better align the foundation's work with the group's business strategy.

FRF CSI spend* (R million)



* *The reported CSI number is the audited, contributed spend for the FirstRand financial year. It is based on 1% of NPAT of FirstRand Limited.*

From inception, FRF received 1% of FirstRand Limited's net profit after tax

Community development consists of investment in:

- the creative economy;
- the green economy;
- food security and agricultural livelihoods;
- the group's Volunteers programme;
- mainstreaming disability;
- thought leadership; and
- in 2020 community development also included contributions to SPIRE.

Establishment of FREF

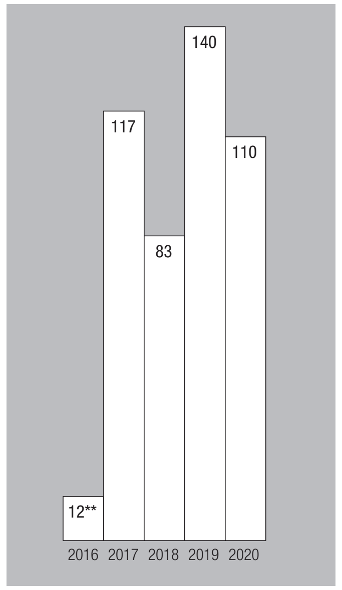
FREF was established in 2005 as part of the FirstRand B-BBEE transaction. The parties to the foundation are FirstRand Limited, FirstRand Bank Limited, Kagiso Charitable Trust, the WDB Trust, WDB Investment Holdings Proprietary Limited, the Mineworkers Investment Trust and MIC Financial Holdings Proprietary Limited.

The founding objective was to facilitate the transformation of FirstRand through the acquisition by the BEE beneficiaries of a meaningful equity interest in the group. The objective was amended in the current year to reducing poverty and inequality by undertaking and/or supporting public benefit activities that result in B-BBEE.

The majority of trustees are black persons as defined in the FSC.

The B-BBEE transaction vested in 2014, and following its vesting, FREF has a significant unencumbered endowment of FirstRand, MMI and Discovery shares. The dividend income on these shares is used to address poverty, unemployment and inequality through systemic social investments in the education sector. Specifically, FREF's mandate is to provide, promote and fund educational development in relation to disadvantaged South Africans, particularly in, but not limited to, the financial services industry.

FREF CSI spend* (education)
(R million)



* The foundation's financial year is from January to December. The reported CSI number is the audited spend for the previous calendar year.

** The significant increase noted from 2016 is due to the debt being fully paid up and the full dividend being distributed to the trust for CSI initiatives.

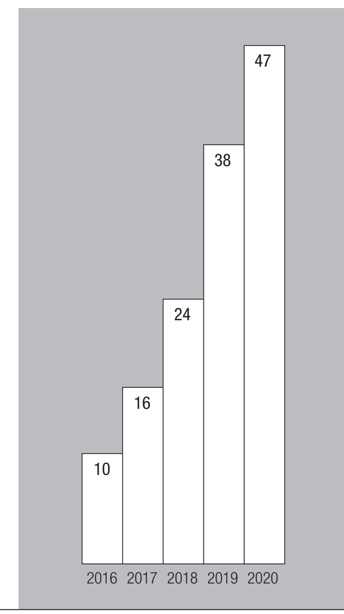
Establishment of FSAT

FSAT is constituted as a perpetual trust registered with the Master of the High Court and the South African Revenue Service, and is governed by a trust deed. The trust's mandate is to assist black employees earning a salary package below a certain level (currently below R400 000), as well as their immediate families, with their educational, healthcare and other needs. The trust offers bursaries to assist employees' children from grades R to 12 and qualifying expenses include school fees, transport, books and uniforms.

For the 2020 school cycle the trust assisted 7 213 employees with their children's school expenses, to the value of R56 million. This represents a fulfilment rate of 93% of total staff applications.

SCHOOL CYCLE ASSISTANCE

School cycle	2018	2019	2020
Number of employees assisted	5 431	6 205	7 213
Value of assistance (R million)	37.9	46.5	56
Fulfilment rate (%)	94	96	93

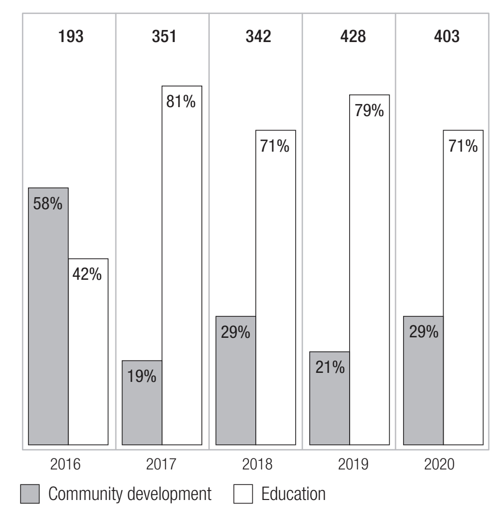


FSAT CSI spend (education)*
(R million)

* The trust's financial year is from January to December. The reported CSI number is the audited spend for the previous calendar year.

Total CSI spend

FRF, FREF and FSAT
(R million)



CASE STUDY

BLACK ACADEMICS

A ministerial report on the recruitment, retention and progression of black South African academics, which looked at data from 2000 – 2017, showed that the number of black academics at universities continues to remain low.

It revealed that black African staff had the lowest percentage of doctoral degrees (30%) compared to other races and that black African females continue to be the most underrepresented group (16%) in universities.

In 2017, FRF and the National Research Foundation (NRF) implemented the Black Academics Advancement Programme (BAAP). In keeping with the country's equity and transformation objectives, BAAP will support only South African citizens employed at public universities as full-time academics. The programme aims to expedite their Doctor of Philosophy (PhD) qualifications and postdoctoral research training. This initiative aligns with government's transformation agenda to change the profile of the research workforce.

This intervention spans a five-year period and aims to make 25 awards annually to candidates reading for PhD degrees, enabling them to undertake full-time research to complete their doctoral degrees. The programme also aims to provide 25 awards annually to candidates in postdoctoral studies to undertake postdoctoral research training.

Since inception, BAAP has funded

129 lecturers in
22 of the country's
26 public universities.

The five-year initiative is jointly funded by the FRF and NRF at a total cost of R165 million. The total spend for the last three years has been R45 million. This shortfall is due to:

Over the last two academic years the contributions from FRF and NRF for BAAP have been less than budgeted, as the targets, primarily the number of beneficiaries each year, have not been met.

The original budget allowed academics three years to complete their PhD's, but some academics have only needed a year or two to complete their studies, and as a result did not need funding for the full three years.

To date 22 lecturers have successfully completed their studies, of whom 55% were female, 86% were black African and 77% were postdoctoral.

Participant race profile	%
African	77
Coloured	14
Indian	7
White	2

Gender split	%
Female	54

PhD track	%
PhD	63
Post doctoral	37

CASE STUDY

DATA-DRIVEN DISTRICTS

FREF's support for the Data-Driven Districts (DDD) programme commenced in the second half of 2016. The programme is implemented by the New Leaders Foundation (NLF) in collaboration with the Department of Basic Education and provincial education departments (PEDs).

DDD's primary goal is to provide real-time data to assist schools, education officials and other education stakeholders to make data-driven decisions to improve the quality of learner outcomes.

The programme provides tools, training and processes that help collate and aggregate school-level data from the South African Schools Administration and Management System (SA-SAMS) so that it can be accessed by all schools and education officials at any time through the DDD dashboard. The dashboard is a digital platform that displays SA-SAMS information in a user-friendly manner. It empowers education officials with readily available information to make informed decisions in respect of managing teaching and learning, as well as improving learner performance.

FREF's five-year commitment to DDD amounts to R107 million. DDD is co-funded by the Michael & Susan Dell Foundation.

