



2022

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REPORT TO SOCIETY



# Foreword

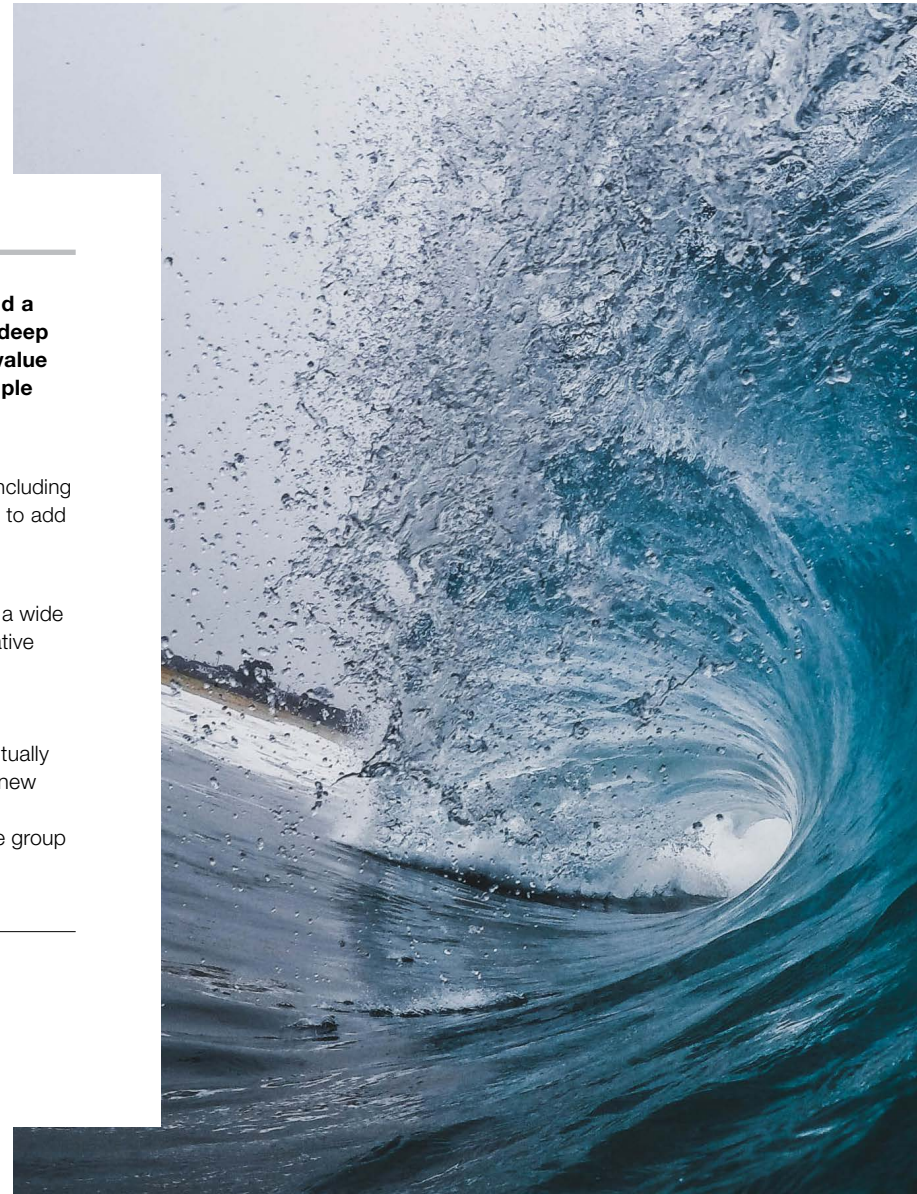


**FirstRand's purpose statement, to build a future of shared prosperity, reflects a deep commitment to deliver both financial value and positive social outcomes for multiple stakeholders.**

This is increasingly achievable as the group intentionally uses core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale.

There are already multiple examples of the operating businesses intentionally tackling a wide array of societal challenges through innovative product and distribution strategies, whilst remaining relentlessly focused on driving economic growth and superior returns for shareholders. These two ambitions are mutually inclusive, and have the potential to create new sources of value. As such they form the foundation for a sustainable future, and the group is working hard to rigorously measure and ultimately report progress on purpose.

**ALAN PULLINGER**  
*Chief Executive Officer*





# Group profile

**The group comprises a portfolio of financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and 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.

The group's strategy in its domestic market is to deliver platform-based integrated financial services to customers. In its

broader Africa portfolio the focus is on certain key markets where it believes it can build competitive advantage and scale over time. The UK operations present an opportunity to grow in a large market with lower risk.

Consistent execution on strategy and a disciplined approach to allocating scarce financial

resources have delivered a long track record of superior economic profits, returns and dividends to shareholders.



GROUP PROFILE *continued*

The group has a multi-brand strategy, with a number of leading customer-facing businesses in the portfolio.



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.



Corporate and investment bank

**RMB** represents the group's activities in the corporate and investment banking segments in South Africa and the broader African continent. 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.



Instalment and finance provider

**WesBank** represents the group's activities in vehicle asset finance, fleet management and related services 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, which gives it a market-leading point-of-sale presence.



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.



Asset management

**Ashburton Investments** represents FirstRand's asset management activities. Ashburton aims to provide superior risk-adjusted returns by combining active fund management expertise with alternative investment solutions and unique portfolio construction strategies to deliver bespoke client solutions.



GROUP PROFILE *continued*

### FirstRand's operating footprint

48 059  
Total employees

39 287  
SA employees

- Full-service banking
- ▲ Investment banking
- ◆ Full-service banking, insurance and asset management
- UK specialist banking
- < Branch
- + Representative office



# Macroeconomic context

South Africa's macroeconomic environment did not escape the heightened global economic uncertainty brought about by:

- the war in Ukraine;
- an inflation leap across almost all major developed economies; and
- major central banks adopting a more hawkish approach and increasing policy rates from the beginning of the 2022 calendar year in response to the above factors.

South Africans also had to deal with the infrastructural and other damage brought about by the floods in KwaZulu-Natal and a step-up in power interruptions. Overall, the domestic macro environment was characterised by:

- a significant lift in inflation;
- the start of an interest rate tightening cycle; and
- lower business and consumer confidence.

Some mitigation resulted from the ongoing commodity cycle resulting in a boost in the terms of trade, which pushed the current account balance to the highest levels in decades and provided a windfall to the fiscus. This supported a pick-up in private sector credit extension from the post-pandemic lows.

The UK macroeconomic environment has deteriorated, driven by sharply falling consumer confidence and surging inflation. Energy and food prices continued to drive inflation higher while declining real incomes and lower confidence began to push economic activity lower.

The operating environment in the countries in broader Africa where the group operates was largely characterised by the recovery in commodity prices. Structural weaknesses in most of the countries pre-date the pandemic and will continue to constrain recovery in the medium term.

**Given this backdrop, financial institutions must continue to play an active role in supporting economic resilience and the transition to a low-carbon world. Financial institutions are uniquely placed to unlock and enable sustainable, inclusive economic activity and positive societal outcomes. Certain core activities are key to successful execution on these objectives, such as:**

- 1 provide products and services that assist customers in creating wealth and saving for their futures;
- 2 facilitate leverage for businesses to grow, create jobs and improve lives through lending;
- 3 give customers a secure and readily available platform for payments;
- 4 enable investment in transformational infrastructure;
- 5 ensure that low-income consumers can access appropriate financial services enabling economic inclusion and productivity; and
- 6 safeguard the stability and efficiency of the financial system, in conjunction with the South African Reserve Bank.



# The 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 goods produced, metals and minerals mined, and services 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 among 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.

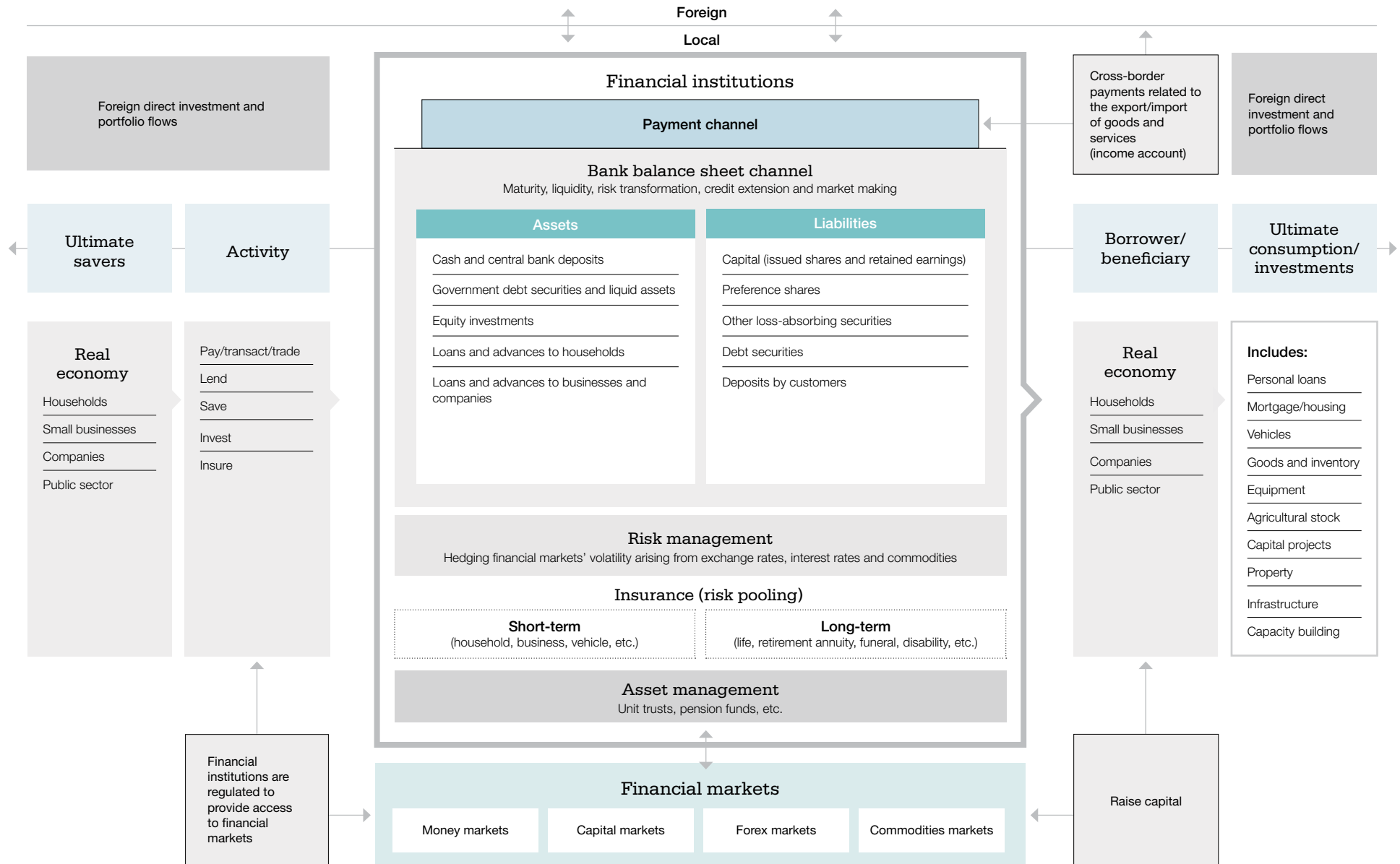
Banks, in particular, have a further function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers).

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 first 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 not exposing themselves to excessive risk, thus ensuring the safety and stability of the financial system.





THE ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY *continued*



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

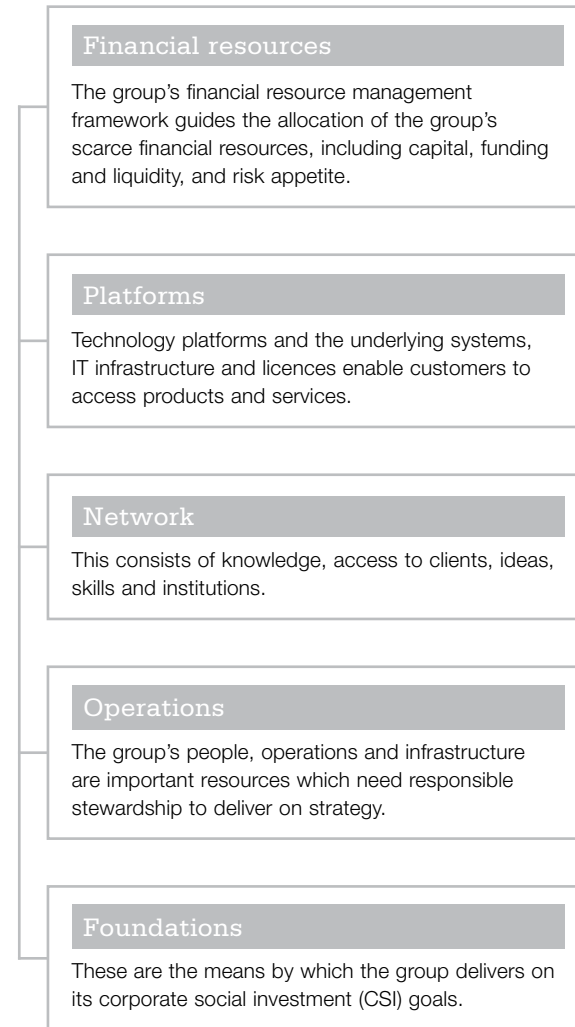
- Provider of credit
- Custodian of the country's savings
- Provider of transactional platforms for people to access and spend their funds
- Material taxpayer
- Large employer

**Given this position, FirstRand recognises that it has a responsibility to deliver both financial value and positive societal (including social, environmental and economic) outcomes for multiple stakeholders, as captured in its purpose statement of delivering shared prosperity.**

The group believes that to deliver shared prosperity for multiple stakeholders it must intentionally use its core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale. This principle was adopted by the group as a strategic imperative in 2019 and is considered a transformative and sustainable business strategy, albeit a long-term journey. It does require the group to commit to maximise economic, social and environmental value creation 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 societal imperatives or only drive profitability.

South Africa and several other countries in which the group operates face a broad range of societal 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.

The group is increasingly leveraging its core business resources and activities to intentionally achieve positive, scalable and high-impact societal outcomes whilst continuing to deliver superior financial returns. The following schematic unpacks the most powerful mechanisms at the group's disposal to achieve its ambitions.



# The United Nations Principles for Responsible Banking

## In October 2020, the group 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 sector 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 way financial services can deliver better and more sustainable outcomes for broader society. The Principles reinforce FirstRand's approach to delivering both societal and financial value using core activities. As an emerging market bank and one of the largest, systemic financial institutions in Africa, FirstRand can contribute meaningfully to and learn from this global coalition of more than 300 signatory banks.



### PRINCIPLE 1: Alignment

Alignment of 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

Continually increase positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from core activities, products and services. To this end, set and publish targets where the most significant impacts can be achieved.



### PRINCIPLE 3: Clients and customers

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



### PRINCIPLE 4: Stakeholders

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



### PRINCIPLE 5: Governance and culture

Implement full commitment to these Principles through effective governance and a culture of responsible banking.



### PRINCIPLE 6: Transparency and accountability

Periodically review individual and collective implementation of these Principles in the business and be transparent about and accountable for positive and negative impacts on and contribution to society's goals.

THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING *continued*

## Progress against the Principles

The Principles require signatory banks to align business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the United Nations Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks.

This is not a zero-based exercise for the group, as aspects of its core business (looking after savings, delivering appropriate customer outcomes, paying taxes, creating employment and promoting inclusive growth and financial inclusion) are already contributing to positive societal outcomes. The adoption of the reporting requirements of the Principles will assist the group to better demonstrate progress against a globally recognised framework.

### IMPACT ANALYSIS

The Principles require a signatory bank to conduct an impact analysis to identify the areas in which it has the most significant positive and negative social, environmental and economic impact. FirstRand conducted an impact analysis in 2021, with the objective of identifying current and emerging issues that present both risks to and opportunities for social and financial value creation.

### This impact analysis considered the following:

Impact criteria	Considerations
<b>Scope and scale of exposure</b>	<p>The bank's core business areas, and products and services across the main geographies that it operates in.</p> <ul style="list-style-type: none"> <li>&gt; Approximately 80% of the group's earnings, operations and employees is based in South Africa.</li> <li>&gt; The major contributors to the group's normalised earnings are:                             <ul style="list-style-type: none"> <li>» 60% from retail and commercial activities, and</li> <li>» 26% from corporate and institutional activities.</li> </ul> </li> </ul> <p>The impact analysis was based on proportionality and therefore limited to the South African operations for now.</p>
<b>Context and relevance</b>	<p>The most relevant challenges and priorities related to sustainable development in the group's operating jurisdictions.</p> <ul style="list-style-type: none"> <li>&gt; As the majority of operations are in South Africa, the economic and social context of the country was prioritised during the impact analysis.</li> <li>&gt; However, the one exception is climate change, which poses systemic global challenges and opportunities.</li> <li>&gt; The analysis also considered inputs and insights from relevant stakeholders including customers, investors, suppliers, non-governmental organisations (NGOs), employees and senior management.</li> </ul>
<b>Scale and intensity</b>	<p>Using its understanding of local challenges and priorities the group mapped these against where it would be able to make the greatest contribution through its current and/or future activities.</p>
<b>Strategic intent</b>	<p>The group's purpose to deliver shared prosperity guided the impact assessment, i.e.:</p> <ul style="list-style-type: none"> <li>&gt; Intentionality and pricing for societal externalities.</li> <li>&gt; Fairness, efficiency, transparency, value for money, client needs and deepening access to financial services and asset ownership.</li> <li>&gt; Support productive capital formation and balanced economic growth.</li> <li>&gt; Use the group's knowledge, networks and platforms to enable more for customers and the societies it serves.</li> </ul>
<b>United Nations SDGs</b>	<p>Some businesses used the SDGs as an additional reference point when identifying their focus areas.</p>



THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING *continued*

The impact analysis informed focus areas for business. Various working groups and formal steering committees were established to ensure appropriate oversight, with guidance and intent cascaded down into the relevant teams within the business. Strategic initiatives, at various levels of maturity, were then identified by those closest to the relevant business activities or areas of impact. Initiatives were subsequently prioritised by the steering committees based on the potential scale of the impacts. The group is allocating dedicated capacity to measure progress against each of the focus areas.

During the year theory of change workshops were facilitated for most of the strategic initiatives to identify and confirm:

- the societal objective of the initiative;
- the intended medium- and longer-term impacts for the beneficiaries; and
- performance metrics.

The teams have started to report internally on the identified metrics and in some instances, these are already reported externally. Most metrics are of a short-term input and output nature, however, the group intends to measure relevant impact metrics in the longer term.

The progress on metrics column in the opposite schematic indicates where metrics have been identified and whether they are currently being reported internally and/or externally.