Highlights

- Funding from FREF has allowed the NLF to scale the DDD model to eight of the country's nine provinces.
- In the current cycle, the initial target was to reach six million learners annually on the DDD dashboard, but the target has been exceeded with 11 million learners on the dashboard in 2019.
- 92% of schools in the eight provinces input their data into the DDD dashboard.
- 21 DDD processes have been handed to PEDs. The handover of DDD processes will ensure that the programme is sustainable.
- The NLF has developed innovations, using the dashboard information, to support school system functionality (e.g. the Learner-at-Risk report).
- The NLF was appointed to serve on the National Education Collaboration Trust's consortium to evaluate school readiness to reopen after the COVID-19 lockdown. The NLF's role in the consortium leverages its DDD capabilities and resources.

CASE STUDY

THE GREEN OUTCOMES FUND

The Green Outcomes Fund (GOF), a first-of-its-kind structure, aims to incentivise South African fund managers to increase investment in small and growing green businesses.

It achieves this through an outcomes-based funding mechanism that pays for outcomes such as green job creation, carbon dioxide mitigation and improved water and waste management. This approach catalyses the green economy at multiple levels.

The GOF launched in April 2020 and will be piloted over three years, with the objective of leveraging learnings and replicating the model to build capacity in the impact investing arena. Designed by the Bertha Centre for Social Innovation and Entrepreneurship at the University of Cape Town's Graduate School of Business together with the World Bank Climate Technology Programme, the World Wildlife Fund SA and GreenCape, GOF was made possible by catalytic funding from the RMB Fund. GreenCape, an NGO that drives the widespread adoption of economically viable green economy solutions in the Western Cape, is the founding and implementing partner of the GOF.

The RMB Fund, through the FirstRand Foundation, committed R9 million towards the operating expenses of the GOF pilot (2020 – 2022). This enabled GOF to receive grant funding of R84 million from the Jobs Fund.

GOF funding has already unlocked R396 million in private sector investment commitments and to date five green SME investments are in the process of being closed.

CASE STUDY

WOOL GROWERS

The WesBank Fund **focuses on food security and agricultural livelihoods and has three workstreams:**

MASILIMENI focuses on homestead and communal farmer development to grow resilient fresh produce farmers.

JALA PEO focuses on school food and nutrition gardens to grow nutritious, fresh produce consumers.

KHANO seeks to invest in catalytic and/or multiplier initiatives that drive systemic change.

These integrated workstreams contribute towards the National Development Plan milestone which aims to have a third of all fresh produce consumed in South Africa produced by smallholder farmers by 2030.

As part of the Khano workstream, the WesBank Fund has invested in the communal wool farmer development programme of the National Wool Growers' Association of South Africa (NWGA).

The NWGA has a membership of approximately 2 500 commercial producers and 40 000 communal producers organised in more than 1 400 wool-producing communities or wool growers' associations. Its mission is the promotion of sustainable and profitable sheep farming. To achieve this, the association advocates for policy and legislation improvements, and promotes efficient production, market access and efficiency.

The NWGA is committed to the transformation of the industry by promoting the representation of black communal farmers in all decision-making structures of the wool industry. Before the COVID-19 lockdown, 65% of the NWGA's operational budget was directed to the upliftment of black farmers.

The NWGA development programme reaches wool grower communities in some of the most marginalised and remote districts of South Africa and connects them to export markets. It provides these otherwise isolated producers with the latest in global wool growing and marketing expertise, together with the proper tools to produce, sort and package wool for global markets.

Communities have improved their income from wool produced (their annual clip) by up to 60% in one year following the NWGA's intervention. In addition there have been qualitative improvements to the host communities, with evidence of them investing profits into improving family, community and work life.

Of the 1 400 communal shearing sheds in the country, only 20% have the necessary infrastructure to enable quality preparation of clip for the formal wool market. As such, the WesBank Fund has focused on donating shearing sheds to marginalised communities. OVER THE LAST TWO YEARS, THE WESBANK FUND HAS CONTRIBUTED R2.6 MILLION TOWARDS:

- Construction of three shearing sheds in Mount Fletcher, Whittlesea and Dordrecht in the Eastern Cape. The Whittlesea and Dordrecht shearing sheds directly benefited the livelihoods of 167 wool producers, including women (33%) and three people with disabilities.
- Equipment and genetic improvement (funding the introduction of top-quality breeding rams to the flock) for wool grower groups in the Eastern Cape.

The positive results of these donated shearing sheds have led to the WesBank Fund and the NWGA identifying a further two deserving communal wool grower associations for similar support. Their new shearing sheds, dipping tanks and equipment should arrive in time for the new growing season.

FIRSTRAND VOLUNTEERS

The FirstRand Volunteers programme was launched in 2003 to facilitate and support employee community involvement. The programme provides employees from across the group with the opportunity to make a real difference by matching their time and monetary donations to their chosen organisation or school.

In the last year employees donated **R7.2 million** to worthy causes of their choice.

1 123 employees donated **6 055 hours** of their time to their chosen projects.

Governed by clear guidelines, aligned to FRF, the programme provides support including R1-for-R1 matched funding for employee donations of time and money, sourcing of organisations to support, annual group drive incentives and support and guidance for employees to share their time, skills and knowledge with their chosen organisations and schools.

During the year, employees registered to support 140 organisations across multiple sectors, 107 schools and 45 ECD facilities across all provinces.

Volunteer initiatives and activities in the past year have focused on people with disabilities, the Unsung Heroes programme and COVID-19 response.

CASE STUDY

PEOPLE WITH DISABILITIES DRIVE

Despite the COVID-19 lockdown, 18 FirstRand Volunteers teams managed to assist their partner organisations with assistive devices for people in their care. This support included the donation of PPE, wheelchairs, crutches, cot beds, specialised equipment for children with physical disabilities, mobility walkers and scooters, educational toys, language development scales, sensory mats and thermometers.

CASE STUDY

UNSUNG HEROES

The FirstRand Volunteers Unsung Heroes programme offers employees the opportunity to apply for funding support for organisations and schools they are passionate about, and have supported in their personal capacity and in their own time over the past six months.

Assistance included:

- the marketing of a **rhino conservation awareness** campaign in the Eastern Cape;
- the purchase of **art material for young entrepreneurs** to continue their work during lockdown;
- assisting an organisation that supported **victims of gender-based violence** during the lockdown with training material and Wi-Fi and data costs;
- the donation of **school equipment, teaching and learning aids;**
- the **repair of school infrastructure;** and
- the **installation of solar power** for a baby home.

Since 2017, the programme has donated **R2.3 million** to support **82 organisations and schools**.

All applications are reviewed and approved by a FirstRand social investment panel, including a representative from internal audit. Each volunteer and their chosen organisation have three months to utilise proceeds from the date funds are released. The volunteer and organisation submit a report detailing the utilisation of the funds and the impact for the organisation and beneficiaries.

CASE STUDY

FIRSTRAND VOLUNTEERS RESPONSE DURING COVID-19 AND BEYOND

FNB Volunteers – Grow Your Own initiative

This employee engagement initiative was launched by the FNB Points of Presence (POP) Volunteers team at the end of June 2020. The objective is to encourage employees to Grow their Own fresh vegetables to donate, or to establish a food garden for their chosen beneficiary organisations. So far, 54 employees have started vegetable gardens in Limpopo, KwaZulu-Natal, Northern Cape, Gauteng and the Free State.

Employees have also transferred their skills and assisted 11 non-profit organisations, most of which are ECD facilities, to establish vegetable gardens.

"We will not have to buy vegetables from the market, but we will grow them. For that we extend our appreciation and we all say 'Thank you'."
– SA Buthelezi, principal, Sizanani day care

Youth Development webinars:

The POP Volunteers team is hosting a series of webinars for Phakamani Young Minds, an organisation that provides academic support to school learners.