Business	Focus area	Strategic initiatives	Progress on metrics	Applicable SDGs
Retail	Financial inclusivity	<ul style="list-style-type: none"> <li>&gt; <b>Improve efficiency of social grant distribution:</b> Assist the South African Social Security Agency with the distribution of grants, through easier and faster payment. Ensure at the same time that recipients can access their funds easily.</li> <li>&gt; <b>Digitise cash in communities:</b> Scale current merchant-acquiring infrastructure in previously disadvantaged communities and roll out low-cost point-of-service devices in selected townships.</li> <li>&gt; <b>eWallet on platform:</b> Leverage the functionality of eWallet through reconfiguring the solution to create payment functionality attractive to unbanked customers who face security challenges associated with transacting with cash.</li> <li>&gt; <b>Entry bankers:</b> Aim to assist unemployed youth by providing them with the corporate experience to prepare them for entry into the job market.</li> </ul>	   	  
	Financial vulnerability	<ul style="list-style-type: none"> <li>&gt; <b>Financial and digital literacy:</b> Put in place consumer education initiatives designed to improve the financial literacy levels of certain consumers in South Africa. This will enable these customers to become more financially resilient, and create awareness of the benefits of electronic or digital transactional interfaces.</li> <li>&gt; <b>Integrated advice (previously money management):</b> Create initiatives to assist customers and own employees to achieve financial wellness by making positive changes to their financial behaviour.</li> </ul>	 	
	Property and affordable housing	<ul style="list-style-type: none"> <li>&gt; <b>Property unlock:</b> Enable households with untitled properties (and thus limited access to finance) to formalise ownership and subsequently unlock the value of the property through more appropriately priced secured lending products.</li> <li>&gt; <b>Affordable housing:</b> Enable higher home ownership levels in low-income segments through innovative funding models and partnerships.</li> </ul>	 	  
	Climate change	<ul style="list-style-type: none"> <li>&gt; <b>ecoEnergy home loan:</b> Provide a rate concession to EDGE-certified developments (supported by campaigns to encourage customers to finance green solutions via equity in home loans).</li> <li>&gt; <b>Green solutions:</b> Create lending products to enable customers to purchase green solutions.</li> <li>&gt; <b>Strategic partnerships:</b> Offer reputable emission and water reduction products and services on the FNB app.</li> </ul>	  	     

Externally reported    Internally reported    In development



THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING *continued*



Business	Focus area	Strategic initiatives	Progress on metrics	Applicable SDGs
Commercial	Economic transformation	<p>Business ownership that is representative of South African demographics (race and gender).</p> <ul style="list-style-type: none"> <li>&gt; <b>SME development:</b> Put in place various business development support programmes focused on unlocking opportunities for majority black-owned SMEs at different stages of their business cycle or in specific sectors.</li> <li>&gt; <b>Supplier development:</b> Provide access to finance options for black-owned suppliers through a development programme for qualifying suppliers in FirstRand's and other supply chains.</li> <li>&gt; <b>Women in business:</b> Implement a women in business strategy aimed at creating networks to assist women-owned businesses.</li> <li>&gt; <b>Transformational agriculture:</b> Support the transformation of the sector through growing a larger base of black commercial farmers. Provide technical and funding assistance to these farmers in partnership with development financial institutions (DFIs) and supply chain players.</li> <li>&gt; <b>Community economy:</b> Provide efficient banking solutions for currently unbanked businesses in and around township economies (community economy).</li> </ul>	<p>■</p> <p>■</p> <p>■</p> <p>■</p> <p>■</p>	
	Financial wellness	<ul style="list-style-type: none"> <li>&gt; <b>Employee benefits:</b> Promote financial inclusion via the employer relationship, executed through the employer's commitment to supporting employee retirement and long-term saving.</li> </ul>	<p>■</p>	
	Climate change	<ul style="list-style-type: none"> <li>&gt; <b>Sustainable finance:</b> Provide funding to address energy cost certainty and emission reduction, primarily through alternative, renewable energy solutions, and secondly through energy-efficiency solutions.</li> <li>&gt; <b>Sustainable agriculture:</b> Put in place initiatives aimed at resource and crop sustainability.</li> </ul>	<p>■</p> <p>■</p>	

■ Externally reported    ■ Internally reported    ■ In development



THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING *continued*



Business	Focus area	Strategic initiatives	Progress on metrics	Applicable SDGs
Corporate and institutional	Climate change	<ul style="list-style-type: none"> <li>&gt; <b>Infrastructure finance:</b> Fund projects arising from South Africa's renewable energy independent power producer procurement programme.</li> <li>&gt; <b>Real estate investment banking:</b> Enable the development of green buildings.</li> <li>&gt; <b>Resources:</b> Support clients that are implementing renewable energy own-use projects.</li> <li>&gt; <b>Debt and trade solutions:</b> Direct capital via use of proceeds for climate-positive activities.</li> </ul> <p>Funding mechanisms to include:</p> <ul style="list-style-type: none"> <li>&gt; Sustainability-linked loans with pricing anchored to targets such as energy efficiency, water efficiency and greenhouse gas (GHG) emission reductions.</li> <li>&gt; Green/social/sustainability bond issuances per the group's sustainability bond framework, which is aligned to the EU green taxonomy and relevant International Finance Corporation (IFC) guidance.</li> <li>&gt; Direct finance through partnering with DFIs with climate mandates.</li> </ul>	■	  
	Inclusive growth	<p>Transform business ecosystems through:</p> <ul style="list-style-type: none"> <li>&gt; Structuring equity participation opportunities in projects and businesses for capital-constrained stakeholders.</li> <li>&gt; Supply chain financing that benefits the relevant SME and offtaker.</li> <li>&gt; Structuring transactions that incorporate inclusive growth targets including procurement, black economic empowerment (BEE) credentials and gender considerations, where appropriate.</li> <li>&gt; Enabling broader access to appropriate investment products, for example through affordable exchange-traded notes (ETNs).</li> </ul>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #8ebc8e; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: #8ebc8e; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: #8ebc8e; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: #4a86e8; margin-bottom: 5px;"></div> </div>	 
	Productive capital formation	<p>Originate infrastructure assets that promote positive social and environmental impacts.</p> <ul style="list-style-type: none"> <li>&gt; To support this ambition, the infrastructure finance business has developed a framework to prioritise projects that have a material impact on local economies in the context of both climate and broader socio-economic goals.</li> <li>&gt; Product development is focused on channelling capital from new sources to opportunities that have historically been capital constrained, e.g. water infrastructure.</li> </ul>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #4a86e8; margin-bottom: 5px;"></div> <div style="width: 10px; height: 10px; background-color: #8ebc8e; margin-bottom: 5px;"></div> </div>	  

■ Externally reported    ■ Internally reported    ■ In development



THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE BANKING *continued*

## Climate change

The Principles require signatory banks to align business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Paris Climate Agreement.

Climate change is one of the defining issues of this century. It is a global crisis that has the potential to alter geopolitics and interstate relations, disrupt business models and markets and impact the livelihoods and well-being of millions of individuals worldwide. Given this context, FirstRand must develop strategies and solutions that support climate resilience and a just transition to a low-carbon world.

FirstRand supports the Paris Agreement and commits to assisting the countries where the group operates realise their Nationally Determined Contributions (NDCs).

It is the long-term ambition of FirstRand to be net zero by 2050 for scope 1, 2 and 3 emissions. This commitment includes financed emissions and operational emissions.





# Governance structures and processes

## FirstRand board

Ultimate oversight of environmental, social and corporate governance matters rests with the board. The board delegates authority to board subcommittees and management committees.

## FirstRand social, ethics and transformation committee

The FirstRand social, ethics and transformation committee (Setcom) is a mandated board subcommittee. Its role is to assist the board with ensuring responsible social and ethical business practices across the group, and monitoring group activities with regard to the Companies Act, King IV, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters. **It is charged with providing oversight of:**

- all culture and conduct risk programmes in all businesses of the group; and
- the group's progress on delivering on the societal elements of its overall purpose.

The committee has jurisdiction in all group business units in all the jurisdictions where the group operates.

- Setcom's social and ethical lens tracks and monitors the societal commitments of the business and is mandated to ensure that the group behaves responsibly – socially, commercially and environmentally.
- Setcom constitutes a formal structure which ensures appropriate attention to the group's value system, in particular its ethical standards.
- Setcom is responsible for monitoring the group's activities regarding social and economic development, good corporate citizenship, the natural environment, health and public safety, consumer relationships and labour and employment practices.

## FirstRand risk, capital management and compliance committee

The committee is a mandated board subcommittee. It provides independent oversight of risk, capital management and compliance activities undertaken in the group. This includes ensuring that an effective policy and plan for risk management have been implemented and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders.

The committee provides oversight of the group's climate risk profile, measurement, quantification, scenario analysis, stress testing and impact on other risk types.

## FirstRand sustainability and governance executive committee

The FirstRand sustainability and governance executive committee is a subcommittee of the FirstRand strategic executive committee (Stratco).

The committee's primary objective is to support Stratco and Setcom in carrying out their mandates to ensure group activities are appropriately calibrated to identified environmental, social, economic and corporate governance outcomes.

The scope of the committee covers all of the group's activities and operating businesses/segments or those it is affiliated to as well as the jurisdictions where the group conducts business, whether this takes place by utilising the group's licences or whether it takes place via intermediary-affiliated entities.

## Other management committees and working groups

There are various management committees and working groups across the organisation that focus on the management of environmental, social, economic and corporate governance risk and performance.

For example:

1. The climate change steering committee is supported by the climate change technical committee.
2. Each operating business has a social, ethics and transformation committee, which reports to group Setcom. These committees are supported by working forums that focus on specific topics.
3. The group environmental and social risk governance committee oversees the approval of sensitive and excluded industry policies.

## Incorporation of delivery against purpose into remuneration scorecards

The FirstRand remuneration committee (Remco) is a board subcommittee that oversees group remuneration and ensures that reward practices align employees and shareholders. Delivery against group purpose has been incorporated into the remuneration scorecards for executive directors and prescribed officers.



Introduction: report purpose, group profile and operating context

Deploying the group's balance sheet to drive economic growth and inclusion

Leveraging products and transactional platforms to deliver financial inclusion to broader society

Treating customers fairly

Addressing transformation and employment equity

Providing an enabling environment for employees

Social investing contributes to upliftment

Managing the group's environmental impact



—  
“No water, no life. No blue, no green.”

SYLVIA EARLE



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

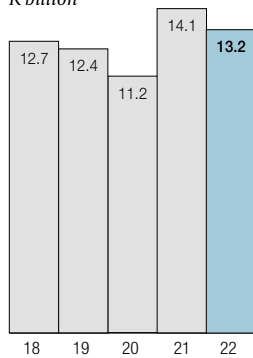
FirstRand is committed to supporting inclusive economic growth. Key focus areas include investment in vulnerable SMEs, which are important growth and job creation engines of the economy, as well as transformational infrastructure, empowerment transactions and farming ventures led by black people.



# Transformational infrastructure

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

Lending to transformational infrastructure  
R billion

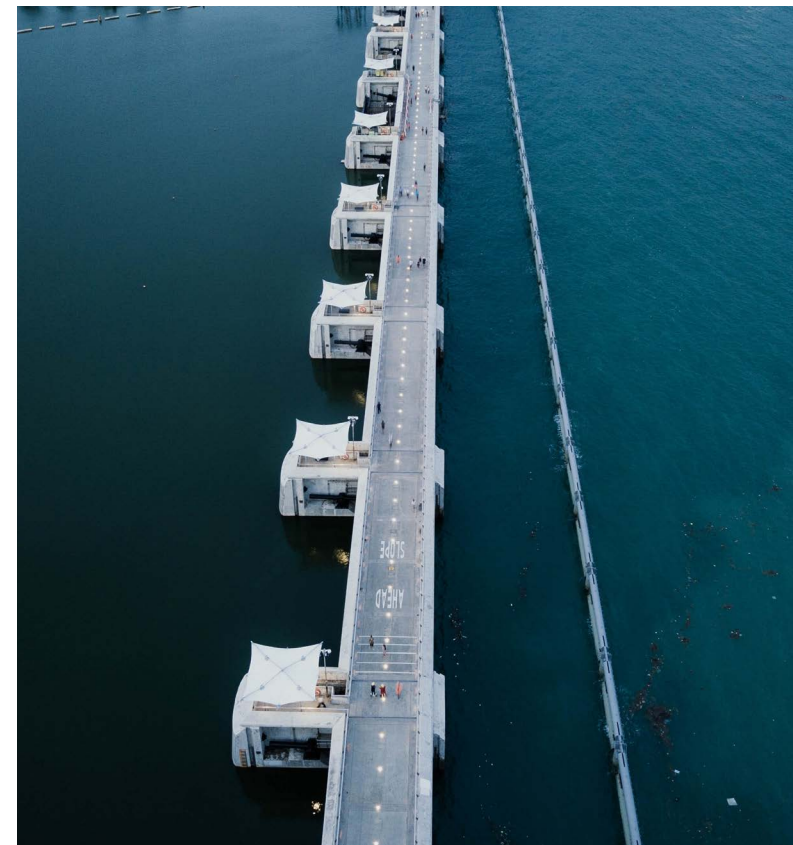


## Financing the transition to a low-carbon and climate-resilient economy

FirstRand has incorporated climate factors into its capital allocation, risk appetite, portfolio monitoring and reporting. These are the most powerful levers a financial institution has at its disposal to drive a green agenda for itself and its clients.

The group assists clients in managing their climate risks (physical or transition risks) through the provision of climate-appropriate financial solutions for adaptation or balance sheet protection. Solutions 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.

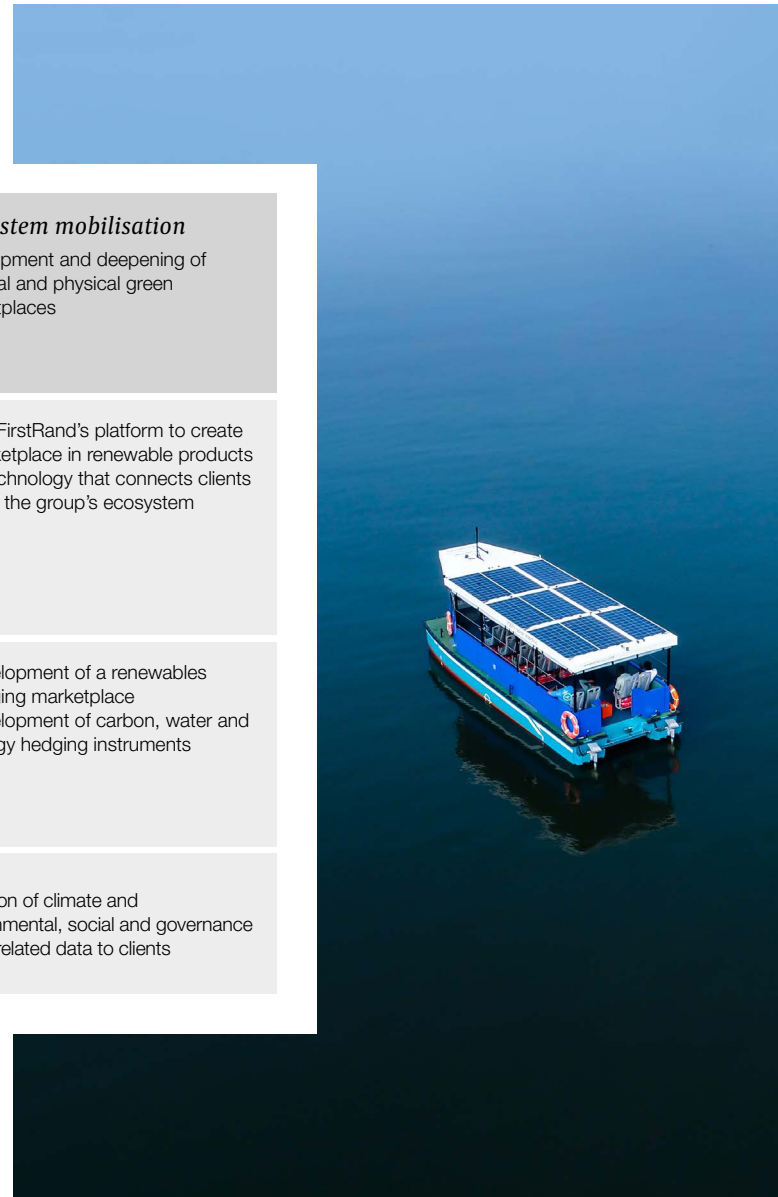
The group aims to facilitate more than R200 billion cumulatively over the next five years through transaction underwriting, arranging, lending and advisory activities in order to address climate change and social development needs.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

The diagram below outlines the three key areas of opportunity that have been targeted:

CLIENT SOLUTIONS	<i>Financial solutions</i> Aim to facilitate R200 billion in sustainable and transition finance by 2026 to help address climate change	<i>Stakeholder engagement</i> Engage a further 200 corporates on transition plans Engage 3 million retail clients by 2025 on reducing carbon emissions and water usage	<i>Ecosystem mobilisation</i> Development and deepening of financial and physical green marketplaces
<b>Retail</b>	Residential mortgage solutions to facilitate energy-efficient homes	Development and implementation of a carbon footprint calculator on platform to assist with climate awareness	Using FirstRand's platform to create a marketplace in renewable products and technology that connects clients across the group's ecosystem
<b>Commercial</b>	Innovative grant, equity, partnership and funding structures for end-to-end green agriculture	Partnering with clients to understand their approach to climate change, water security and sustainability	
<b>Corporate</b>	<ul style="list-style-type: none"> <li>» Transition and renewable energy finance</li> <li>» Green loans</li> <li>» Green bond facilitation</li> <li>» Performance incentive loans linked to climate outcomes</li> </ul>	Working with corporates to understand their climate risks, opportunities and transition pathways	<ul style="list-style-type: none"> <li>» Development of a renewables hedging marketplace</li> <li>» Development of carbon, water and energy hedging instruments</li> </ul>
<b>Investment</b>	Climate-related investment products including ETNs	Enhanced client and investee company engagement with a focus on those in climate-sensitive sectors	Provision of climate and environmental, social and governance (ESG) related data to clients

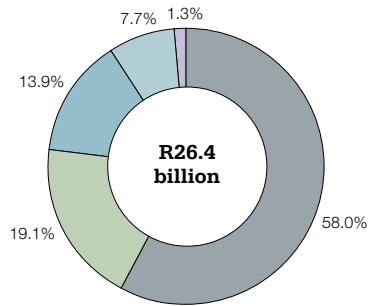


TRANSFORMATIONAL INFRASTRUCTURE *continued*

The following case studies profile some of the progress made against the group's climate change programme. They demonstrate how the group is facilitating the transition by working with clients to decarbonise.

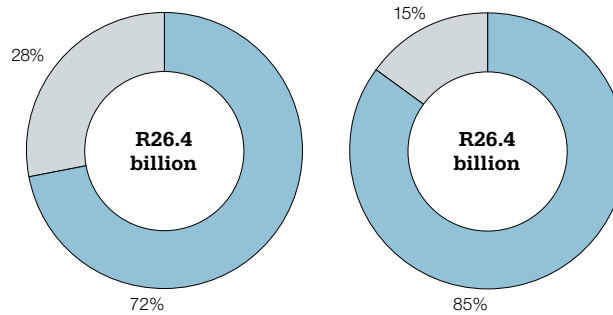
**Sustainable financing**

In line with stated commitments, RMB facilitated R26.4 billion in sustainable and transition finance during the 2022 financial year (from R2.1 billion in FY2021). This exceeds the 2021 commitment of R25 billion by R1.4 billion.



- Sustainability-linked loans
- Green loans
- Sustainability-linked bonds
- Sustainability bonds
- Green bond

The total sustainable and transition finance facilitation was delivered through a variety of solutions, with sustainability-linked loans and green loans comprising the two main categories. Twelve green assets contributing towards climate mitigation objectives were financed, making up 19% of the total R26.4 billion. In total 85% of the advances included green objectives in their terms.