The objective of these webinars is to upskill young people in financial literacy, human resources management and wellness, and to prepare them for the workplace.

ACTIVE CITIZENSHIP DURING LOCKDOWN

Due to the COVID-19 pandemic there was a decline in the number of employees who donated time to support their chosen beneficiaries. FirstRand launched an Active Citizenship platform to encourage employees to share their stories of random acts of kindness during lockdown.

A few stories posted by employees during the lockdown:

"My husband and I bought a whole lot of groceries (bread, rice canned goods) and made care packs for those in need. We drove around our area handing them out to people on the side of the road."

"My wife and I have extended the work of our anti-human trafficking foundation during this time to help the most vulnerable. We have provided food and masks for a small school in Diepsloot, provided food and paid rent for a family/community in Hillbrow and provided food for another family in Centurion."

"As I cannot volunteer during lockdown – and I am saving money on petrol not traveling to work – I am sponsoring a dog at Dogtown SA."

Retail and Commercial Disaster Relief Fund

The newly established Retail and Commercial Disaster Relief Fund, (Disaster Relief Fund or the Fund) which includes FNB, WesBank, DirectAxis and MotoVantage, was set up to complement existing CSI initiatives to provide rapid temporary disaster relief to affected communities.

To date, the Disaster Relief Fund has provided relief support to the value of R7.5 million to several communities following disaster events in South Africa and neighbouring countries. For example:

- In response to the devastating impact of the level 4 tropical cyclone Idai and floods that affected the Southern African Development Community (SADC) region, the fund provided:
  - repair work on schools and homes;
  - consumables (e.g. food, water filters, medication and hygiene packs);
  - psychosocial support to those affected by the floods; and
  - donation to Doctors Without Borders who provided medical emergency support to communities in more than 65 displacement sites.
- In response to the COVID-19 pandemic, the fund provided:
  - food parcels to vulnerable families in the Eastern Cape and KwaZulu-Natal;
  - 30 000 masks to vulnerable communities; and
  - masks and hygiene packs to elderly persons in underserviced hotspot areas in all nine provinces.

CASE STUDY

ECD FACILITIES IN THE EASTERN CAPE

Following the April 2019 floods in the Eastern Cape, the Disaster Relief Fund approved the rebuild of three ECD facilities in rural areas of the province.

The structures that existed prior to the floods were makeshift corrugated iron shacks without proper flooring or ablution facilities.

Reconstruction of all three facilities was completed at the end of June 2020. They were adopted by the FNB ECD programme and were supported with food during lockdown. After lockdown, the FNB ECD team provided them with PPE and assisted them to reopen.

Engagements with the Department of Social Development through the National Development Agency have also taken place in order to assist these facilities to be fully compliant and to qualify for annual support from the department.

All three ECD facilities were rebuilt at the end of June 2020

07

MANAGING THE GROUP'S ENVIRONMENTAL IMPACT

FirstRand is committed to the effective management of the environmental and social risk of its lending and investment decisions, its product and service offerings, its own organisational impacts and the promotion of responsible practice through its value chains.

GOVERNANCE AND MANAGEMENT OF ENVIRONMENTAL RISK

Ultimate oversight of environmental risk rests with the board. These risks are reported to the board through the risk, capital management and compliance committee and social, ethics and transformation committee. Progress and monitoring reports on risk management are submitted quarterly to the relevant committees, which are also responsible for the approval of related frameworks.

Topic-specific structures may be formed, when required, to support the development of policies and processes, and for implementation. For example, two specialist committees were established to oversee and manage climate-related risk and opportunities; the climate steering committee and the technical climate committee.

FirstRand's environmental, social and climate risk (ESCR) team forms part of the group enterprise risk management (ERM) function. The identification, management and mitigation of environmental and social risks are fully integrated into the group's risk management processes, as outlined below.

Environmental, social and climate risks

The ESCR management framework is designed to manage and mitigate the following environment-related risks:

Operational risk
- Climate vulnerability of infrastructure and business continuity risk
- Identifying areas of impact of environmental issues on operating costs and revenues
- Identifying costs related to the group infrastructure to transition to a low-carbon economy

Market risk
- Identifying potential sources of market-related risk due to environmental and social issues that may lead to changes in customer behaviours, market signals and increased cost of raw materials
- Identifying and highlighting potential changes in the investment market sentiment

Legal risk
- Risks due to environment-related policy requirements such as the impact of carbon taxes, prudential requirements, emissions reporting requirements or exposure to litigation

Liquidity risk
- Risks related to changes in investor sentiment regarding the level of environmental and social risk management in the group, or climate-related activities (positive and negative) funded by the group, and the impact these may have in terms of accessing investment

Reputational risk
- Mitigating reputational risks due to environment-related issues such as shifts in consumer preferences, stigmatisation of a specific sector or increased stakeholder/shareholder concern, or negative feedback

Credit risk
- Transactional risk
  - Identifying, mitigating and managing environmental, social and climate-related risks associated with investments, portfolios, client transactions and credit risk through transactional due diligence
- Portfolio risk
  - Identifying and managing environmental, social and climate-related risks that may impact the structuring of lending and investment portfolios
  - Conducting stress testing of the lending and investment portfolios in relation to identified environmental, climate and social risks
  - Reviewing the impact of environmental, climate and social issues in relation to acquisitions or divestments and capital allocation

ASSESSMENT OF ENVIRONMENTAL AND SOCIAL RISKS IN LENDING AND INVESTMENT

The group's environmental and social risk assessment (ESRA) transactional due diligence process is integrated into its credit risk governance process. It identifies and assesses environmental, social and regulatory or reputational risks, to either FirstRand or its clients, with the potential to cause severe societal and environmental degradation as well as negatively impact the ability of clients to meet their credit commitments.

ESRA:

Evaluates individual transactions and the client's ability to manage environmental and social impacts associated with the funded activity, allowing the group to monitor its potential exposure to liability or risk.

Includes a built-in exclusion list and a restricted list of sensitive activities that the group will finance within limits (negative screening).

Requires compliance with all relevant local and national environmental, labour, health and safety and human rights legislation, formal impact assessments, permitting and public commentary processes.

By means of an **online ESRA process,** transactions are automatically risk rated based on activity, followed by a judgement review by ESRA specialists who engage clients to ensure compliance with applicable regulatory requirements.

If a client is in violation of administrative law, such as lacking permits, or not in compliance with the conditions and standards set by the group, the transaction team and FirstRand's ESRA specialists work with the client to achieve compliance. An environmental and social action plan developed by the client may be required to be submitted for compliance monitoring. Where a decision on the way forward cannot be reached due to the risks involved, the transaction will be reported to the relevant social and ethics committees and to the FirstRand social, ethics and transformation committee for noting and discussion purposes.

The ESRA process is housed within the group environmental, social and climate risk team, with resources in each of the business areas, allowing business unit-specific transactional reviews. ESRA teams provide risk advice to the relevant credit committees regarding the environmental and social risks related to transactions.

ESRA is currently being enhanced by the group's climate risk management programme, i.e. sector, portfolio, group and country-level climate-related risk will be incorporated.

The ESRA due diligence process

Loan and investment screenings start when an application for debt funding or an investment is proposed. The ESRA tool is used to check whether environmental and social risks are applicable to the transaction and whether the activity is categorised as a high, medium or low risk. Medium- and high-risk transactions go through further due diligence processes before submission to the credit committee for consideration. The categories are being reviewed to include a view of impacts and dependencies on natural capital and climate change.

TRANSACTIONS ARE GROUPED INTO THE FOLLOWING RISK CATEGORIES:

CATEGORY A

Activities with potential for significant adverse social or environmental impacts that are irreversible

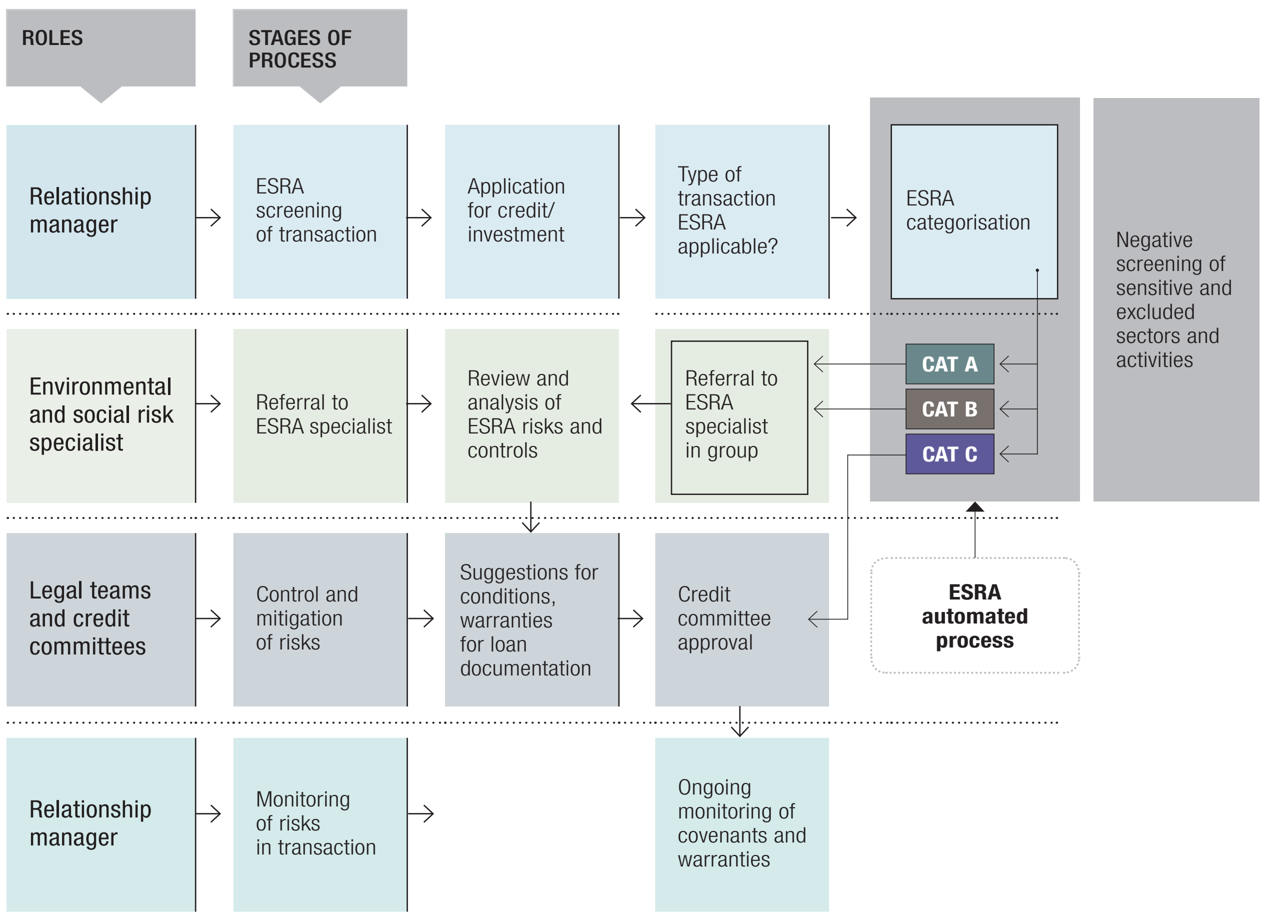
CATEGORY B

Activities with potential for limited adverse environmental and social impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures

CATEGORY C

Activities with minimal or no social or environmental risks and related impacts

ESRA process flow



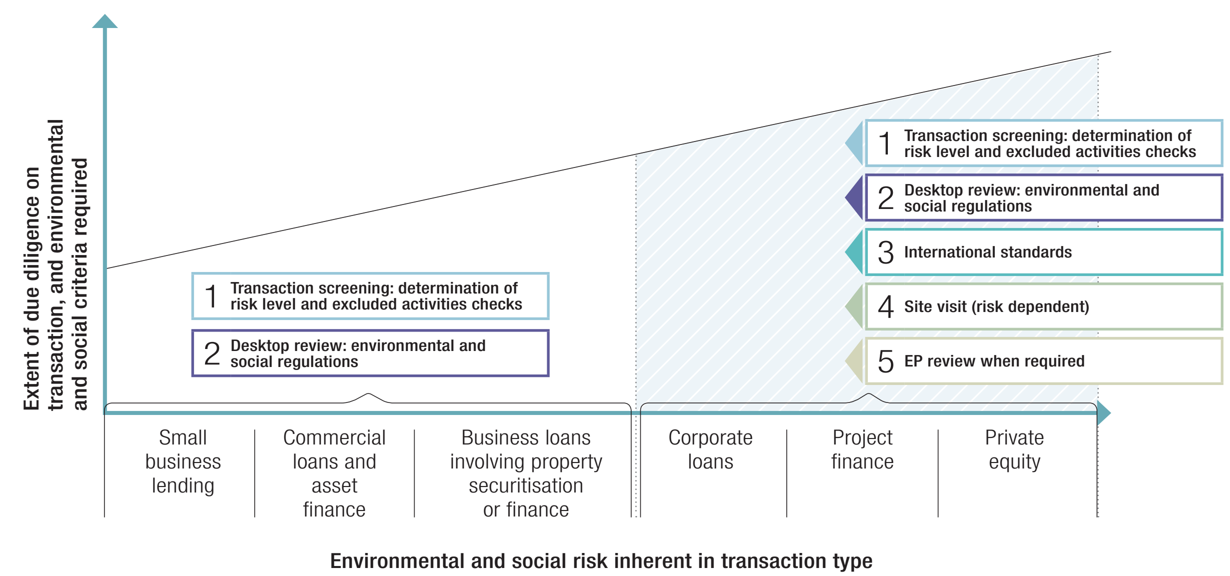
Scope of ESRA application

ESRA is applicable to all lending and investment transactions in the commercial, corporate and institutional segments.

For transactions that meet Equator Principles (EP) criteria, an enhanced due diligence is conducted in line with:

- IFC performance standards;
- IFC sector-specific environmental, health and safety (EHS) guidelines; and
- World Bank guidelines.

Scope of ESRA review related to transaction type



Restrictions on lending and investments

The group's excluded and sensitive activities and industries matrix was developed to guide the ESRA screening process. The matrix defines the industries which the group will not finance or invest in and provides restrictions for sensitive industries.