- Performance-linked
- Use of proceeds
- Green objectives
- Social objectives

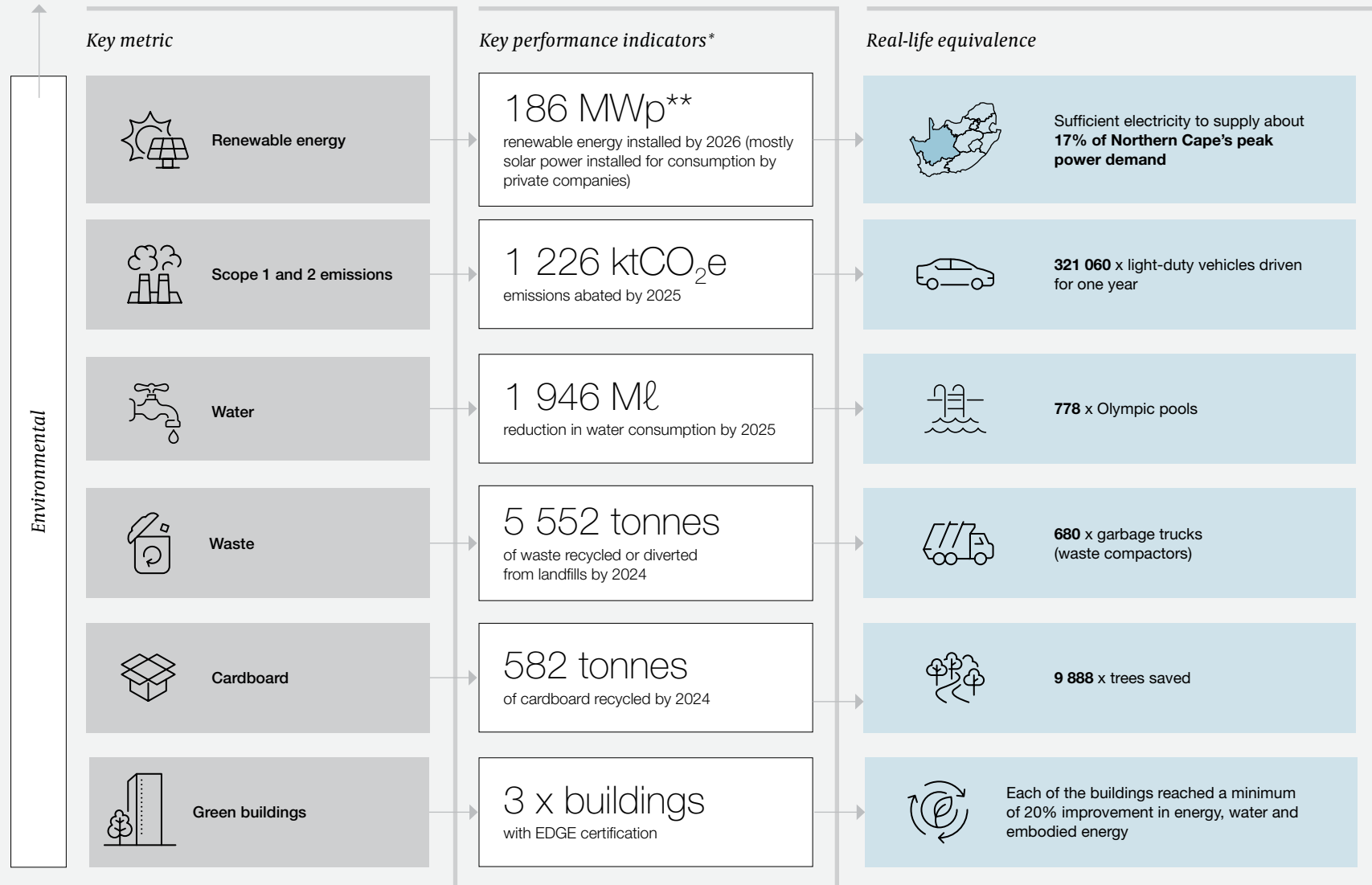
**Since inception the team has successfully implemented a number of transactions, including:**

- > the issuance of Rand Water's sustainability-linked bond (SLB) – the first in Africa and also the single largest rand-denominated SLB to be issued (R1.2 billion);
- > at the time of execution, the largest listed SLB in the real estate investment trust sector in South Africa for Redefine Properties (R1.0 billion);
- > the first syndicated sustainability-linked loan (SLL) in Africa for Mediclinic (R8.45 billion);
- > the first green loan in the sub-Saharan Africa real estate sector for Equites Property Fund (R225 million);
- > the first ESG-linked capital call facility for Helios Fund IV; and
- > FNB Namibia's inaugural N\$353 million green bond issuance.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

THE DASHBOARD BELOW ILLUSTRATES THE IMPACT OF THE FACILITATION OF DEALS ACROSS A VARIETY OF SECTORS IN FY2022.



\* Date of projected impact based on facility tenor.

\*\* Megawatt peak.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**CASE STUDY**

### Sustainability bond issuance

FirstRand issued its inaugural sustainability bond in 2022. The bond, which raised approximately R2 billion, was 2.1 x oversubscribed and priced competitively. The proceeds from the bond will be allocated to green assets (IFC EDGE-certified green building loans) and social assets, including affordable housing loans focusing on the gap housing segment\*.

FNB Namibia also issued two green bonds in 2022 for a cumulative N\$353 million, with specific use of proceeds towards the development of green buildings and renewable energy projects.

\* This is currently defined by the Department of Human Settlements as households earning between R3 501 and R22 000 in gross monthly income (as of 2018). These households earn too much to qualify for social housing and too little to afford a privately developed home.



### Mediclinic – syndicated sustainability-linked loan

RMB was appointed as the mandated lead arranger and sustainability agent for a syndicated SLL in Africa.

The R8.45 billion debt package for Mediclinic SA is the largest SLL in Africa done to date.

RMB's sustainable finance and ESG advisory and loan syndication teams structured the funding package, which contained a pricing benefit linked to the attainment of the following sustainability-linked key performance metrics by Mediclinic.

- (1) Reducing its carbon emissions,
  - (2) reducing its water consumption,
  - (3) diverting waste away from landfill (encouraging reducing, reusing and recycling) and
  - (4) improving patient experience.
- These metrics align with Mediclinic's ESG strategy and contribute towards meeting its goal of carbon neutrality by 2030.





TRANSFORMATIONAL INFRASTRUCTURE *continued*

**CASE STUDY**

### Seriti Green 3.5 GW wind portfolio

The transaction involved Seriti Green's R892 million acquisition of Windlab Africa's wind and solar assets. Windlab Africa is currently overseeing a 3.5 GW portfolio of renewable energy projects at various stages of development, including a 600 MW shovel-ready pipeline in Mpumalanga, where several Seriti mines are located.

The transaction will see Seriti Resources hold a 51% controlling interest in Seriti Green, with the balance held by RMB (14.5%); Standard Bank (14.5%); Windlab Africa's current CEO, Peter Venn (15%); and Ntiso Investment Holdings (5%). This transaction will see Seriti Green become one of only a handful of black-owned South African independent power producers (IPPs) that are able to compete with more established European IPPs in the market.

RMB's investment in the transaction is approximately R170 million.

It includes mainly ordinary equity, as well as bridge funding and shareholder and management gearing facilities.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**Infrastructure finance**

Over the past 12 months, the South African government has eased the regulatory barriers to large-scale renewable energy projects by the private sector. This has led to a substantial increase in the number of financing opportunities in this space.

The current market size of electricity generation projects that are ready for construction is approximately 6 000 MW. This will go a long way in alleviating the current power shortages, as well as supporting the country's economic growth by accelerating the transition to cost-competitive renewable energy. RMB has a track record in this sector and provides competitive financing that delivers affordable electricity tariffs for consumers.



**CASE STUDY**

**Harmony private power solar project**

In May 2022, RMB reached financial close on three solar photovoltaic plants contracted to supply renewable energy to Harmony Gold's mines over a 15-year period.

RMB was appointed as the mandated lead arranger to provide project finance debt funding. Post construction, the IPP will sell renewable energy to Harmony through long-term power purchase agreements at cost-effective and stable tariffs, which will assist Harmony with energy certainty and reducing its carbon footprint.

This is one of the first IPP projects to close under the recently amended legislation to facilitate the growth of the private power industry in South Africa.



**REISA refinance**

In 2022, financial close was reached on the refinancing of the Renewable Energy Investments South Africa (REISA) project, a 75 MW solar photovoltaic plant located in Kathu, Northern Cape. RMB was the sole mandated lead arranger and hedge provider for the project finance debt funding.

The debt refinancing results in a direct benefit to South African consumers through a tariff reduction for the remaining tenor of 11 years.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**CASE STUDY**

### Arise Ports Limited

In partnership with two other commercial banks, RMB was the mandated lead arranger of a 10-year senior debt financing package for the Terminal Industriel Polyvalent de San Pedro (TIPSP), in Côte d'Ivoire's secondary port, San Pedro.

The concession is a 35-year agreement between TIPSP and the Autonomous Port of San Pedro, the state-owned port authority. It includes the design, construction, financing, operation and maintenance of a greenfield multipurpose bulk terminal.

The dry bulk port is expected to have significant developmental impact for the region. It will enable more competitive imports and exports through the western corridor of the country while reducing reliance on the primary Abidjan port.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**Alternative energy solutions for commercial customers**

The energy crisis in South Africa and rising costs of energy have increased the demand for alternative energy. One of the constraints to growth in the alternative energy industry is the lack of working capital held by suppliers.

FNB has a dedicated sustainable finance and ESG solutions team which is actively developing a suite of competitive sustainable finance products. This will be enabled through:

- enhanced credit appetite;
- attractive pricing; and
- an ecosystem of suppliers to unlock the complete value chain.

To date FNB has funded 40 MW of solar energy solutions.



**CASE STUDY**

**Thaba Eco Village – providing affordable and environmentally friendly housing**

FNB's commercial business currently funds EDGE-certified, green building developments. In November 2021, FNB and Balwin Properties concluded a funding deal for the R450 million residential development of Balwin's Thaba Eco Village in Johannesburg south. This funding will be used for the first 440 apartments as well as infrastructure for the entire development. At June 2022, 238 units had been constructed and handed over.

The Thaba Eco Village will provide affordable, internationally green-certified homes. FNB's ability to provide cheaper credit to buyers as a result of Balwin's EDGE certification is an innovative model that will result in shared benefits through green home loans and lower interest rates.

To date, FNB has approved six EDGE-certified projects, Thaba Eco Village being one. FNB is actively engaging local developers on adopting EDGE certification to create a bigger pool of green developments.

**EDGE certification**

- > EDGE certification is an innovation of the IFC, a member of the World Bank Group. EDGE is a green building certification system and aims to help developers reduce their buildings' energy and water consumption as well as embodied energy in materials by 20%, while lowering greenhouse gas emissions.
- > EDGE registration provides environmentally conscious buyers and tenants with the assurance that they are minimising their own environmental footprint while saving on utility costs over the long term.
- > Balwin's developments are designed for EDGE certification by the Green Building Council South Africa. Balwin is targeting EDGE Advanced certification on the Thaba Eco Village apartments, which requires an energy consumption saving of 40%.

**FNB commercial sustainable finance performance:**

Metric	2022	2021	Cumulative
Rand value of sustainable finance payouts*	<b>R352 million</b>	R335 million	R687 million
Number of sustainable finance loans provided	<b>165</b>	69	234
Rand value of renewable energy payouts**	<b>R188 million</b>	R164 million	R352 million
Number of renewable energy loans provided	<b>159</b>	65	224
Total installed renewable energy capacity	<b>18 966 183 kWh</b>	20 494 378 kWh	39 460 561 kWh

\* For the purpose of acquiring renewable energy and energy-efficiency infrastructure. Include funding of solar energy, electric forklifts and green buildings.

\*\* Consist of funding for solar energy infrastructure.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**FNB ecoEnergy home loan**

In 2021, FNB launched a green home loan to encourage customers to buy EDGE-certified homes. FNB leverages the benefits of EDGE certification by lowering the cost of finance for EDGE-certified properties. This not only benefits customers in terms of a lower rate (up to 50 basis points) but results in a home that is resource efficient, providing long-term utility cost savings and potentially a higher resale value.

**Additional features include:**

- Pre-selected customers receive direct notifications outlining the ecoEnergy home loan proposition.
- Qualifying EDGE-certified developments will be advertised on nav» Home property listings.

Since December 2020, R1.1 billion has been committed to green home loans (R784 million in the 2022 financial year).

**ecoEnergy home loans:**

Metric	2022	2021	Cumulative
Rate concession (basis points) provided to ecoEnergy home loans*	<b>25bps per customer</b>	25bps per customer	N/A
Rand value of ecoEnergy home loans committed	<b>R785 million</b>	R316 million	R1.1 billion
Rand value of ecoEnergy home loans advanced (payout)	<b>R432.6 million</b>	R59.1 million	R491.7 million
> Number of ecoEnergy home loans provided	<b>407</b>	51	458
> Of which are to females**	<b>184</b>	16	200

\* The rate concession is dependent on the EDGE level of the development (level 1 = 25bps, level 2 = 35bps and level 3 = 50bps). To date only level 1 developments have been constructed.

\*\* An account is recorded as being provided to a female if 1. The primary applicant is female (the higher income earner is female) 2. Where it is a single-applicant deal and the applicant is female.



TRANSFORMATIONAL INFRASTRUCTURE *continued*

**Home solar solutions**

FNB has developed a home solar installation solution for retail customers. It is an end-to-end solution that refers customers to reputable solar suppliers and provides preferential pricing (cash flow and valuation benefit).

In addition, FNB is looking to partner with developers to promote alternative building methods that have a lower carbon footprint.



**Eco home solutions category created in eBucks shop**

FNB is committed to assisting customers on their renewable energy journeys through education and awareness, along with various product offerings. These include:

- A new category in the eBucks shop, which is dedicated to water storage solutions and alternative energy.
- Four partners and 21 products have so far been onboarded onto the platform.
- Customers can purchase products at a discounted rate (10%) through preferred trusted partnerships using a number of credit products, eBucks and cash.
- Solutions include smart meters, efficient lighting, heat pump geysers, water storage and filtration systems, and solar hybrid systems.

The FNB team will continue to work on:

- customer awareness on resource-efficient solutions; and
- cost-efficient solutions, as cost remains a barrier for customers.

**FNB ESWATINI HELPS BUILD THE FIRST OXYGEN PLANT IN ESWATINI**

Prior to the Covid-19 pandemic, health facilities across Eswatini fully depended on imported oxygen from neighbouring South Africa. At the height of the pandemic the supply from existing sources could not meet country demands, leading to preventable loss of life.

The oxygen shortage crisis led to the Eswatini Ministry of Health partnering with a local NGO, the Luke Commission, to create the first in-country oxygen production facility. FNB Eswatini provided funding and collaborated with medical and technology providers to deliver this solution. FNB Eswatini provided a E33 million credit facility, backed by a E500 000 grant facility from the FNB Eswatini Foundation to cover immediate operational needs.

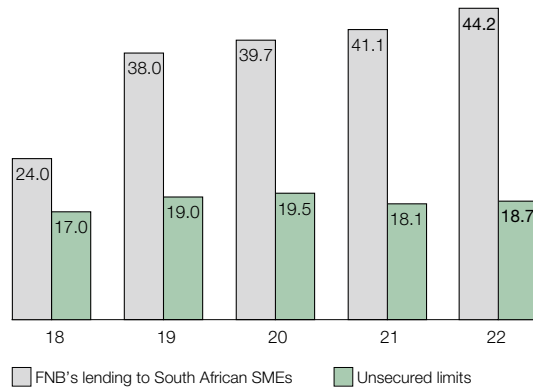
Through the bank's support, the construction of an on-site pressure swing absorption plant was completed in July 2021. The plant has the capacity to support Eswatini healthcare facilities through the replenishment of more than 300 cylinders of oxygen daily. In a relatively short time, Eswatini's medical oxygen supplies have been stabilised through the groundbreaking efforts of this partnership. The plant will continue to provide oxygen post the pandemic.



# SUPPORTING SMEs

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

FNB's lending to South African SMEs  
*R billion*



Unsecured funding creates greater momentum for inclusive growth because there is no requirement for collateral. Low levels of asset ownership is a major constraint to SMEs that do not have capital to fund their early-stage growth.

To facilitate this, within appropriate risk frameworks, FNB's SME team utilises an alternative credit scoring model. This model analyses behaviour – instead of audited financial statements – to understand financial and trading history. It also applies automated processes that significantly simplify loan application and approval. The financing primarily facilitates working capital financing, which assists businesses to maintain healthy cash flow positions.



# SME DEVELOPMENT

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

For example:

- FNB has long-standing initiatives that support SME development, such as mentorship programmes for black-owned SMEs with the potential for high growth and significant job creation.
- Ashburton's partnership with National Treasury's Jobs Fund has unlocked investments in SMEs.
- 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 finance to early-stage SMEs, and currently has a total of R566 million under active management.





SME DEVELOPMENT *continued*

**CASE STUDY**

## Ashburton impact investing – job creation through asset management

Ashburton has helped unlock investments in SMEs and intermediaries which traditional funders have considered risky. It 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 Credit Enhanced Fund (ACEF) I and II resulted from this partnership. The funds have attracted more than R1.8 billion of capital since inception in February 2015, most of which has already been deployed for job creation initiatives.

The companies that benefited from the debt deployed by the funds have created more than 17 300 new verifiable jobs for previously disadvantaged people, of whom more than 91% were women. Approximately 75% of these jobs are in underserved provinces such as the Eastern Cape, Limpopo and North West.

These investments have generated positive, measurable social impacts without sacrificing financial returns. Since inception, the funds have produced returns of approximately 9% per annum while exceeding job creation targets.



SME DEVELOPMENT *continued*

**Support for FNB SMEs**

FNB provides black-owned SMEs with non-financial and financial support through various mechanisms.

- **Programmatic, non-financial support:** Sponsoring suitable candidates on programmes designed to fit the profile of their SME (i.e. specific stage or type of business). These programmes focus on business health and sustainability, which are critical aspects for any SME, but have become even more so given the challenging macroeconomic environment.
- **Grant funding:** Providing non-recoverable grants to SMEs to drive innovative, catalytic projects.
- **Loans at preferential funding rates:** FNB offers preferential rates to SME suppliers on overdraft and loan facilities. This reduces the cost of funding on traditional working capital products.
- **Non-traditional funding:** Provision of debt and equity funding to black-owned SMEs through Vumela.

Metric	2022
<b>SME development spend (non-recoverable)</b>	<b>R45.7 million</b>
> Of which programmatic, non-financial support	<b>R27.9 million</b>
> Of which grant funding	<b>R17.8 million</b>
> Number of SMEs that receive training and mentorship	<b>245</b>
> Number of SMEs that received grant funding	<b>4</b>
<b>Loans advanced at preferential rates</b>	<b>R38 million</b>
> Numbers of SMEs receiving loans at preferential rates	<b>33</b>
<b>SME development through Vumela</b>	
> Funds under management at June 2022	<b>R566 million</b>
> Contribution in 2022	<b>R200 million</b>
> Funds deployed to beneficiaries since 2009	<b>R404.3 million</b>
> Number of SME beneficiaries (investees) supported since 2009	<b>29</b>
> Number of jobs created since 2009	<b>7 026</b>

**CASE STUDY**

**Vumela**

In 2022, FirstRand contributed an additional R200 million to Vumela, bringing total funds under management to R566 million.

Since inception, Vumela has deployed over **R404 million** to 29 early-stage businesses, creating 7 026 jobs.