Restrictions are primarily based on the following reasons:

- **activities may be illegal** in terms of national or international laws and treaties;
- the group has agreed to **financing restrictions** imposed by financing agreements with DFIs;
- the group has made an **ethical/moral decision** not to be involved in certain industries which may be controversial, and which may cause reputational damage;
- **internal risk appetite**; and
- alignment with **approved group strategy.**

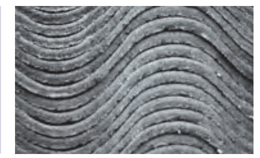
DECREASE IN RISK FACTORS AND ASSOCIATED FUNDING AND/OR INVESTMENT RESTRICTIONS

excluded activities/industries	*sensitive activities/industries*	*sensitive activities/industries*
No financing and/or investment possible	Funding and/or investment possible with restrictions including portfolio limits	Financing and/or investment possible subject to an enhanced due diligence

Screening at customer onboarding stage in conjunction with the "know your customer" process

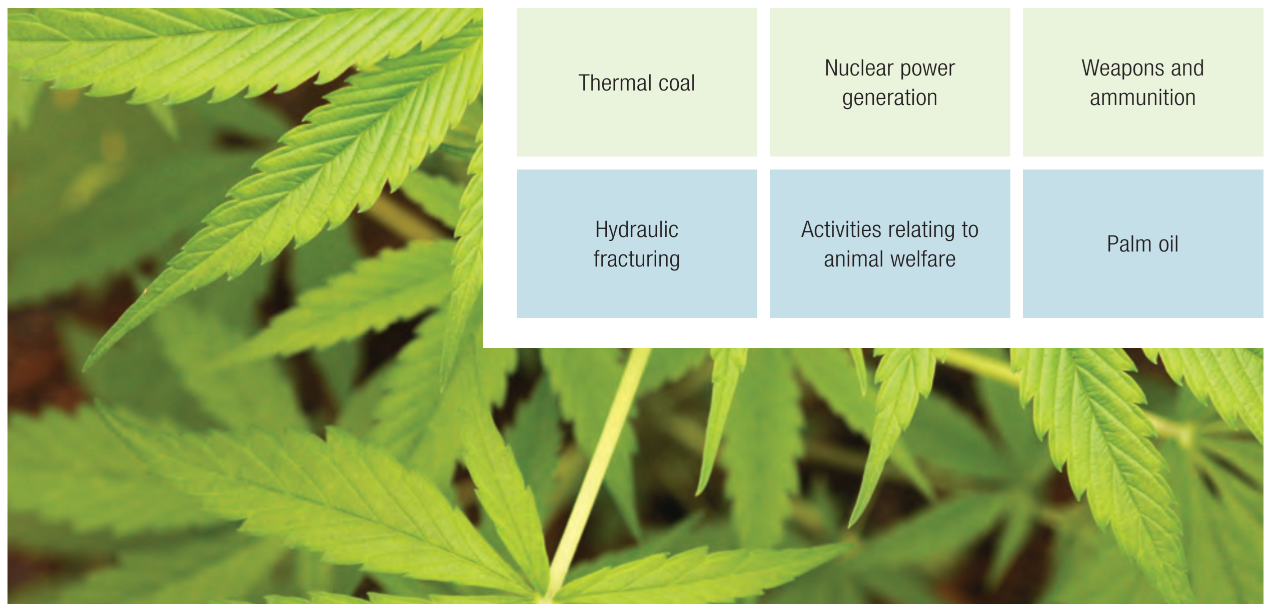
Screening at ESRA review stage

Industries with strict exclusions – FirstRand will not finance and/or invest in the following industries:

Forced labour or child labour	Activities that are illegal by host country law or international agreement	Activities involving ozone-depleting substances	Trade in endangered wildlife, flora and fauna	Unsustainable fishing methods
Coss-border trade in waste		Unbonded asbestos fibres	Prostitution and pornography	
Seal hunting	Racist and anti-democratic media		Wildlife and trophy hunting	Activities involving the destruction of high-value conservation areas

Sensitive industries with restrictions/limited exclusions – FirstRand will limit the extent to which finance and/or investment is provided to the following industries:

Alcoholic beverages	Tobacco	Gambling, casinos and equivalent enterprises	Commercial logging in tropical moist forests and unsustainably sourced wood products	Radioactive materials
Thermal coal	Nuclear power generation	Weapons and ammunition	Production of biofuels	Cannabis-based and -related products for medicinal and scientific use
Hydraulic fracturing	Activities relating to animal welfare	Palm oil	Conflict mining and minerals	



ESRA performance in 2020

Transactions funded in the year ended 30 June 2020:

CATEGORY A
743

CATEGORY B
3 007

CATEGORY C
4 601

8 351
Total transactions screened for environmental and social risks

SA-based transactions
89%

Rest of Africa transactions
11%

33% *agricultural*

11% *real estate*

9% *manufacturing*

1% *mining and quarrying*

46% *smaller individual sectors**

3 750
transactions involved engaging with clients about their environmental and social processes and management plans (high- or medium-risk rated transactions).

* *Smaller individual sectors comprise air-conditioning, water supply, sewage and waste treatment, construction, wholesale and retail trade of vehicles, financial services, professional services, accommodation and food services, information and communication, and public administration services.*

Rest of Africa ESRA roll-out

The group has rolled out ESRA in all eight of its African subsidiaries. In Ghana and Nigeria, the ESRA process incorporates the requirements of the Ghanaian Sustainable Banking Principles and Sector Guidance Notes, and the Nigerian Sustainable Banking Principles, respectively.

FirstRand Equator Principles performance

The process is defined by the EP Association and the adoption of IFC performance standards. It applies to corporate loans of an equivalent value of $50 million*, project finance deals greater than $10 million and project finance advisory transactions.

EP performance reporting is externally assured by an independent third party in line with the requirements set out by the EP Association. This year, PricewaterhouseCoopers (PwC) provided reasonable assurance on the EP figures. Refer to the external assurance statement on page 122 to 124.

* *Changed from $100 million in January 2020, as per EPIV.*

EP performance 2020

During the year the following EP-defined transactions reached financial closure:

EP transactions funded by risk category and industry

SECTOR	A*	B*	C
Mining	0	0	0
Infrastructure	0	0	0
Power	0	0	0
Renewables	0	0	0
Retail	0	1	4
Oil and gas	1	1	0
Total[RA]	**1**	**2**	**4**

All projects were in Africa.

There were no EP-defined project finance advisory and EP-defined corporate transactions for the reporting period[RA].

* *All category A and B transactions underwent independent EP reviews to establish each project's environmental and social risks, and reached financial close during the reporting period.*

[RA] External reasonable assurance provided over total EP-defined project finance transactions.

FirstRand participated in the development and launch of Equator Principles IV and supporting guidance notes in January 2020.

GOING FORWARD, TRANSACTIONS APPLICABLE FOR EP REVIEW INCLUDE THE FOLLOWING:

- Project finance activities which have capital costs amounting to or **exceeding $10 million.**
- Project-related corporate loans where the total facility amounts to or **exceeds $50 million.**
- Corporate loans with tenor of not less than 36 months and funding-defined assets as part of a project amounting to **at least $10 million** of total capital costs.
- Corporate loans provided to a single client **exceeding $5 million,** on an aggregated basis over a period of 36 months.

CLIMATE CHANGE

FirstRand believes that climate change is one of the defining issues of this century, with significant attention given to climate change mitigation and adaptation at governmental, business and societal level. It has the potential to disrupt business models and markets across all sectors and impact the livelihoods and well-being of individuals across the world.

The group believes there is a clear commercial imperative for better climate risk management, the development of sustainable financing and funding solutions, and the integration of climate impacts into capital allocation, origination strategies, portfolio diversification and reporting. FirstRand is therefore focused on formulating growth strategies, building appropriate capabilities and integrating climate change considerations into existing business plans and processes.

FirstRand is focused on formulating growth strategies, building appropriate capabilities and integrating climate change considerations into existing business plans and processes

This will ensure FirstRand can actively participate in the financing of the green economy, pursuing significant opportunities for innovation, new technologies and markets to help society adapt.

FirstRand acknowledges that climate change is a global crisis and that the group should be part of the solution by supporting climate resilience and a transition to a low-carbon economy. The group's climate change programme roadmap has been laid out in the 2020 Integrated Annual Report (pages 35 – 36), and the group has recently become signatory to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) and the United Nations Principles for Responsible Banking.

Climate-related disclosure, aligned with TCFD requirements, will be incrementally provided as the group progresses with its five-year climate change programme roadmap. The group will issue a separate TCFD report in 2021 to provide insight on its progress against this roadmap.