Vumela has different mandates across funds to support varying business needs and stages. Funds 1 and 2 have been fully deployed and are closed. Fund 3 is active:

- > Fund 3 has been in operation since the end of 2018.
- > It is currently capitalised with R254 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.
- > It is focused on funding SMEs in the FirstRand and other corporate supply chains.
- > To date:
  - » R145.3 million in funding has been deployed (R58.6 million equity and R86.7 million debt) to 11 investees and the creation of 213 jobs.
  - » R103 million of purchase order finance has been deployed to 66 investees. This short-term working capital finance allows SMEs to buy raw materials and pay employees until they are paid by debtors.



SME DEVELOPMENT *continued*

**CASE STUDY**

## FNB business accelerator

The FNB business accelerator programme is designed to support black-owned SMEs with high growth potential and which have scalable business models and demonstrate the capacity for significant job creation. This programme has run for seven years and addresses the particular challenges faced by scaling businesses.

Cohorts are sponsored annually, with each cohort following a two-year programme. In 2022, seven SMEs completed the programme.

**Highlights:**

- > 59 workshops (1 060 hours) focusing on content delivery and peer-to-peer networking;
- > practical toolkits;
- > 60 specialist workshops (552 hours) focusing on strategy, human resources and fundraising;
- > providing additional capacity (398 hours) to deliver key business objectives;
- > mentoring by a seasoned CEO who has scaled a business;
- > coaching for the CEO and leadership team (130 sessions, 421 hours); and
- > 31 (106 hours) assessments that identify business health and developmental areas.

The cohort was impacted by Covid-19, however, participants optimised their finances and managed to create 24 new jobs, sustaining a total of 93 jobs. The cohort also showed a notable (13%) improvement in business maturity\*.

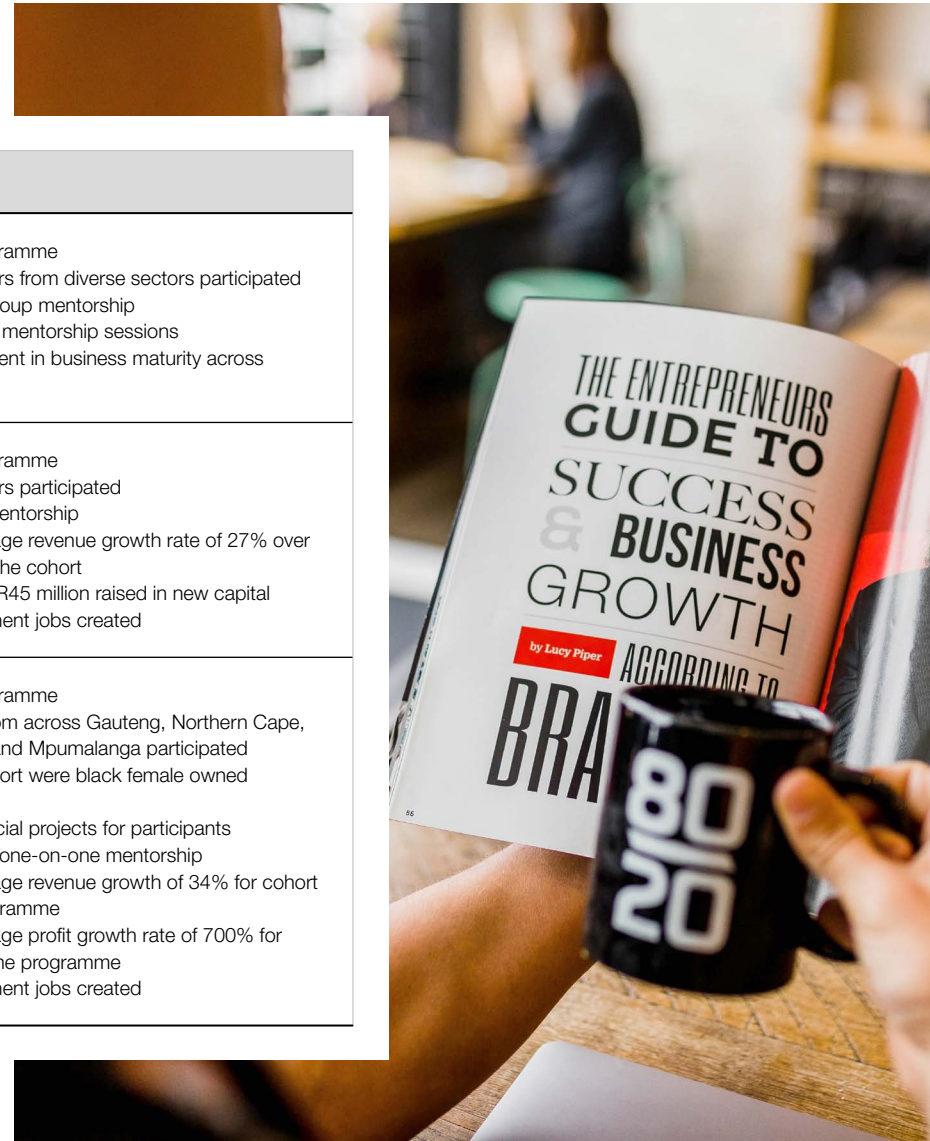
\* As measured by the business maturity index (measures the level of sophistication of core business disciplines that are important in the scaling-up process).



SME DEVELOPMENT *continued*

Other SME development programmes supported during the year

Programme	Objective	Highlights
<p><b>FNB supplier development programme</b></p> <p>Partner: EDGE Growth (supports SME entrepreneurs with market access, skills and funding)</p>	<p>Virtual programme to support early-stage businesses. Included workshops, peer networking and mentorship. Businesses were individually assessed, and received tailored growth plans to address key developmental areas.</p>	<ul style="list-style-type: none"> <li>&gt; 10-month programme</li> <li>&gt; 60 entrepreneurs from diverse sectors participated</li> <li>&gt; 216 hours of group mentorship</li> <li>&gt; 68 one-on-one mentorship sessions</li> <li>&gt; 23% improvement in business maturity across the cohort</li> </ul>
<p><b>FNB business elevator</b></p> <p>Partner: Endeavor SA (provides mentorship to innovative founders based in emerging markets)</p>	<p>Designed to assist emerging black businesses reach scale through tailored mentoring.</p> <p>Entrepreneurs gained access to Endeavor's global content, mentors and investors.</p>	<ul style="list-style-type: none"> <li>&gt; 12-month programme</li> <li>&gt; 10 entrepreneurs participated</li> <li>&gt; 675 hours of mentorship</li> <li>&gt; Weighted average revenue growth rate of 27% over 12 months for the cohort</li> <li>&gt; Approximately R45 million raised in new capital</li> <li>&gt; 54 new permanent jobs created</li> </ul>
<p><b>FNB Xero programme for accounting practices</b></p> <p>Partners: Xero Accounting and Edge Growth</p>	<p>A pilot programme to support black-owned accounting practices across three key pillars: digital transformation, quality of services and management skills.</p> <p>Businesses were individually assessed and received tailored growth plans to address key developmental areas.</p>	<ul style="list-style-type: none"> <li>&gt; 11-month programme</li> <li>&gt; 15 practices from across Gauteng, Northern Cape, Eastern Cape and Mpumalanga participated</li> <li>&gt; 53% of the cohort were black female owned practices</li> <li>&gt; 67 tailored special projects for participants</li> <li>&gt; 2 318 hours of one-on-one mentorship</li> <li>&gt; Weighted average revenue growth of 34% for cohort during the programme</li> <li>&gt; Weighted average profit growth rate of 700% for cohort during the programme</li> <li>&gt; 21 new permanent jobs created</li> </ul>



SME DEVELOPMENT *continued*

**CASE STUDY**

### PSTM chartered accountants

PSTM is an accounting and auditing business 100% owned by black women. It was founded 12 years ago. Before joining the FNB Xero programme, the business focused on bookkeeping, relied on referrals for new sales and had slow revenue growth. A diagnostics process indicated that PSTM needed support with its pricing, automation, cash flow management and HR capacity. The business received tailored support through the programme and migrated to Xero accounting software.

**Results:**

- > PSTM is now a fully digitised practice;
- > it has improved debtor management;
- > staff morale has improved;
- > new customers were acquired while PSTM participated in the programme;
- > revenue grew by more than 200% while PSTM participated in the programme;
- > profit grew by more than 3 000%, driven by automation efficiencies and accurate pricing; and
- > human resource risk was reduced by means of a special project.



### Rentoza

Rentoza has developed a circular economy model to increase access to technology and other products. It allows users to register, pay a monthly fee and receive items – including electronics, appliances and baby goods – for a fixed number of months. Once the subscription period has passed the items are returned, refurbished and made available once again. It is a pure subscription model and there is flexibility regarding the terms on which the items are used. Users can also upgrade, downgrade or return an item at any time, with no penalties.

The FNB business elevator programme allowed Rentoza leadership to overcome two of its biggest challenges – funding and resourcing. The programme also assisted Rentoza to establish the necessary networks required to progress to the next phase of its journey. Rentoza grew its revenue by more than 1 000% in 12 months, successfully raised R20 million in capital and created 26 net permanent jobs.

*The following programmes were initiated during the year and are in progress:*

**FNB Youth Start-Up Accelerator** – Assists South African youth to start and grow their businesses and serve their communities in a sustainable and profitable manner. The 12-month programme includes entrepreneurial skills development, mentorship, grant funding and job shadowing, with a focus on early-stage businesses in peri-urban and rural areas. There are currently 100 participants.

**Social Entrepreneurs Impact Lab cohort 2 (29 participants)** – Supports the growth of social entrepreneurs who are tackling pressing social, environmental and economic issues in South Africa. The programme has a duration of 18 months and focuses on investment readiness. It includes entrepreneurship skills development, mentorship, access to markets and networks, peer-to-peer learning, marketing support and access to funding.



## Bounceback loan

**Over the past three years South African SMEs have been hard hit by events out of their control, such as the pandemic, the 2021 riots and the 2022 KwaZulu-Natal floods. SMEs are particularly affected as they do not have significant capital reserves and other buffers to weather stress events.**

FNB saw the opportunity to continue its partnership with National Treasury, established through the Covid-19 loan guarantee scheme, to provide funding to vulnerable and affected SMEs that needed to rebuild post these events. As a result, the bounceback loan scheme was created.

The scheme was built off National Treasury's risk-sharing arrangement, which enabled FNB to provide SMEs with funding at a significantly reduced lending rate (prime +1).

### In order to increase access for SMEs:

- > FNB, together with National Treasury, reduced the onerous documentation requirements of the scheme.
- > FNB enabled fully automated applications for single-member entities.

Since the launch of the scheme in April 2022, FNB has assisted over 1 300 customers and paid out R300 000 to each juristic on average. Twenty-seven per cent of the SMEs assisted are owned by women.

FNB is currently the only financial organisation participating in the bounceback scheme. The offering continues to be enhanced. For example, from November 2022 the scheme has funded solar infrastructure for SMEs, allowing them to be more resilient to loadshedding and rising energy costs.

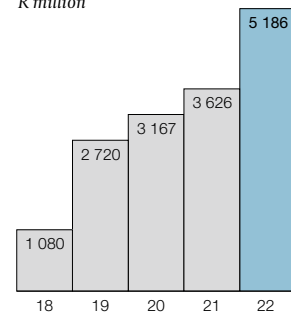


# AGRICULTURE

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.

The South African commercial farming sector remains largely untransformed due to limited access to resources, including land and investment capital to convert such land into a productive asset. The group continues to focus on supporting the sector's transformation and is committed to growing a larger base of black commercial farmers.

Lending to black-owned companies in the agriculture sector  
R million



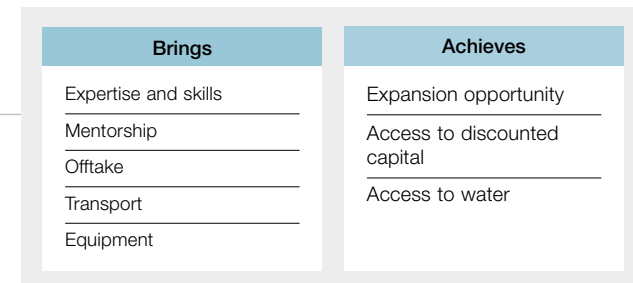
## FNB agricultural transformation

FNB's 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. These solutions provide funding, as well as access to training and offtake contracts which typically are barriers for black farmers. Adjacent is an example of the most common BEE structure, which highlights the value contributed and derived by each party.

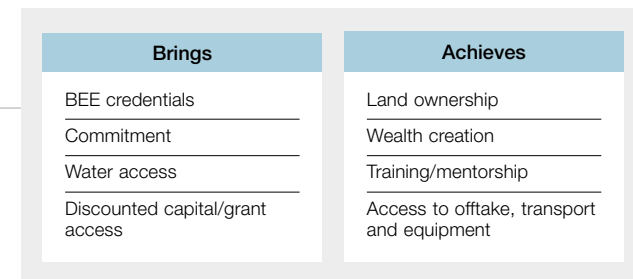
## Funding deployed through these structures at 30 June:

Year	R million extended	Number of black farming enterprises
2019	539	Not measured
2020	669	126
2021	676	186
2022	806	146

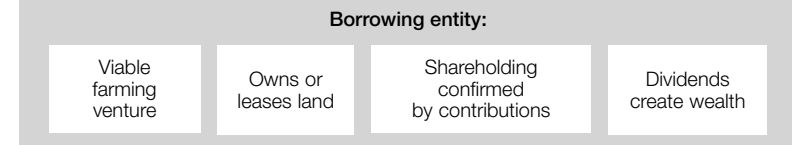
### Existing commercial farmer



### Farmworkers' trust/communal property association



### Establish new operating entity



AGRICULTURE *continued*

**CASE STUDY**

## Citrus Growers' Association

FNB Agriculture has partnered with the Citrus Growers' Association and the Jobs Fund to create an innovative economic transformation development programme that supports black citrus growers.

The programme aims to provide affordable funding for expansion, orchard rehabilitation and on-farm infrastructure development. The programme achieves this through blended finance incorporating grant and traditional loan funding. The programme also provides funding for skills development.

**Overall programme objectives:**

- > Provide financial support to 30 black citrus growers.
- > Create 329 permanent employment opportunities and 1 397 seasonal employment opportunities.
- > Increase the total number of new hectares under production by 1 034 hectares.
- > Provide learnership, skills programmes and bursaries to 2 017 individuals, including those from the communities where labour is sourced.
- > Increase revenue and contribute to exports.

The current funding pool of R308 million has been provided by AgriSETA; the Department of Agriculture, Land Reform and Rural Development; the Jobs Fund; FNB Agriculture; and the Citrus Growers' Association through its statutory levies.

This programme is structured to overcome the two biggest challenges black farmers face: access to affordable credit lines and owners' equity contribution.

**Accordingly, the funding allocation is split:**

- > 36% is a non-recoverable grant and acts as the farmers' equity contribution; and
- > 64% is a blended loan consisting of grant funding from the Citrus Growers' Association and preferential funding from FNB. This blended loan is provided at interest rates that range between prime and prime -3%, making the funding more affordable.



**As at September 2022:**

- > FNB has paid out three blended loans totalling R26.1 million for projects situated in the Eastern Cape, KwaZulu-Natal and Limpopo. These three projects benefited from grants of R14.6 million representing the farmers' equity contributions.
- > In addition, FNB has issued term sheets to the value of R74.2 million to five citrus projects situated in the Eastern Cape, Western Cape and Limpopo, with R26.7 million representing the grant allocation and the farmers' equity contributions.
- > The Citrus Growers' Association estimates that these eight projects will generate 59 permanent and 214 seasonal employment opportunities.

**The programme achievements to date include:**

Programme objective metric	Achieved to date (September 2022)
Number of projects supported	8
Permanent employment opportunities created	59
Seasonal employment opportunities created	214
Total number of new hectares under production	57
Beneficiaries of learnerships and skills programmes	554 people
> Of which are fully trained and competent	62%





AGRICULTURE *continued*

**CASE STUDY**

## Hortfin – transforming the deciduous fruit industry

Certain subsegments of the deciduous fruit industry have faced challenges accessing commercial funding, which has hampered transformation and job creation opportunities. In response, the private sector, in collaboration with National Treasury's Job Fund, established the Hortfin Deciduous Fruit Industry Fund (the fund).

The fund which totals R600 million aims to increase job creation, transformation and sustainability in the industry and its supply chains, through financing eligible businesses. For a business to qualify for funding, it must be at least 51% transformed and have the potential to create new jobs.

The Job Fund, and various industry organisations, contributed R300 million with FNB providing an additional R300 million.

To date, FNB has issued term sheets totalling R37.2 million to four deciduous fruit projects. An additional seven projects amounting to R157.8 million are in the pipeline.



AGRICULTURE *continued*

**CASE STUDY**

Mzala Wines – a model to increase equity ownership for black employees

In 2019, Van Loveren wine estate partnered with FNB to empower black employees through equity ownership, land conversion and training.

The equity contribution was funded through an FNB non-recoverable grant and allowed 13 black employees to acquire shareholding in the commercial agricultural project Mzala Wines. Mzala Wines then acquired a 30% shareholding in Middelburg Vineyards, which through the initiative will be converted into a productive asset. The remaining 70%, owned by Van Loveren, will be transferred to Mzala Wines over time.

**The initiative has been running for more than three years and aims to deliver:**

- > equity ownership and active shareholder participation, including training and mentorship of black farmworkers;
- > conversion of the Middelburg farms into a productive asset; and
- > a model for a blended finance approach between grant, debt and equity in support of the development of black-owned commercial farms.

**Funding contributions up to 30 June 2022:**

**Van Loveren:**

- > R15 million towards a water licence.
- > 856 hectares of land valued at R6 million.
- > R39 million towards improvements in infrastructure and orchard development.

**FNB:**

- > R34 million of grant funding representing the equity participation of the black employees.
- > Debt funding provided through a R20 million long-term loan.



It is estimated that the project will create R50 million in turnover by its tenth year with profits before tax of R10 million. To date the farm has already generated sustainable income streams, and whilst the farmland is only 23% developed its valuation has already increased to R90 million.

**Job creation at 30 June:**

	2029 target	2022	2021	2020
Permanent jobs	405	60	54	50
Seasonal jobs	285	100	50	30

**The following has been planted over three years:**

Crop	Hectares
Vineyards	58
Cherries	29
Almonds	40
Citrus	28

The first cherry harvest, in November 2021, yielded 29 tonnes of cherries. A harvest of 100 tonnes of cherries is expected during November 2022. To date 400 tonnes of grapes have been harvested.



# Affordable housing

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

### FNB's key achievements so far include:

- > A large and growing affordable housing book represents a focused strategy to assist low-income households to purchase homes in the primary and secondary markets.
- > The integration of government subsidies into its affordable housing lending process to improve affordability for customers.
- > Finding ways to improve efficiencies throughout the property value chain to unlock cost efficiencies and supply backlogs.
- > The piloting of several programmes to regularise title deeds for low-income households. This will allow homeowners to leverage their properties.

### The group's affordable housing book is

# R18 billion

representing 72 389 low-income households

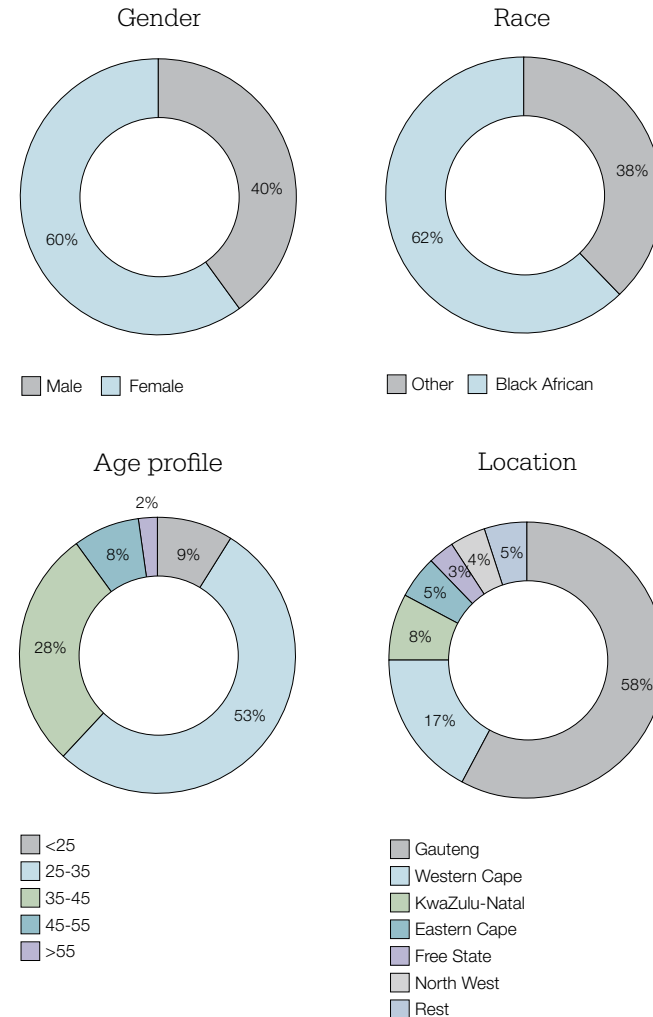
Metric	2022	2021
Affordable housing* (R billion)	15.8	14.2
Smart housing plan* (R billion)	2.2	2.1
Number of low-income households**	72 389	76 125

\* Affordable housing represents mortgages, and the smart housing plan represents pension-backed lending.

\*\* Low-income households or affordable housing is defined as households earning less than R27 200 gross monthly. For example this could be a husband and wife earning R13 600 each.

During the current year FNB tightened its definition of affordable housing.

During the year home loans were advanced to 6 135 households across the following demographic:



AFFORDABLE HOUSING *continued*

**Newly developed housing units**

During the past financial year, 2 014 low-income households received home finance for newly developed housing units valued at R1.3 billion in total.

**Secondary market**

During the past financial year, FNB has advanced R2.4 billion of funding to 4 121 low-income households that purchased already built properties in the secondary market.

**Accumulated equity**

Over the last three years the accumulated equity for homes financed (both new and existing) is R1.2 billion and is available to customers as leverage to start businesses, pay for their children's education or add home improvements.

In 2022, an estimated

20 014

job opportunities were created on the back of these advances.

**Affordability**

The affordability of housing remains a significant challenge in South Africa. Up to 80% of South Africans are not able to afford an entry-level house based on their income and their limited access to collateral. Another key pressure is the insufficient supply in the affordable segment. The following case studies demonstrate how FNB Home Finance is contributing to improving access and affordability in this space.

**CASE STUDY**

**Gap housing market – FLISP**

The Finance Linked Individual Subsidy Programme (FLISP) is a government subsidy aimed at customers who fall within the "gap housing market". The subsidy is designed to bridge the gap for customers who earn too much to qualify for social housing and too little to afford a privately developed home. This is currently defined by the Department of Human Settlements as households earning between R3 501 and R22 000 gross monthly income (as of 2018).

This subsidy can be used to augment a home loan, or to reduce it. FNB has adopted FLISP qualifying criteria to enable affordability and improve customer experience.

FNB advanced over R1.7 billion of home loans to households in the gap housing market, leveraging R29 million of FLISP disbursements for the period April 2021 to March 2022.



**BuilderConnect**

BuilderConnect is an FNB pilot programme that provides emerging developers with a work-in-progress construction facility for direct labour and materials.

**The programme's objectives are to:**

- > grow emerging property developers;
- > increase affordable housing delivery to address the stock backlog (currently over two million units);
- > manage inflation of land prices by enabling the developer to purchase land in advance;
- > reduce construction delivery times; and
- > contribute to construction sector transformation and the creation of more stable construction capacity.

FNB can increase housing ecosystem benefits by accessing DFI concessionary funding for small developers. The developers would start with a limited portfolio and thereafter FNB would support their growth through the facility.

**The first deal was approved during the year:**

- > The emerging developer is 100% black owned and managed, with a track record in affordable housing developments.
- > The development comprises 12 houses in Secunda, with completion and handover expected in January 2023.
- > It will serve as a pilot and learnings will be used to scale the BuilderConnect offering.



AFFORDABLE HOUSING *continued*

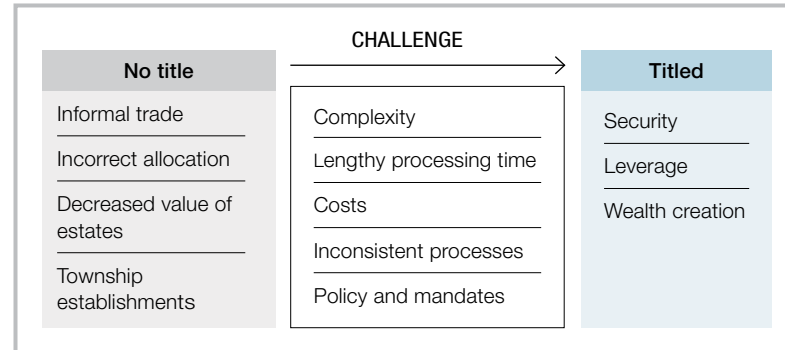
**Property unlock**

Home ownership is a crucial component of household wealth and can be used as a leverageable asset if formal title exists. "Dead capital" is the term used to describe property which is informally held and not legally recognised, and which therefore cannot be exchanged for financial capital.

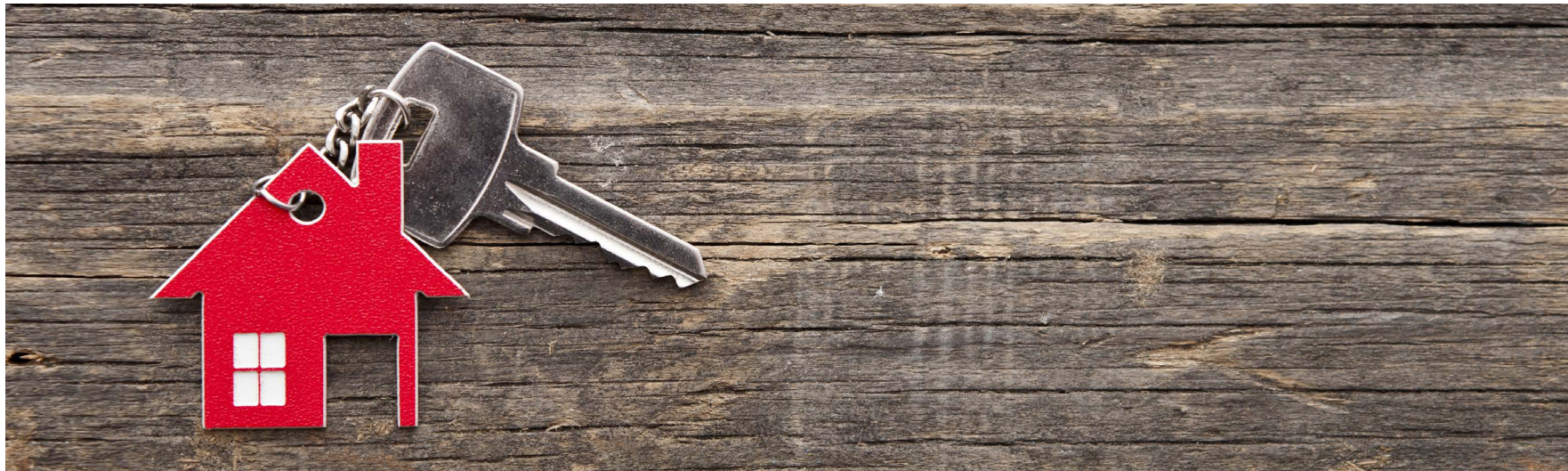
The value of dead capital in South Africa is estimated at R1.5 trillion, affecting between 4.5 million and 10 million homes. Households with untitled properties have limited access to finance as they are unable to leverage the property's equity, which may lead them to access more expensive unsecured debt. In addition, properties at the low end of the market, particularly social housing units, tend to trade informally and below their true value.

Dead capital disproportionately affects low-income households for several reasons. It includes houses built before 1994 that were never transferred, and housing built as part of the rollout of the Reconstruction and Development Programme after 1994, where beneficiaries may not have received title deeds.

There are many barriers that have prevented this value from being unlocked, such as the formal property sales process being expensive, complex and lengthy. Inconsistencies in the Deeds Office and municipal administration systems add to the obstacles. Consequently, many homes are traded informally with title deeds incorrectly allocated.



FNB has partnered with multiple stakeholders, including the national government, to address this systemic challenge. The potential exists to unlock approximately R220 000 of value per household that is helped. If scaled this can be transformational, leading to increased household wealth, improved recovery of municipal levies and growth of local economies.



AFFORDABLE HOUSING *continued*

The following are examples of FNB-supported pilot projects that aim to unlock dead capital:

**CASE STUDY**

### Transaction Support Centre

The Transaction Support Centre (TSC) is a not-for-profit organisation that helps customers obtain their title deeds, assists with deceased estates and regularises informal transactions where the owner is not the documented beneficiary.

The TSC, with the help of FNB, has set up a walk-in office in Khayelitsha, Cape Town, to assist customers who have problems with title deeds or other property-related issues. It also facilitates access to finance and subsidies for buyers. The TSC has proactively assisted households in Khayelitsha where no primary transfer has taken place (i.e. title deeds have not yet been registered).

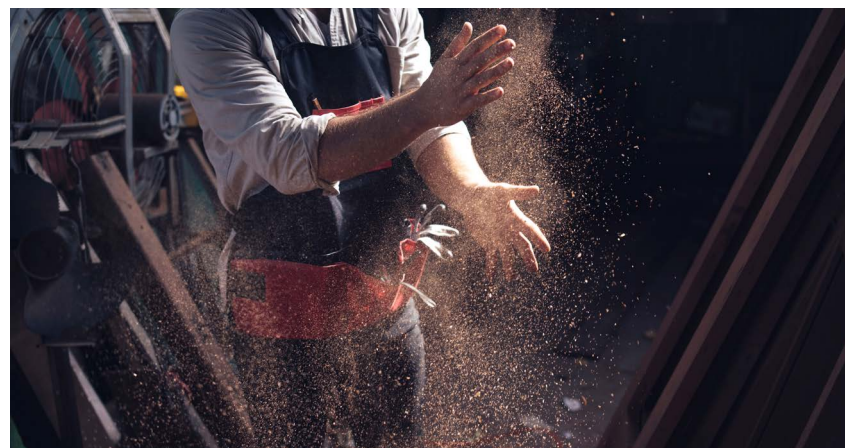
The TSC now also has a desk at an FNB branch in Khayelitsha. Since April 2022 it has successfully transferred 21 titles and instructed a further 21. In addition, 18 subsidy applications were approved, and 10 estate matters have been processed. The desk initially operated on a by-appointment-only basis, but is now seeing more walk-in customers due to demand. FNB is working to extend this service to more branches in the Western Cape and the rest of the country.

	In 2022	Cumulative since inception in 2018
Title deeds successfully transferred to customers	476	525
Title deeds being prepared for transfer	57	N/A
Average value per household unlocked	Approximately R220 000	N/A

### Micro developers

Many existing homeowners in low-income areas are not able to access asset financing due to their lack of formal home ownership. FNB has partnered with Bitprop and other micro developers to provide access to finance for small property owners to build rental units on their land (backyard rentals). Bitprop also assists homeowners with the title deed process and construction of the rental units. These units provide property owners in these areas with an asset and a source of income.

- > Bitprop has built 160 units (2021: 58) on 30 properties across Khayelitsha, increasing property values by nearly 300% and creating an average of R17 000 in monthly rental income for homeowners.
- > FNB is working with Bitprop to scale this solution and to unlock greater value for customers. This will include:
  - » Finance for FNB customers looking to build units.
  - » Finance for customers already on Bitprop's books.
  - » Funding Bitprop directly to increase its reach.



# UK businesses

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

## Aldermore: Assisting first-time home buyers

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.

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, which have a more automated approach to lending.

Aldermore's lending to first-time buyers continues to gradually increase as a proportion of owner-occupier originations.

	2022	2021
New lending to first-time buyers (owner-occupier)	£274m	£198m
As % of new owner-occupier lending	44%	42%



## CASE STUDY

### MotoNovo backing young drivers in the auto finance market

MotoNovo Finance is committed to supporting young drivers (18-21 years old) in funding their vehicle purchases. In 2022, MotoNovo extended loans to 7 359 young drivers, which equated 3.9% of the overall book.



# Private equity – RMB Ventures

**RMB Ventures (Ventures) has adopted the principle of intentionally using its core business activities to add value to society, profitably and at scale. Ventures seeks to positively contribute in its role as investor, board member and shareholder with rights, across a portfolio of 20 companies.**



### Impact as investor:

Ventures's philosophy is to invest with purpose to enable real change. For example, Ventures assesses the impact of its investments on:

- the investee (or portfolio) company management and employees;
- the investee company customers; and
- the wider value chain of the investee company.

### Impact at a portfolio company level:

At a company level Ventures has specific intentionality across four areas and focuses on the following:

- **Serving under-serviced capital markets**  
Committed to increasing BEE ownership of South African companies.
- **Distribution of ownership (inclusion)**  
Increase ownership participation of management teams and employees through geared management deals and employee share schemes.
- **Employment and communities**  
Focused on sustainable employment that delivers business competitiveness and growth. This also includes engagement with the broader communities of investee companies.
- **Natural environment**  
Acts to avoid harm to the environment and, where possible, create positive benefits.

## CASE STUDY

### AFRIKELP

Afrikelp's purpose – "nurturing growth" – is at the core of its strategy. It is a leader in the manufacture of liquid seaweed biostimulants extracted from the South African kelp *Ecklonia maxima* (sea bamboo). This liquid seaweed is a renewable and natural plant growth stimulant that:

- enhances yield;
- improves crop quality; and
- shortens the period between planting and harvesting.

Afrikelp has the following sustainability goals for 2023:

- **Environment:** Resource efficiency, including establishing an energy, carbon and water baseline; improving recycling and reducing plastic use.
- **Community:** Direct employment of at least 20 people in rural communities in the Eastern Cape, and the transfer of skills to local communities.
- **Employee benefits:** To be reviewed and enhanced.





PRIVATE EQUITY – RMB VENTURES *continued*

**Tracking impact:**

Ventures has adopted the impact management programme (IMP) framework to measure and guide the societal impact of its activities. This framework considers:

1. the level of contribution achieved or targeted;
2. intentionality of the impact; and
3. measurement of action and the impact.

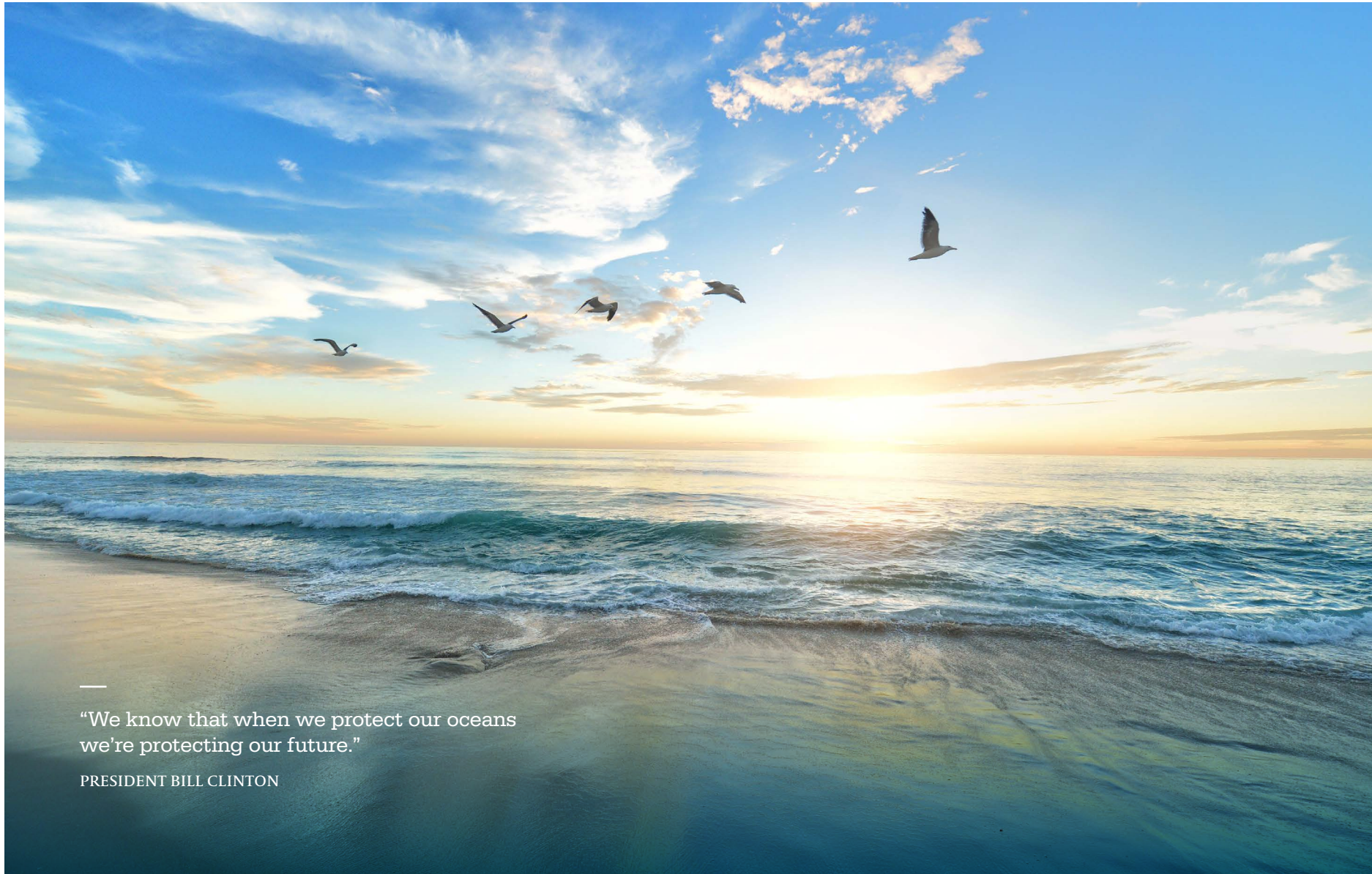
The IMP framework references four investment strategies that contribute towards impact. The adjacent table provides examples of where Ventures has implemented them.