Additional climate change disclosures:

2020 INTEGRATED ANNUAL REPORT: CEO's report on pages 28 – 29, and supplementary climate change disclosures on pages 32 – 39, including:

- group's strategic view on climate change;
- initial high-level disclosure under the four TCFD themes (governance, strategy, risk management and performance);
  - climate change programme roadmap;
  - fossil fuel exposures (at June 2030: 1.5% of total group loans); and
  - renewable energy exposures (at June 2020: 1.4% of total group loans).

COAL FINANCING POLICY:
https://www.firstrand.co.za/media/society/risk/policy-on-thermal-coal-financing.pdf

ENERGY (INCLUDING OIL AND GAS) FINANCING POLICY:
https://www.firstrand.co.za/media/society/risk/firstrand-policy-on-energy-financing.pdf

Go to **https://www.firstrand.co.za/investors/annual-reporting/** to view the 2020 Integrated Annual Report

Climate strategic direction

Areas of immediate focus for the group are unpacked below.

SUPPORTING CLIENTS IN MANAGING THEIR CLIMATE RISKS (physical or transition risks) by providing them with climate-appropriate financial solutions for adaptation or balance sheet protection. The solutions will focus on climate risk in carbon-intensive sectors, including energy and transportation, and on climate resilience in the most climate-vulnerable sectors, such as agriculture and property.

MANAGING THE GROUP'S LENDING PORTFOLIOS with the objective to reduce adverse climate outcomes by formally assessing transactions for transition and physical and liability risks, and to more deliberately target positive climate outcomes by financing a greater proportion of climate-friendly assets.

ALIGNING THE GROUP'S FINANCIAL RESOURCE MANAGEMENT PRACTICES to enable positive and mitigate negative climate outcomes. This includes:

- the development and incorporation of a sustainable debt issuance framework into the overall funding strategy;
- partnering with DFIs where appropriate;
- targeting prudent ESG rating levels for the group; and
- transmitting the price of financial resources, taking account of positive outcomes and negative externalities.

PRUDENT RISK MANAGEMENT of climate risk on the balance sheet through the development and publishing of appropriate risk management policies and guidelines.

COMMITMENT TO MITIGATING THE GROUP'S DIRECT CLIMATE IMPACT by reducing its operational emissions and increasing the energy efficiency of its operations.

A JUST TRANSITION IN EMERGING MARKETS

The transition to a low-carbon economy poses serious challenges to South Africa, where more than 90% of electricity is generated from coal and high unemployment risks exist, with the coal industry being a significant employer.

The transition to a low-carbon economy is expected to occur over a multi-year horizon and it will take time for emerging countries and sectors currently dependent on fossil fuels to adapt. In the African markets where FirstRand is active, the transition pathway and various socio-economic factors will be country-specific. This context is important when determining the appropriate responses to transacting and financing in each of the countries.

Factors that the group considers are:

- sustainable development, growth needs and goals of each country;
- social interventions to secure worker's rights and livelihoods (Just Transition[1]); and
- urgency of climate-related risk management and decarbonisation.

FirstRand acknowledges that:

- balancing priorities of economic development, socio-economic inclusivity and equity, and climate-related impacts are inherent for an emerging market financial institution; and
- a Just Transition away from a fossil fuel-based economy will require the input of not only financial institutions but of all partners across government, trade unions, civil society and technical experts.

Consultation with stakeholders is critical and the group is working with the following stakeholders as it develops its climate change responses.

Customers, broader society and employees: Changing attitudes towards climate change

Regulators: Setting expectations for banks to identify risks and opportunities

Stakeholder activities related to climate change

Investors: Demanding transparency on disclosure and strategies

Governments: Acting in alignment with the Paris Agreement

Financial institutions: Responding to various stakeholders

[1] *Just Transition addresses environmental sustainability and equitable transition to a low-carbon economy.*

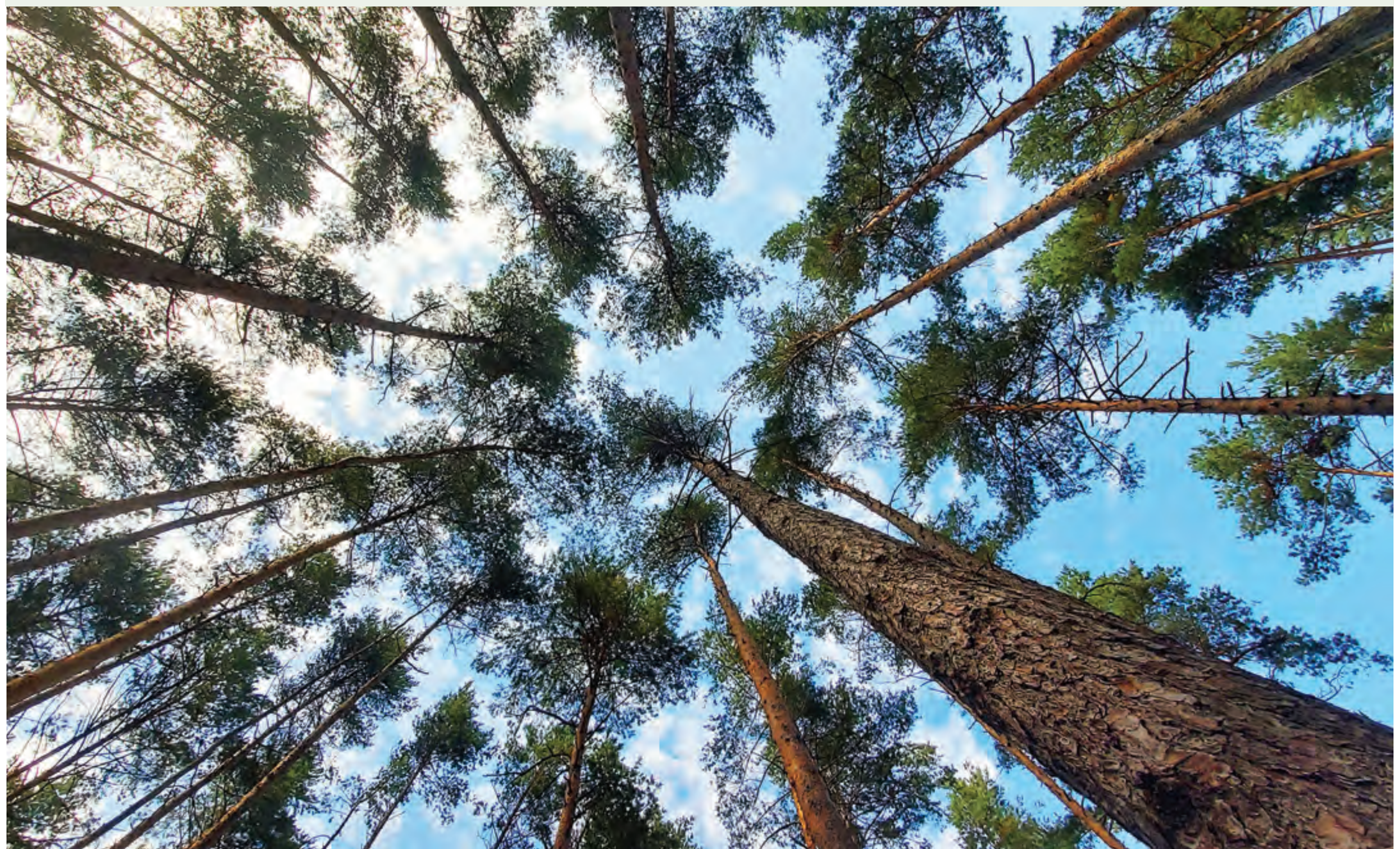
Industry forums and pilots

Verifiable data on climate-related credit risk is limited. In the absence of tested examples, the group relies on expert judgements and assumptions to quantify transition risk, while making the best use of insights from climate forecasting on the potential macro-economic effects under different scenarios.

FirstRand participates in local and global industry forums to ensure that new research is considered and incorporated into the group's climate change programme. Participation allows the group to learn from global peers and contribute to the development of new methodologies and frameworks. The group engaged with the following stakeholders in the past 12 months:

ORGANISATION	DESCRIPTION	FIRSTRAND INVOLVEMENT
TCFD	The FSB Task Force on Climate-related Financial Disclosures (TCFD) develops voluntary, consistent climate-related financial risk disclosures for companies to provide information to investors, lenders, insurers, and other stakeholders.	FirstRand is a signatory to the TCFD.
PCAF	The Programme for Carbon Accounting Financials (PCAF) is a global partnership of financial institutions developing a carbon accounting tool to measure and disclose greenhouse gas (GHG) emissions of loans and investments. Asset classes covered to date in the global carbon accounting standard include listed equity and bonds, business loans, commercial real estate, mortgages, motor vehicle loans and project finance asset classes. The harmonised carbon accounting approach provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Agreement. In November 2020, PCAF launched the first ever global standard to measure and report financed emissions.	FirstRand is a member of the core team of PCAF and is currently reviewing the methodologies and testing them in case studies relating to: • business loans; • commercial real estate; and • motorised vehicles.
UNEP FINANCE INITIATIVE	The UNEP FI pilot project focused its efforts on the two main categories of climate-related risks and opportunities. The pilot considered: • risks associated with the transition to a low-carbon economy brought about by policy and regulation; • technology changes that reduce greenhouse gas emissions or may impact the demand for products that produce greenhouse gases; and • risks that companies face due to physical climate change impacts, both from incremental and extreme weather events, which are expected to increase in frequency and severity in the future.	FirstRand participated in phase 2 of the UNEP FI – TCFD work. Focus areas were: • real estate; • oil and gas; and • agriculture. FirstRand has presented on internal implementation of the recommendations of the TCFD to the MENA region (Middle East and Africa) at numerous occasions, covering: • objectives of phase 2 testing methodologies; • conducting case studies; • creating a knowledge hub; and • creating a TCFD transitional risk tool for banks.

ORGANISATION	DESCRIPTION	FIRSTRAND INVOLVEMENT
THE BANKING ASSOCIATION SOUTH AFRICA	BASA advances the interests of the industry with its regulators, legislators and stakeholders to make banking sustainable, profitable and better able to contribute to the social and economic development and transformation of the country.	FirstRand participates in the following BASA committees: • sustainable finance; • climate risk; and • positive impact finance. As a member of BASA, FirstRand participates in National Treasury's climate steering committee and the sub-workstreams, to implement the objectives of its Technical Paper on Financing a Sustainable Economy (2020).
Climate Pathways and a Just Transition for South Africa	The Climate Pathways and a Just Transition programme run in partnership with Business Unity South Africa (BUSA) and Boston Consulting Group. Technical working groups have been working on Energy Sector Pathways to 2050 and considered the Just Transition and Jobs issues in relation to these pathways. They have also begun to unpack the implications for the chemicals and mining value chains.	The FirstRand CEO is on the CEO champion forum and FirstRand is also represented on the Steering committee.



CLIMATE RESILIENCE IN THE GROUP'S OWN OPERATIONS

The management and monitoring of the group's operational carbon emissions are important to reduce its environmental impact and build climate resilience, and comply with climate-related legislation (e.g. the National GHG Emissions Reporting Regulations and the Carbon Tax Act).

OPERATION PERFORMANCE METRICS – CARBON EMISSIONS

Metric tonnes of CO_2 equivalents	2020	2019	% change
Scope 1 emissions			
Fuel use in generators	2 634	1 680	57%
Business fleet travel	5 102	6 110	(17%)
Refrigerants	565	988	(43%)
Scope 1 total[LA]	**8 301**	**8 778**	**(5%)**
Scope 2 emissions			
Electricity – buildings	163 371	175 068	(7%)
Electricity – ATMs	7 690	8 371	(8%)
Scope 2 total[LA]	**171 061**	**183 439**	**(7%)**
Scope 3 emissions			
Paper use	1 348	1 856	(27%)
Business road travel	4 114	5 493	(25%)
Business air travel	9 231	11 790	(22%)
Fuel well to tank emissions	1 885	1 908	(1%)
Electricity transmission losses	3 228	3 461	(7%)
Scope 3 total[LA]	**19 806**	**24 508**	**(19%)**
Total carbon emissions of South African operations	**199 168**	**216 725**	**(8%)**

Note: Overall reduction benefited from lower activity due to lockdown.

[LA] *External limited assurance provided over Scope 1, 2 and 3 carbon emissions for South African operations.*

There is an **8%** year-on-year **decrease** in emissions for South African operations.

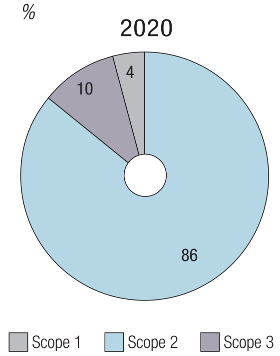
GHG emissions from electricity consumption account for **86% of the total emissions** from the group's South African operations.

There was a **7% reduction in emissions** from electricity consumption from the previous financial year. This was achieved through ongoing energy efficiencies and utilisation of renewable energy from solar photovoltaic (PV) projects at several office buildings.

GHG emissions from scope 3 sources account for **10% of the carbon footprint** for South African operations.

A significant reduction in air travel, car rental and paper consumption in the second half of the financial year due to restrictions associated with South Africa's COVID-19 lockdown contributed to the **19% reduction in scope 3 emissions** from the previous reporting year.

FIRSTRAND* CARBON FOOTPRINT
%



* *South African operations only.*

Operational emission reduction targets

FirstRand has set science-based targets for scope 1 and 2 emissions for the group's South African operations.

These targets:

- are aligned with the Paris Agreement goals (i.e. aligned with the decarbonisation level required to keep the global temperature increase below 2°C compared to pre-industrial levels);
- are set using an absolute emissions contraction methodology; and
- resulted in a 75% emissions reduction target for scope 1 and 2 emissions for South African operations by the year 2050, against a 2015 emissions baseline, with short- and medium-interim targets set to track progress.

The group's South African operations are on track to achieve this 75% emission reduction by the year 2050.

Internal shadow carbon pricing

FirstRand has set an internal shadow carbon price that will be used to consider carbon costs during the evaluation of new projects and infrastructure for the group's operations. This will help incentivise and prioritise low-carbon projects and support emission reductions.

- A shadow carbon price is a hypothetical monetary value for a tonne of CO_2 that accounts for the external social, environmental and economic costs of carbon emissions and climate change. This price incorporates the value of carbon (GHG emissions) into investment or project decisions (research and development), infrastructure and financial assets) to cost for climate change impacts and drive emissions reductions.
- FirstRand's shadow carbon price has been determined in line with international best practice in carbon pricing and what is needed to drive emissions reductions to meet the Paris Agreement targets of preventing a 2°C temperature change.

LOOKING AHEAD

FirstRand remains dedicated to better understanding its broader social, economic and environmental impact and providing greater insight on that impact to its stakeholders.

Key to greater insight is measurement. This is why the group is building a bespoke framework that will incorporate key measurement proxies for value creation and value erosion. The outputs from this framework will, over time, inform business strategy and drive disclosure.