Strategy	Examples	Specific actions
<b>Engage actively</b>	<p>When Ventures invests in private companies, it has several roles:</p> <ul style="list-style-type: none"> <li>&gt; partner to management teams;</li> <li>&gt; director on the main boards and subcommittees acting in the best interests of the company; and</li> <li>&gt; shareholder with significant rights (as is typical with private equity ownership) and responsibilities regarding its funders.</li> </ul>	<p>Ventures uses expertise, networks and influence to improve the impact of its investments.</p> <p>Ventures takes board seats and provides hands-on management support when required.</p>
<b>Grow new and undersupplied capital markets</b>	<ul style="list-style-type: none"> <li>&gt; In close to 100% of its deals, Ventures has assisted management teams in portfolio companies to become investors (the number can range from five to 50 executive members). This improves shareholder and management alignment by facilitating a greater level of employee ownership.</li> <li>&gt; Ventures has also facilitated the introduction of employee stock ownership programmes (ESOP) targeted at creating wealth for large groups of people. Approximately 3 259 employees across Ventures's portfolio companies have benefited from participating in an ESOP.</li> </ul>	<p>Ventures provides equity and shareholder loans to facilitate:</p> <ul style="list-style-type: none"> <li>&gt; growth and typically replace capital in private companies; and</li> <li>&gt; black ownership through funding independent black fund managers and black industrialists.</li> </ul>
<b>Provide flexible capital</b>	<ul style="list-style-type: none"> <li>&gt; To assist management teams to become investors, Ventures provides them with funding at uncommercial terms and pricing.</li> <li>&gt; Ventures has seeded numerous black fund managers with shareholder loans, working capital and favourable economics. Approximately 40% of the capital that Ventures deploys is through black fund managers.</li> <li>&gt; In addition to providing funding, Ventures transfers skills to black fund managers. This assists them to grow their businesses and develop a track record that can enable them to set up an independent fund.</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Ventures provides flexible equity and debt funding packages to companies, enabling management to compete and take advantage of opportunities.</li> <li>&gt; Ventures acknowledges that some enterprises require financial returns adjusted to lower risk in order to generate targeted societal impact.</li> </ul>
<b>Demonstrate that societal impact matters</b>	<ul style="list-style-type: none"> <li>&gt; Each board has a fiduciary responsibility to consider all stakeholders in its decision-making.</li> <li>&gt; Ventures seeks black economic empowerment partners in its investments.</li> </ul>	

**Some milestones:**

- Investments in black empowerment funds since inception in 1999 across RMB Corvest and RMB Ventures amount to almost R6 billion.
- Two portfolio companies are piloting electric vehicles to be used on shorter intercity routes and for delivery truck services.
- Vivica Group (formerly Vox) has launched Stage Zero, a green energy utility start-up targeting the residential and commercial small-scale embedded generation market.
- JoJo Tanks's sales patterns provide clear evidence that drought increases demand for tanks, pumps and rainwater harvesting products. Part of the JoJo marketing strategy is to create awareness of the importance of water conservation through its Water for Life and Water Management in our Cities podcasts.
- Ventures has been working with its portfolio companies to define their purpose and uncover methods to align their strategies with this purpose. To date, five purpose sessions across the portfolio have been facilitated, with more workshops planned.





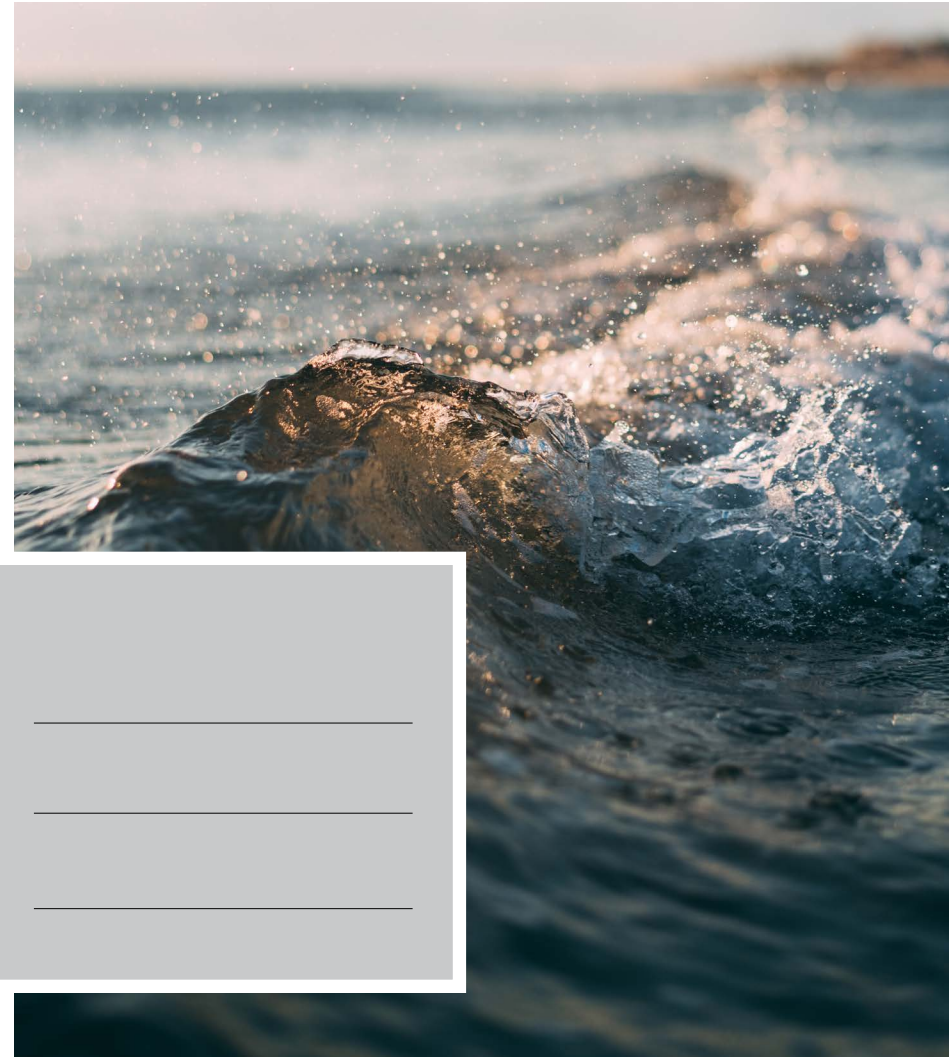
“We know that when we protect our oceans we’re protecting our future.”

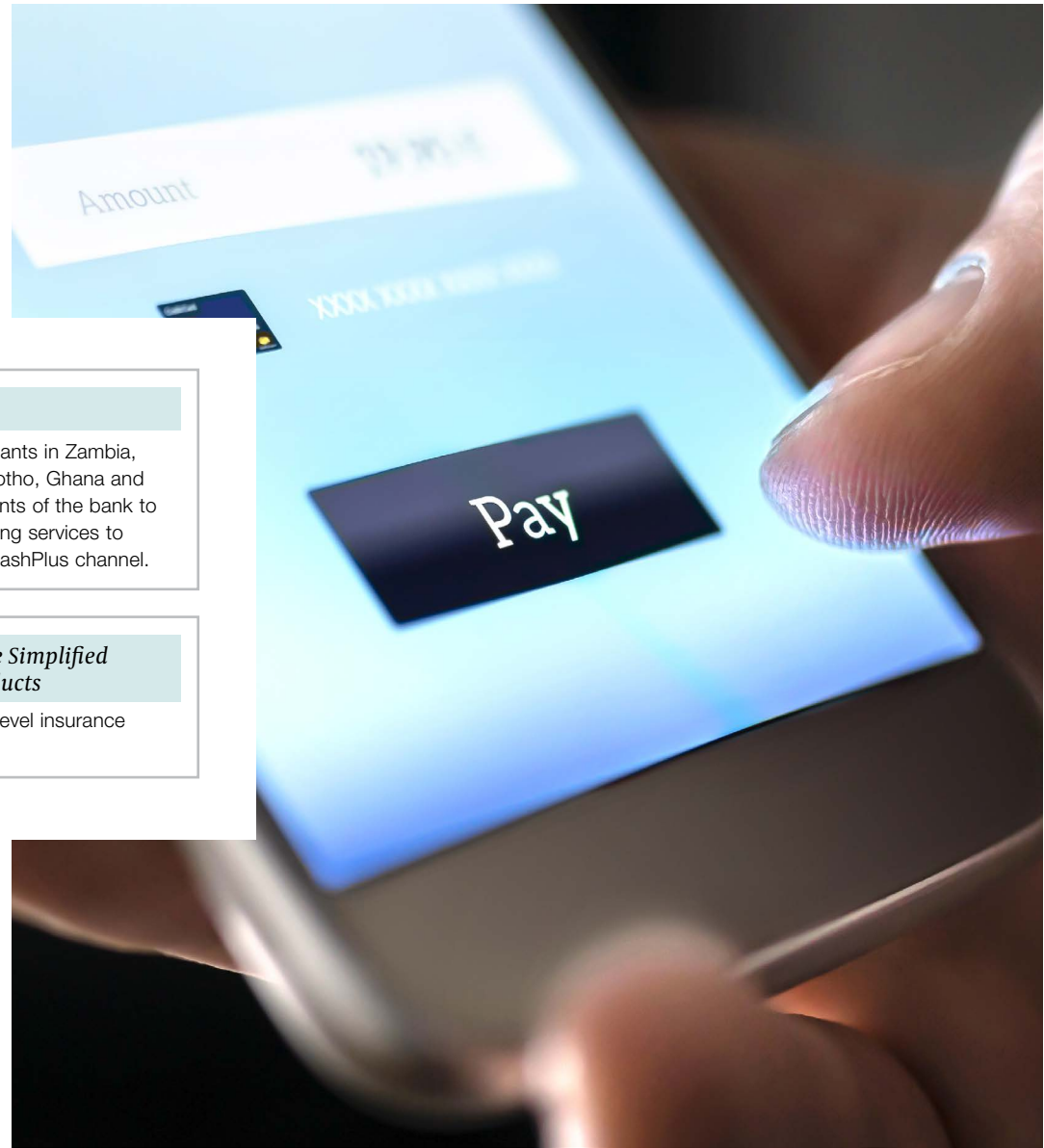
PRESIDENT BILL CLINTON



# LEVERAGING PRODUCTS AND TRANSACTIONAL PLATFORMS TO 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 allows previously excluded groups to manage their consumption, payments and savings. Financial inclusion for individuals and SMEs is vital to transform and scale the informal economy.





**The group has several financial inclusion solutions, including:**

***eWallet***

Allows FNB customers to send money to recipients who do not have a bank account.

***Easy Zero***

An entry-level transactional bank account with no monthly account fees.

***First Business Zero***

A digital SME business bank account with no monthly account fees.

***CashPlus***

FNB partners with merchants in Zambia, Botswana, Eswatini, Lesotho, Ghana and Namibia, who act as agents of the bank to provide day-to-day banking services to customers through the CashPlus channel.

***FNB's funeral and Life Simplified micro insurance products***

Provide affordable entry-level insurance products.



# eWallet

Before the introduction of digital technology, the main method for domestic remittances was cash, which presented significant security issues.

The introduction of services such as eWallet created a safe, instant and convenient way to remit money.

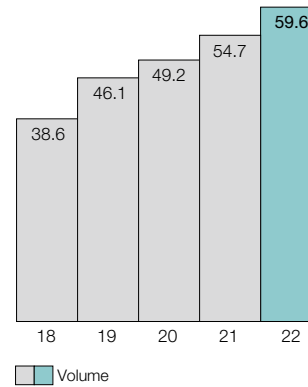
eWallet allows FNB customers to send money to recipients who do not have a bank account. The money is transferred digitally to a cellphone number with a code, and the cash can be withdrawn from FNB ATMs and selected SPAR stores countrywide. In addition, eWallet can be used as a method of payment at selected SPAR stores and TotalEnergies fuel stations.

The growth in eWallet benefited from tactical campaigns such as the introduction of free "send money" transactions for Easy Smart customers.

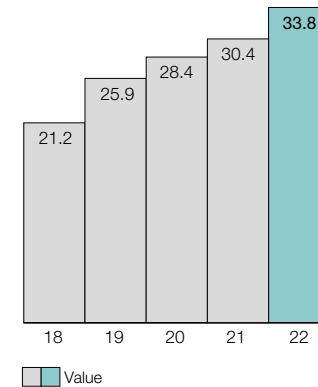


The use of the service has shown strong growth in recent years: for year ended 30 June

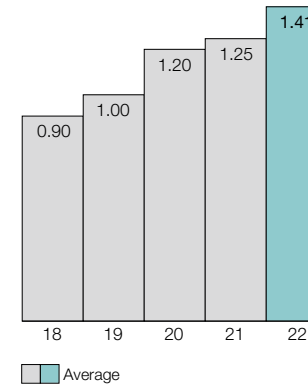
Send money (volume)  
Million



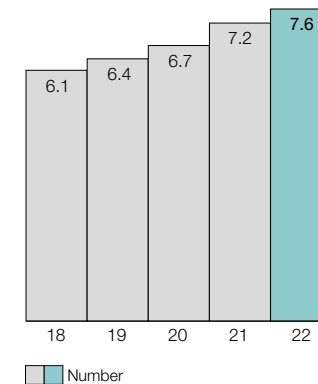
Send money (value)  
R billion



Monthly senders (average)  
Million



Active base as at 30 June  
Million



# Easy Zero

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

This product provides appropriate functionality for those individuals who often receive low or irregular income. It allows them to save and access basic banking services without incurring transaction fees, monthly account fees or rogue debit orders.

Easy Zero has:

- no monthly account fees;
- no debit orders;
- a Visa card; and
- an option to use a virtual card for FNB Pay ("tap to pay", "scan to pay").

Allows recipients to:

- 01 receive money from or send money to any other bank;
- 02 deposit into an account at an automatic deposit terminal (ADT);
- 03 withdraw money at ATMs;
- 04 buy prepaid airtime/data bundles and electricity;
- 05 swipe a Visa card; and
- 06 use FNB Pay.

Since its launch in 2019, Easy Zero has shown good traction for year ended 30 June

Year	Volume of transactions*	% increase	Value of transactions	% increase	Active base	% increase
2020	6.2 million	>100%	R2.6 billion	>100%	292 000	>100%
2021	15.3 million	>100%	R5.8 billion	>100%	721 600	>100%
2022	37.9 million	>100%	R14.8 billion	>100%	1.1 million	52%

\* The table above reflects updated methodology and now captures total financial volumes per account.

The year-on-year increase is attributed to strong customer demand for a more cost-effective transactional account, as evidenced by the 52% increase in the active base.



# First Business Zero

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 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.

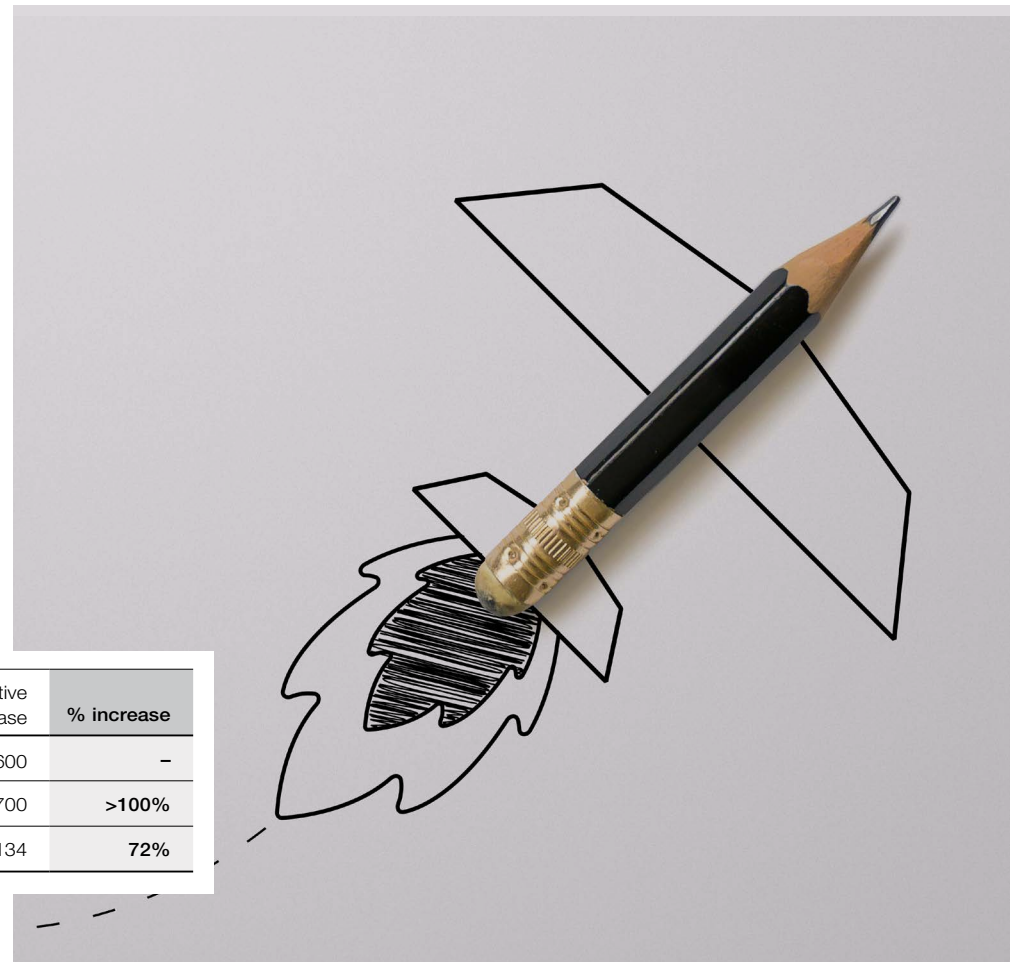
Customers also have access to certain free FNB value-added services, including Fundaba (entrepreneurship e-learning programme) and instant accounting, invoicing, cash flow and payroll software. Assistance is freely available via Secure Chat on the FNB app and the 24/7 business desk.

\* The FNB app carries no data costs (for banking functionality only).

**First Business Zero has seen strong growth since its launch in 2020, both in terms of new customer acquisition and transactional volume**

For year ended 30 June

Year	Volume of transactions	% increase	Value of transactions	% increase	Active base	% increase
2020	251 000	-	R0.3 billion	-	5 600	-
2021	1.7 million	>100%	R2 billion	>100%	11 700	>100%
2022	3.5 million	>100%	R4.1 billion	>100%	20 134	72%



# FNB broader Africa extending financial inclusion through CashPlus

## FNB is committed to developing solutions that promote financial inclusion and support economic activity in African markets.

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 is conducted in cash.

Some of the main reasons for the largely unbanked population in Africa are the limited infrastructure, poor GSM<sup>1</sup> 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 deals 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 successfully improved financial inclusion for communities and enabled growth for SMEs.

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 up the merchants 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, cash-out and airtime and electricity purchasing services.

- CashPlus is a trusted community banking channel that is transforming banking, making it more convenient, accessible and cost effective for both customers and businesses.
- Customers no longer need to travel to make cash deposits or send money to their families. They can simply do their banking in their local store – saving them time and money.

In-country examples of how CashPlus has increased access to banking services in areas that are remote or too sparsely populated for traditional branch-based services:

- In Botswana, the number of CashPlus agents has increased by 81% since the prior year, resulting in FNB offering financial services in more than 100 locations in previously inaccessible areas.
- In Eswatini, FNB CashPlus's growing utilisation, especially by low-income earning Emaswati, has seen customer turnover increase from E6 million in its first full year in 2019 to E489 million in 2022.

### For year ended 30 September

Year	Active agents/merchants	% increase	Customers	% increase	Customer turnover*	% increase
2019	498	NM	50 500	NM	R100 million	NM
2020	1 115	>100%	140 000	>100%	R288 million	>100%
2021	2 065	85%	309 000	>100%	R818 million	>100%
2022	2 914	41%	412 565	34%	R1 367 million	67%

\* Customer turnover passed through CashPlus channel.

NM – not measured

FNB CashPlus is fast becoming the dominant FNB point of presence in all six African countries where the bank has a presence. Thirty per cent of CashPlus agents are based in rural communities, improving access to financial services for many previously under-banked customers.