Feedback on this report can be sent to:
investor.relations@firstrand.co.za

EXTERNAL ASSURANCE STATEMENT

INDEPENDENT AUDITOR'S REASONABLE AND LIMITED ASSURANCE REPORT ON THE SELECTED SUSTAINABILITY INFORMATION IN FIRSTRAND LIMITED'S REPORT TO SOCIETY

TO THE DIRECTORS OF FIRSTRAND LIMITED

We have undertaken an assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2020 Report to Society of FirstRand Limited (the "Company", "FirstRand" or "you") for the year ended 30 June 2020 (the Report). This engagement was conducted by a multidisciplinary team including environmental, social and assurance specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We have been engaged to provide a reasonable assurance opinion and a limited assurance conclusion on the selected sustainability information listed below. The selected sustainability information described below has been prepared in accordance with the Company's reporting criteria that accompany the sustainability information on the relevant pages of the Report (the accompanying reporting criteria).

REASONABLE ASSURANCE

Selected sustainability information	Unit of measurement	Boundary	Page
The number of Equator Principles defined Project Finance transactions that are $10 million or more in value, that reached financial close during the reporting year	Number	South African divisions of FirstRand Limited	113
The number of Equator Principles defined Project Finance Advisory services mandated during the reporting year	Number	South African divisions of FirstRand Limited	113
The number of Equator Principles defined Corporate Loans transactions that reached financial close during the reporting year	Number	South African divisions of FirstRand Limited	113

LIMITED ASSURANCE

Selected sustainability information	Unit of measurement	Boundary	Page
Total CO_2 Scope 1 emissions	Tonnes CO_2-e	South African divisions of FirstRand Limited	119
Total CO_2 Scope 2 emissions	Tonnes CO_2-e	South African divisions of FirstRand Limited	119
Total CO_2 Scope 3 emissions	Tonnes CO_2-e	South African divisions of FirstRand Limited	119

We refer to this information as the selected sustainability information for Reasonable Assurance and selected sustainability information for Limited Assurance, respectively, and collectively as the "selected sustainability information".

YOUR RESPONSIBILITIES

The Directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on page 125 of the Report (the "Reporting Criteria").

This responsibility includes:

- the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance, and
- the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected sustainability information and for ensuring that those criteria are publicly available to the Report users.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practices on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

In particular, where the information relies on carbon and other emissions conversion factors derived by independent third parties, or internal laboratory results, our assurance work will not include examination of the derivation of those factors and other third party or laboratory information.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' Code (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

The firm applies the International Standard on Quality Control 1, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express either a reasonable assurance opinion or limited assurance conclusion on the selected sustainability information as set out in the Subject Matter paragraph, based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)), and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board. These Standards require that we plan and perform our engagement to obtain the appropriate level of assurance about whether the selected sustainability information is free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for a reasonable assurance engagement. As a result the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

(a) Reasonable assurance

A reasonable assurance engagement in accordance with ISAE 3000 (Revised), and ISAE 3410, involves performing procedures to obtain evidence about the measurement of the selected sustainability information and related disclosures in the Report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected sustainability information, whether due to fraud or error.

In making those risk assessments we have considered internal control relevant to the Company's preparation of the selected sustainability information. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by the Company;

- Assessing the suitability in the circumstances of the Company's use of the applicable reporting criteria as a basis for preparing the selected sustainability information; and
- Evaluating the overall presentation of the selected sustainability performance information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

(b) Limited assurance

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised), and ISAE 3410, involves assessing the suitability in the circumstances of the Company's use of its reporting criteria as the basis of preparation for the selected sustainability information, assessing the risks of material misstatement of the selected sustainability information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Accordingly, for the selected sustainability information where limited assurance was obtained, we do not express a reasonable assurance opinion about whether the Company's selected sustainability information has been prepared, in all material respects, in accordance with the accompanying reporting criteria.

The procedures we performed were based on our professional judgement and included inquiries, observation of processes followed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing with or reconciling underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected sustainability information;
- Performed a controls walkthrough of identified key controls;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgments made by the directors in the preparation of the selected sustainability information; and
- Evaluated whether the selected sustainability information presented in the Report are consistent with our overall knowledge and experience of sustainability management and performance at the Company.

REASONABLE ASSURANCE OPINION AND LIMITED ASSURANCE CONCLUSION

(a) Reasonable assurance opinion

In our opinion and subject to the inherent limitations outlined elsewhere in this report, the selected sustainability information set out in the Subject Matter paragraph above for the year ended 30 June 2020 are prepared, in all material respects, in accordance with the reporting criteria.

(b) Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability information as set out the Subject Matter paragraph above for the year ended 30 June 2020 are not prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTER(S)

The maintenance and integrity of FirstRand's website is the responsibility of FirstRand's directors. Our procedures did not involve consideration of these matters, and accordingly we accept no responsibility for any changes to either the information in the Report or our independent assurance report that may have occurred since the initial date of presentation on FirstRand's website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a reasonable assurance opinion and limited assurance conclusion on the selected sustainability information to the directors of the Company in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than the Company, for our work, for this report, or for the conclusion we have reached.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Jayne Mammatt
Registered Auditor
Johannesburg

22 December 2020

REPORTING CRITERIA

Total Scope 1 CO_2e emissions	Greenhouse gas emissions (GHGs) caused directly by the operations of FirstRand which through a physical unit or process releases GHGs into the atmosphere. These are GHG emissions from assets under the direct control or ownership of FirstRand. Included in this total are the following subtotals: CO_2 emissions due to petrol consumption (fleet), CO_2 emissions due to diesel consumption (fleet), CO_2 emissions due to diesel consumption (generators), CO_2 emissions due to kilometres travelled by all sizes of petrol-driven vehicles (fleet), CO_2 emissions due to kilometres travelled by all sizes of diesel-driven vehicles (fleet); CO_2e emissions from all sources of refrigerant gases.
Total Scope 2 CO_2e emissions	Greenhouse gas emissions (GHGs) caused indirectly by the operations of FirstRand, due to the use of electricity, heating/cooling, or steam purchased for its own consumption which releases GHGs into the atmosphere. Included in this calculation are the following: CO_2e emissions due to electricity purchased from local power provider (owned and leased buildings and branches) and CO_2e emissions due to standalone/non-branch ATMs (owned or controlled).
Total Scope 3 CO_2e emissions	Indirect emissions other than those covered in Scope 2 sources. Scope 3 emissions are a consequence of the activities of FirstRand but occur from sources or assets not owned or controlled by FirstRand. Included in this total are the following: all CO_2e emissions due to employee reimbursable travel claims, car allowances, CO_2e emissions due to flights, CO_2e emissions due to rental vehicles, and paper consumption.
Number of EP-defined Project Finance transactions ≥ \$10 million, that reached financial close	The number of Equator Principles-defined Project Finance transactions that are \$10 million or more in value, that reached financial close during the reporting year and broken down by: • category A, B or C (as defined by the Equator Principles); • category (A, B or C) by sector and region as detailed below: – sector – mining; infrastructure; oil and gas; power and other; – region – Americas, Europe, Middle East and Africa, Asia Pacific; – category (A, B or C) by host country classification, detailed as designated and non-designated country or not; and • category (A or B) and whether an independent review has been carried out.
Number of EP-defined Project-Related Corporate Loans that reached financial close	The number of Equator Principles-defined questionare full-term Corporate Loans that reached financial close during the reporting year and broken down by: • category A, B or C (as defined by the Equator Principles) • category (A, B or C) by sector and region as detailed below: – sector – mining; infrastructure; oil and gas; power and other; – region – Americas, Europe, Middle East and Africa, Asia Pacific; – category (A, B or C) by host country classification, detailed as designated and non-designated country or not; and • category (A or B) and whether an independent review has been carried out.
Number of EP-defined Project Finance Advisory Service Mandate	The total number of Equator Principles-defined Project Finance Advisory Services mandated during the reporting period broken down by: • sector – mining; infrastructure; oil and gas; power and other; and • region – Americas, Europe, Middle East and Africa, Asia Pacific.

FirstRand

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