<sup>1</sup> Global System for Mobile Communications is a standard developed by the European Telecommunications Standards Institute to describe the protocols for second-generation digital cellular networks used by mobile devices such as mobile phones and tablets.



FNB BROADER AFRICA EXTENDING FINANCIAL INCLUSION THROUGH CASHPLUS *continued*

**This CashPlus strategy brings several benefits to both customers and merchants.**

**Benefits to customers**

- > 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.
- > 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.
- > Promotion of personal savings and independent money management.
- > FNB customers can send money to recipients 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.
- > Improved efficiencies by reducing the need for merchants to constantly reconcile, secure and bank cash.
- > Merchants have an additional revenue stream by way of FNB commissions for the transactions they perform for FNB customers.
- > 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.

**CASE STUDY**

**DigiPlus retail innovation**

In 2022, FNB Namibia launched DigiPlus, the first fully digital account offering in Namibia, with no monthly account fees. It can be opened and managed remotely using a mobile device and is available to both FNB and non-FNB customers.

The DigiPlus account does not require a bank card for a customer to make withdrawals or deposits. FNB's DigiPlus allows the account holder to receive and send funds from FNB and other banks, make transfers between accounts, buy prepaid electricity and airtime, send eWallet payments, and make cardless cash withdrawals and deposits at any CashPlus agent.



# Helping customers protect themselves, their families and their incomes

A vast proportion of the South African population cannot afford traditional insurance products, leaving them financially vulnerable to unforeseen life events. Micro insurance offers low-income households lower premiums and cover amounts to assist them in protecting themselves against adverse events.

FNB continues to focus on offering more affordable and inclusive insurance products that cater for the whole family. This has been especially important as customers face severe financial pressures due to macro- and microeconomic factors.



## Funeral insurance

In South Africa funerals are culturally important and consequently there is a significant need for financial support regarding funerals. With more than 22 million funeral plans in South Africa, FNB is focused on meeting the need for more affordable and easily accessible cover for a customer's entire family.

Sixty per cent of FNB's funeral customer base holds multiple life policies, which highlights the growing need to cover customers against the unexpected death of family members. Funeral cover remains the cheapest and easiest way to provide for a family member's funeral.

The FNB funeral plan offers customers premiums approximately 20% lower than the industry average and remains a key customer solution with guaranteed cover and speedy claim payouts. The funeral plan is currently FNB's most accessible insurance product, available across a multitude of channels such as branches, call centres, USSD, FNB mobi, FNB online banking, the FNB app and ATMs.

Funeral plan claims during 2022 **81%** of funeral claims paid out in less than 24 hours

At 30 June	2022	2021	% change
Number of FNB funeral cover policyholders	<b>1.37 million</b>	1.3 million	5%
Lives covered under FNB's funeral plan	<b>3.9 million</b>	3.6 million	8%

FNB's inclusive funeral offering has grown 5% year-on-year and currently provides more than 1.37 million policyholders with cover for more than 3.9 million lives.

## Life insurance

### Financial inclusivity

The South African market benefits from a mature advisor-driven life insurance industry supporting the upper-income segments. However, even though the country has one of the largest funeral insurance markets in the world, its lower-income segments are largely underserved in this respect.

Many lower-income customers requiring easy-to-understand and accessible life cover to support their children's education or buy a home have limited options. In response, FNB introduced Life Simplified in 2017.

At 30 June	2022	2021	% change
Lives covered with FNB Life Simplified	<b>93 000</b>	96 000	(3%)

Life Simplified is a semi-underwritten life product that allows customers to take up life cover of up to R1.5 million by simply answering five questions. It further helps customers by including Spend Protect and a R30 000 funeral benefit that pays out in 24 hours, at no additional cost. The product has also been offering an innovative retrenchment benefit since 2022.

HELPING CUSTOMERS PROTECT THEMSELVES, THEIR FAMILIES AND THEIR INCOME *continued*



### Mortality claims

Mortality is not always a topic easily discussed and FNB has experienced that many of its life insurance beneficiaries are unaware that their deceased family member held a policy. By regularly checking all its life and funeral policies against Department of Home Affairs records, FNB remains the only life insurer that proactively reaches out to beneficiaries to pay out customer claims, ensuring that the intentions of the deceased are met.

As a result of continued optimisation of operational processes, total death claim payouts and proactive death claim payouts increased by 37% and 30%, respectively, in 2022.

For the year ended 30 June	2022	2021	% change
- Death claim payouts*	<b>R2.1 billion</b>	R1.5 billion	37%
- Number of lives impacted	<b>&gt;52 000 lives</b>	>50 000 lives	
Death claims paid out proactively	<b>R195 million</b>	R150 million	30%

\* Including funeral and Life Simplified payouts.

### Living benefits

Apart from financially planning for death, consumers also wish to protect their income against life-altering events should they no longer be able to work and provide for their families. FNB offers a wide range of living benefits to protect customers financially against loss of income, critical illness or disability events.

Primarily driven by the impact of the pandemic, 2021 saw the highest number of living benefit claims paid out. As the South African economy shows signs of recovery from the pandemic and customers have recovered earnings capacity, living benefit claims have decreased 31% year-on-year.

### Living benefit claims

For the year ended 30 June	2022	2021	% change
Living benefit claims paid	<b>R268 million</b>	R388 million	(31%)
Number of policyholders impacted	<b>&gt;18 000 policyholders</b>	>29 000 policyholders	
Of which relates to inability to earn and retrenchment payouts	<b>R136 million</b>	R324 million	(58%)



# Holistic financial well-being for customers' employees

FNB promotes financial inclusion via the employer relationship by enabling its business customers to support employee retirement and long-term saving.

FNB actively engages these customers and their employees on the importance of precautionary savings, retirement savings and risk cover.

In addition to the above offerings FNB assists business customers in building an attractive employment offering with preferential rates on banking, loans and insurance for their employees.

The FNB Umbrella Retirement Fund can be offered to employees to help them save for a better future. They can also add (or take up separately) life, disability and funeral cover.

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

There has been good traction in employers taking up this solution in the past year, with many starting funds for the first time.

## Functionality enabled by FNB app

Approximately 35% of the FNB Umbrella Retirement Fund member base banks with FNB and has access to the FNB app and online functionality. Members can view their retirement fund balances and risk benefits, and update beneficiary nominations. The new integrated retirement calculator allows members to capture additional retirement savings outside of the fund and view their salary replacement ratio (SRR). Members also receive contextual in-app messages as they navigate their retirement journey.

Only FNB-banked customers have access to this platform functionality, however, a solution is being developed to ensure that all members can utilise the content and financial tools on the FNB app or online without having to open a bank account with FNB.

Employers can view employee fund credits, portfolios and their SRRs and notify them to capture or update information.



HOLISTIC FINANCIAL WELL-BEING FOR CUSTOMERS' EMPLOYEES *continued*

**Progress to date**

FNB has assisted 905 business customer employees in saving for their retirement, resulting in more than R63 million in assets under management to date.

FNB's propositions offered through the employer-employee relationship have contributed to growth in new retail customers.

**Short-term savings pilot**

FNB is piloting a short-term staff savings solution for SMEs that is equivalent to a 13th cheque. The solution is taken up by employers and is aimed at supporting employees who either cannot afford to or who do not already have a short-term savings plan in place. Employers and/or employees can make monthly contributions into individual accounts, encouraging the discipline of saving. Employers can choose whether they want to contribute or not. In either case the funds belong to the employee, who is able to build an emergency fund or save towards a specific goal.

Metric	2022	2021	Cumulative since inception (i.e. from February 2020 to 30 June 2022)
Number of business customers (employers) onboarded with employee benefit solutions	23 (fund-participating employers) 18 (risk-only employers)	7 (fund-participating employers) 5 (risk-only employers)	33* (fund-participating employers) 23 (risk-only employers)
Number of members/employees who joined the FNB Umbrella Retirement Fund	645	167	905**
Number of commercial customer employers who are new to a retirement fund	16	5	21
Number of employees who are new to a retirement fund	468	95	563
Number of commercial customer employees insured by FNB Life	2 811	176	2 987

\* Includes three business customers onboarded in 2020.

\*\* Includes 93 members who joined in 2020.



# Other platform solutions designed to address customer needs

FNB continues to build solutions that promote financial access and well-being for individuals and commercial enterprises, and that help business customers improve their ESG performance.

## eBucks

eBucks is one of South Africa's leading rewards programmes.

Since inception 22 years ago, eBucks has paid out more than R17.8 billion in rewards to members, with more than R15.3 billion spent. During the 2022 financial year, eBucks paid out R1.9 billion in rewards to customers.

	2022	2021
eBucks payout	<b>R1.9 billion</b>	R1.8 billion*
eBucks spent	<b>R1.7 billion</b>	R1.6 billion
eBucks payout since inception in 2000	<b>R17.8 billion</b>	R15.9 billion
eBucks spent since inception in 2000	<b>R15.3 billion</b>	R13.6 billion*

\* Restatement of prior year numbers, i.e. eBucks payout in 2021 previously reported as R1.9 billion, and eBucks spent (since inception) at June 2021, previously reported as R14.3 billion.

The eBucks rewards programme is free to join. Members pay no monthly subscription fees and eBucks never expire.

The programme is open to FNB and RMB private bank customers and allows members to utilise eBucks to supplement household income. Members can spend their eBucks at 37 online and in-store partners and also pay their bank fees.

The programme is designed to encourage good money management by rewarding customers when they practise responsible banking behaviour. For example, members earn reward level points for 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 manage their behaviour daily and make changes to move up a reward level and earn more eBucks.

eBucks rewards are offered to all segments. Entry-level Pay-As-You-Use customers can earn rewards in the form of weekly grocery coupons.

Customers have used eBucks rewards to help extend and better manage their finances.

### In 2022 eBucks won two International Loyalty Awards:

- Best Use of Technology
- Regional Loyalty Champion of the Year for Middle East and Africa

## FNB fuel relief campaign

Customers can earn back in eBucks an additional R2 per litre on their virtual card purchases at Engen fuel garages regardless of their eBucks reward level.



## Unlocking value beyond banking

FNB launched a range of new lifestyle benefits and partnerships this year which go beyond financial services. These are some examples:

- **Udemy:** Offers affordable, world-class education to all FNB customers via 400 curated online courses. The enrolment fee is only R50.
- **GuardMe:** A medical and personal armed response service that is accessed via a single tap on the FNB app, which is free for all employees and costs customers only R20 per month.

OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

**Digital stokvel**

A stokvel is a type of savings club consisting of a group of people who have entered into an agreement to contribute a fixed amount of money over a specific period for a common purpose\*.

FNB's digital stokvel has the following benefits:

- All members are able to view the account balance instantly
- Significantly improved security and convenience as transactions are digital
  - » Dual authorisation
  - » No need to go to an FNB branch to draw or deposit cash
  - » Signatories can digitally invite members to join
  - » Payments can be made directly to members' nominated bank accounts
- FNB pays a higher interest rate on digital stokvel balances
- Reduced fees

\* Adopted definition: Andrew Lukhele, founder and president of the National Stokvel Association of South Africa.

**Value-added offering available to digital stokvels:**

- Groups making purchases via home finance stokvels are able to buy properties jointly, which contributes to long-term investments and wealth building for members, by means of:
  - » Diversifying the group's investment holdings to asset classes other than cash.
  - » Generating income via rentals of such properties purchased.

- Progress of home finance solution
- Since the launch, there has been a 20% increase in collective-buying home loan applications.
  - Forty per cent of the applications received are from family stokvels, supporting intergenerational asset ownership.
  - Most applicants are in the 20 to 39 age group.

- Stokvel members can take up funeral cover for themselves, spouses and up to five children. This funeral cover ensures that all members and their families are covered in the event of death. The customer benefits from scale, as group members have the benefit of a discount of up to 20% on insurance premiums, depending on the number of stokvel members.



**As at 30 June:**

Metric	2022	2021
Number of stokvels registered on the digital platform	27 537	11 582
Number of stokvel members registered on digital platform	89 572	35 919
Initial deposits	R210.5 million	R73.6 million
Balance of group savings	R667.3 million	R223.5 million
Percentage of new to bank transactional accounts from stokvel members	45%	40%
Average interest rate earned	4.9%	2.8%

Of the 89 572 stokvel members on platform, 40 586 (45%) opened a transactional account as a direct result of the digital stokvel solution, thus contributing to the growth of FNB's overall retail customer franchise.

Approximately 75% of the uptake of the offering has been by low-income segments (Easy PAYU and Easy Zero), indicating that stokvels are an important saving mechanism for a large number of South Africans.

**Going forward, FNB managers will engage face to face with stokvel members to:**

- assist with stokvel digital functionality; and
- discuss FNB solutions that the members can benefit from both individually and collectively, with the convenience of immediate fulfilment.



OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

**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 education or mentorship. Most agricultural projects failed, resulting in government having to refinance projects multiple times.

In partnership with the Department of Agriculture, Land Reform and Rural Development, FNB Agriculture developed a solution using FNB's 3PIM\*\* platform, to minimise the risk of grant mismanagement. It allows government to transfer grant funding to each individual farmer while ensuring strong financial control:

- FNB onboards each farmer and assists them with digital banking.
- Each farmer gets a 3PIM account in their own name into which the grant is deposited, ensuring that ownership sits with the farmer.
- Non-standard call accounts are used to ensure immediate availability of funding and to generate better interest rates.
- FNB validates the account number with the National Treasury database.
- The farmer does not have access to the grant funding account, only FNB Agric does.
- FNB makes payments to approved suppliers directly from the grant account against validated invoices on behalf of the farmer, in line with approved budgets.
- 3PIM provides a full audit trail with bank statements enabling financial control and enhanced reporting.
- Instant accounting (an automated solution that assists farmers to build a financial track record) is provided.
- As part of the programme, farmers are partnered with mentors who assist with financial education.

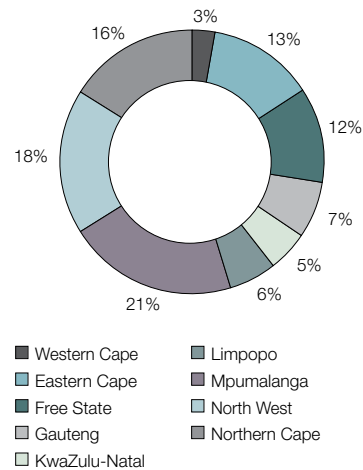
\*\* 3PIM is a system that gives the user the ability to open, manage and close any number of accounts, either for their own funds or for their respective clients, to be held separately from their operational balances.

**As at 30 October:**

Since inception in March 2020	2022	2021	2020
Emerging farmers onboarded, with access to FNB banking facilities	216	150	140
Validated grants balances under management	R1.4 billion	R940 million	R728 million
Interest earned by the farmers on the grant funding under management, for their own benefit	R56.5 million	R29 million	R10 million
Value of payments made directly by FNB Agriculture to suppliers on behalf of emerging farmers	R625.4 million	R461 million	R31 million

**Geographic breakdown of grant allocation in 2022:**

Percentage of farmers per province





OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

**FNB Shares Zero – allows broader market access**

FNB Shares Zero is an investment account that offers access to exchange-traded funds, ETNs and Top 40 JSE-listed shares. There are no monthly account fees and zero brokerage fees when customers buy any FNB exchange-traded product.

The aim behind launching FNB Shares Zero was to make investing in the world's most well-known and successful businesses accessible, simple and affordable. ETNs are investment instruments that provide exposure to international shares without investing directly in those shares. From as little as R10 a local customer can purchase an FNB ETN that directly tracks the movement of a global share such as Amazon, Netflix, Apple and Microsoft, or a collection of shares. This means any South African can add a global investment component to their personal money management.

This creates a micro investment opportunity that removes the costs typically associated with investment. This product promotes equal access to financial products and financial markets.

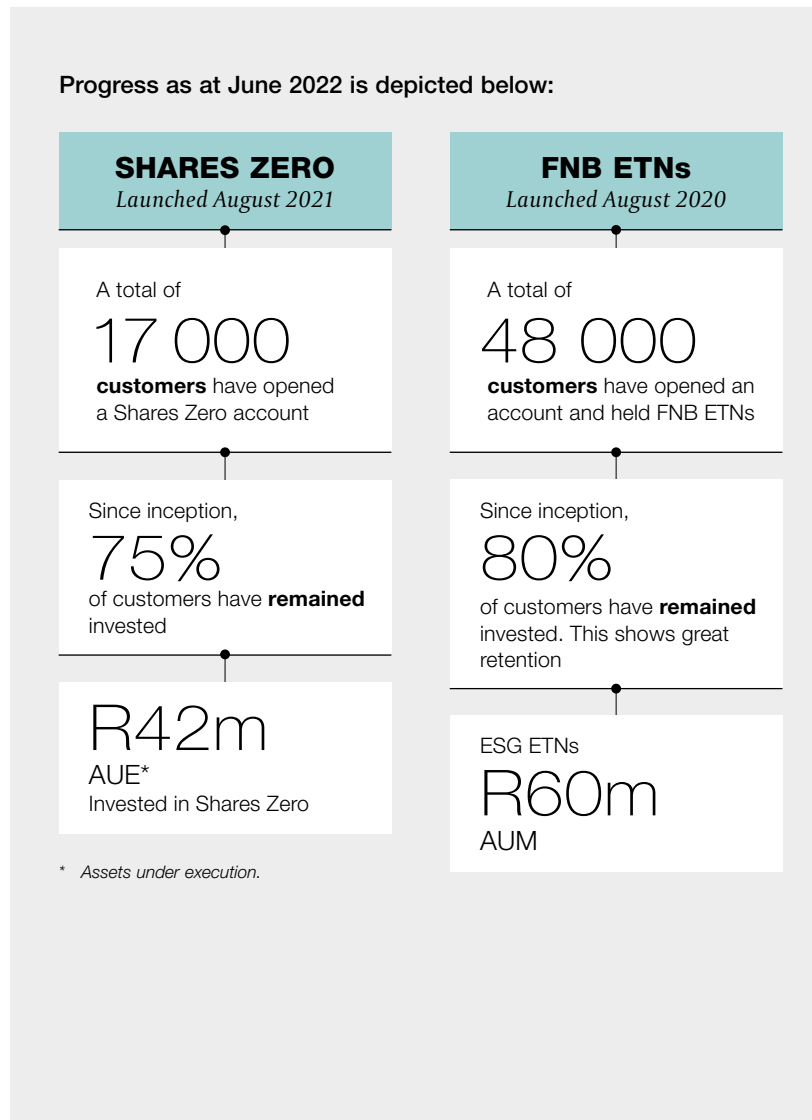
While take-up has been reasonably steady, market moves have affected the assets under management (AUM), which peaked at R460 million during the financial year. FNB is refining the distribution and marketing of these ETNs to promote greater consumer awareness. In addition, FNB is exploring listing the ETNs in various African jurisdictions to further the reach and impact of the product.

**ESG- and climate-focused investment products**

There are three ESG- and climate-related ETNs tracking water and clean energy indices. The ETNs support shifts in market behaviour towards investment that yields both financial returns and positive societal impacts.

These ETNs give investors access to a basket of global organisations that are leaders in the sustainable development fields of clean energy, water supply and security, and low-carbon emissions – from a minimum investment of just R10.

Customer understanding of environmental and social matters is a key underpin for greater uptake of these ESG ETNs. To this end, the group is exploring an ESG data service for retail investors to assist them in making informed ESG choices.



OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

**Community economy**

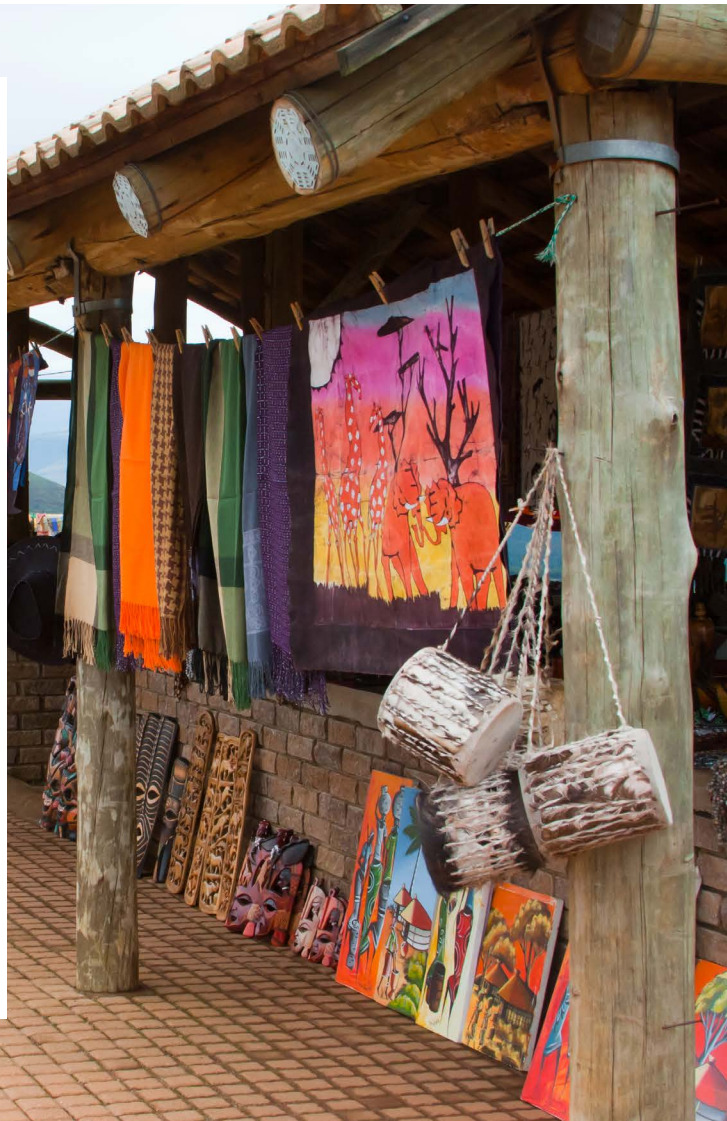
Micro, small and medium-sized enterprises (MSMEs) have the potential to address many of South Africa's challenges, such as unemployment, broad-based black economic empowerment and economic growth. Many of these MSMEs exist in what has traditionally been referred to as the informal economy, and operate in areas such as townships and rural areas.

The formal economy leverages a wide range of financial services and products with varying levels of sophistication. The informal economy, however, has limited access to these products and services. The opportunity exists to introduce appropriate and affordable financial products and services to formalise this market.

One of the characteristics of the informal economy that hinder financial inclusion is that cash is the dominant payment form. Since cash activity is relatively unseen, this limits the ability of financial service providers to provide credit or address the under-insurance of MSMEs.

**In 2019, FNB established a dedicated team to:**

- gain a deeper understanding of the informal economy; and
- better serve unbanked and under-banked MSMEs by focusing on increasing their access to financial services.



FNB has invested capacity to better understand MSME supply chains, ecosystems, customers and community stakeholders. This understanding has influenced market strategies, product development, pricing, support models and risk understanding.

FNB's objective is to provide financial and non-financial solutions to businesses in and around township economies, with the intended outcome of improving their financial inclusion, independence and scale, thereby contributing to improved livelihoods and job creation.

**Focus areas were identified to unlock MSME growth in a holistic manner. Strategies for each are currently being rolled out into targeted communities:**

- Data
- Marketing
- Education
- Sales
- Points of presence
- Ecosystems
- Service
- Product and service offerings

FNB has taken a phased approach to implementing the above interventions in targeted communities, starting with nine townships in 2019 and growing to 67 townships in 2022. The 2023 target is to expand by a further 33 townships and rural areas, taking the total number of communities to 100. **The 67 communities included in the scope represent South Africa's major townships and more than 12 million people.**



OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

**Digitising payments is a focus. As such the growth of transactional accounts and merchant payment services are important metrics.**

**As at 30 June:**

Metric	2022	2021	% change
Number of targeted community economies <sup>1</sup>	67	42	60%
Number of active, unique customers <sup>2,3</sup> in targeted communities	204 622	194 842	5%
Number of community economy branches	85	76	12%
Number of self-service devices across community economies	736	773	(5%)

<sup>1</sup> Targeted community economies: Townships where FNB is actively implementing its community economy strategies through targeted interventions and metrics.

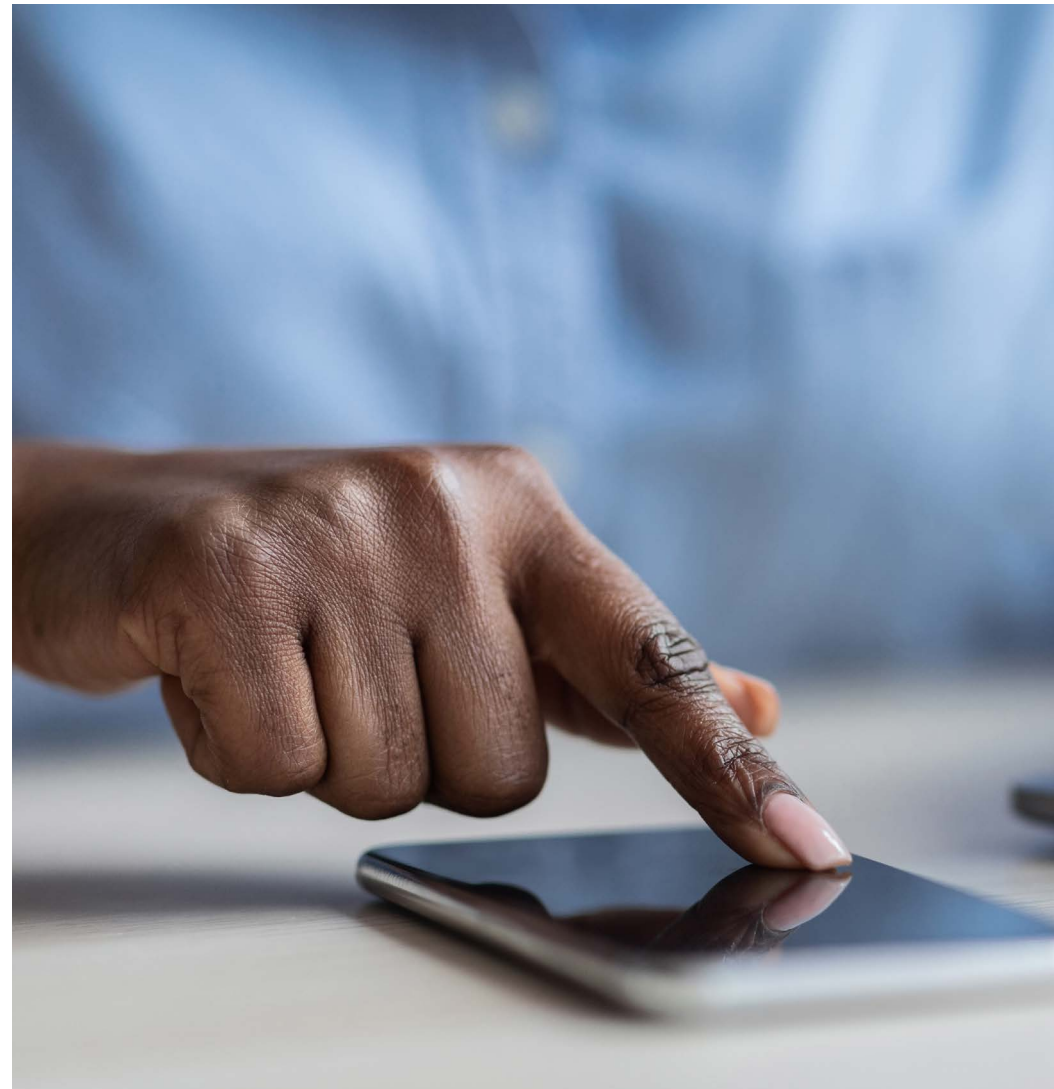
<sup>2</sup> Active unique customer: FNB commercial customers that have active products in the last 30 days.

<sup>3</sup> Unique customer numbers are calculated across the entire base of 67 communities, which means that growth is not the result of adding communities.

**FUTURE FOCUS**

The level of overall credit extension in community economies is low and business owners have highlighted challenges related to credit applications. To address some of these challenges FNB will focus on:

- continued financial literacy programmes aimed at educating business owners on improving their creditworthiness;
- alternative credit scoring such as activity-based scoring; and
- cash-to-card migration initiatives, enabling greater insight into business activity.



OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued***FNB'S NAV**

FNB's nav» was launched six years ago. It provides innovative life tools housed on the FNB app and aims to simplify life for customers and help them make smart financial decisions for themselves and their businesses.

Nav tool	Description	At 30 June 2022
<b>nav» Home</b>	Assists customers in buying and selling their homes. Customers can also search nearby properties, receive a free instant property value estimate, speed up the process with immediate pre-approval on home loans, track applications and calculate monthly repayments.	<b>Since inception in May 2016:</b> <ul style="list-style-type: none"> <li>&gt; R39.7 billion in payouts to more than 33 500 customers, helping households with both home buying and selling (48% growth on the prior year)</li> </ul>
<b>nav» Car</b>	Provides discounted deals on vehicles as well as access to pre-approved finance from WesBank, all in one place on the FNB app.  Once the customer has purchased a new car, it is auto-populated in the nav» Car garage. The garage digitally stores the car details and provides easy access to other tools such as fine payments, licence renewals and value estimates. Customers can also purchase scratch, dent and first warranty products to maintain their vehicles.	<b>Since inception in April 2017:</b> <ul style="list-style-type: none"> <li>&gt; 707 143 vehicles (net of deletions) have been loaded onto the FNB app (6% growth on prior year)</li> <li>&gt; 222 929 fines paid (with 51 261 fines paid in 2022)</li> <li>&gt; 171 125 vehicle licences renewed and delivered (with 73 586 licences renewed in 2022)</li> </ul>
<b>nav» Money</b>	Assists customers with improving their financial health and budgeting appropriately. Includes saving goal prompts, free credit status updates, automatic categorisation of monthly spend to enable smart budgeting with limit alerts, and other money management coaching tools.  In November 2021, My net worth (MNW) was launched. It provides an auto-populated snapshot of a customer's net asset value, with the functionality to add assets and liabilities for a complete picture. MNW also provides helpful tips to coach customers to achieve a positive net worth.	<b>Since inception of nav» Money in May 2018:</b> <ul style="list-style-type: none"> <li>&gt; 2.8 million users</li> <li>&gt; 17 500 active saving goals to the value of R624 million have been set up</li> <li>&gt; 1.05 million users have engaged with their credit status</li> </ul> <b>Since launch of Money Coach in April 2020:</b> <ul style="list-style-type: none"> <li>&gt; 449 591 customers engaged with Money Coach</li> </ul> <b>Since launch of smart budgeting in August 2020:</b> <ul style="list-style-type: none"> <li>&gt; 166 000 customers have set up budget categories</li> <li>&gt; 966 000 budget alerts set up to help customers stay within budget</li> </ul> <b>Trends indicate that customers who take up these solutions have a higher likelihood of:</b> <ul style="list-style-type: none"> <li>&gt; improving their credit status</li> <li>&gt; honouring their debit orders</li> <li>&gt; starting or increasing savings on hand</li> </ul>
<b>nav» Wellness</b>	The offering focuses on positive health, nutrition, fitness and mental wellness outcomes. It includes a telemedicine platform, medication script collection functionality and personalised wellness scores and goals. In addition, it offers a fitness and mindfulness events calendar, as well as guaranteed monthly discounts to help customers progress in their wellness journeys.  Click and Collect medication enables customers to upload medical scripts on the FNB app, select the closest pharmacy and collect their medicine after two hours.  The recently launched virtual healthcare telemedicine platform allows customers to conveniently book and pay for affordable primary care consultations for themselves and family via the FNB app.	<b>Since inception in 2019:</b> <ul style="list-style-type: none"> <li>&gt; 426 286 profiles set up, representing a 154% growth on the prior year</li> <li>&gt; 348 786 completed questionnaires (up 73% from the prior year)</li> </ul>



OTHER PLATFORM SOLUTIONS DESIGNED TO ADDRESS CUSTOMER NEEDS *continued*

Nav tool	Description	At 30 June 2022
<p><b>nav» Marketplace</b></p>	<p>nav» Marketplace is a single marketplace to help customers and businesses list and search for cars, homes and services.</p> <p><b>Home</b> Customers can 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.</p> <p><b>Car</b> Car Marketplace (peer to peer (P2P)) was launched in February 2021. The marketplace has been expanded so that customers can now search or list a car privately, making the listing available to thousands of potential WesBank pre-selected customers on FNB's secure banking app. In February 2022 Marketplace expanded its offering into dealership listings.</p> <p><b>Home Services</b> Customers who need help renovating or maintaining their properties 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 and security, and renewable energy providers). It only takes minutes for FNB-banked customers to list their businesses on Home Services, gaining exposure to up to 3 million active FNB app users.</p>	<p><b>Since inception of Home Marketplace in May 2020:</b></p> <ul style="list-style-type: none"> <li>&gt; 139 estate agents with 343 active listings</li> <li>&gt; 1 282 active listings (include properties listed both privately and with estate agents) with 544 728 views</li> </ul> <p><b>Since inception of Home Services Marketplace in May 2020:</b></p> <ul style="list-style-type: none"> <li>&gt; 2 490 suppliers have registered and of these 2 317 are Home Services</li> <li>&gt; The service offering has been extended to professional services and car services that are being piloted</li> </ul> <p><b>Since inception of Car Marketplace in February 2021:</b></p> <ul style="list-style-type: none"> <li>&gt; 2 812 customers have listed their vehicles privately in P2P</li> <li>&gt; Dealers have listed 1 414 vehicles with 792 414 views</li> <li>&gt; The platform has generated 642 leads to dealerships</li> <li>&gt; P2P has seen 4 648 secured chat engagements</li> </ul>
<p><b>nav» Care</b></p>	<ul style="list-style-type: none"> <li>&gt; nav» Care was launched as a pilot for employees in July 2020 and was officially launched to customers in November 2021.</li> <li>&gt; Users can donate cash or eBucks to a cause of their choice. The funds are then disbursed to vetted organisations.</li> <li>&gt; 5% of all donations goes towards the selection and management of grant recipients, ensuring appropriate use of proceeds.</li> <li>&gt; Donors receive section 18A tax certificates for their donations.</li> <li>&gt; Reports are provided to donors on the fund allocation.</li> <li>&gt; nav» Care Adopt was launched to FNB retail customers in February 2022 to support the adoption of early childhood development (ECD) facilities and old-age homes.</li> </ul>	<p><b>Since inception of nav» Care in July 2020:</b></p> <ul style="list-style-type: none"> <li>&gt; R3.4 million has been raised through nav» Care, with R2.4 million raised during the 2022 financial year</li> </ul> <p><b>Since inception of nav» Care Adopt in February 2022:</b></p> <ul style="list-style-type: none"> <li>&gt; Total of 68 old-age homes adopted</li> <li>&gt; Total of 1 099 ECD facilities adopted</li> <li>&gt; Total of 166 adoptions on the app</li> </ul>





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“The ocean’s power of regeneration is remarkable – if we just offer it the chance.”

SIR DAVID ATTENBOROUGH

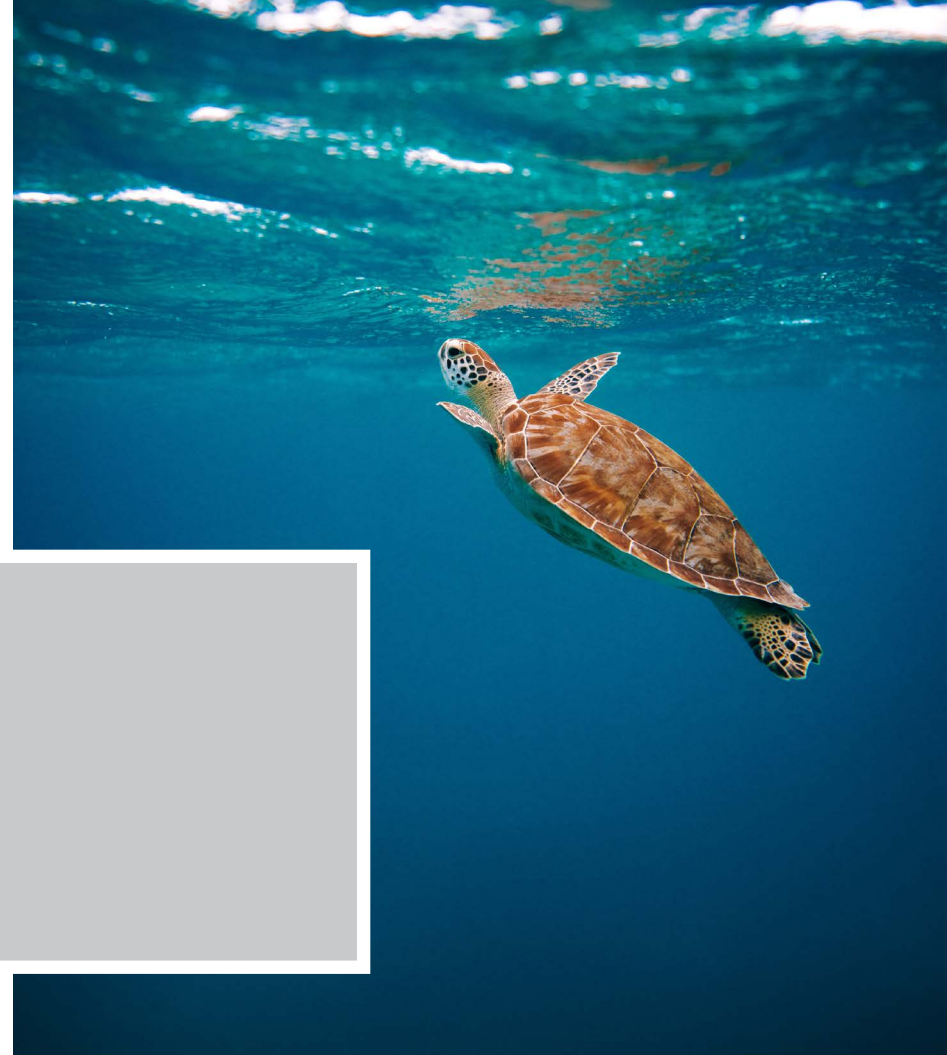


# TREATING CUSTOMERS FAIRLY

**This section outlines the group's philosophy on and governance of the principles of treating customers fairly. It also 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 governance frameworks, policies and processes in place to support this objective.

The group continually engages with regulators to ensure that it remains responsive to the evolving regulatory landscape.



# Treating customers fairly principles

The principles of treating customers fairly (TCF) are important throughout the product life cycle.



## 1 CULTURE AND GOVERNANCE

The board of directors and senior executives are held accountable for ensuring a culture of doing the right thing. This is achieved through ongoing discussions at all levels of the organisation, and focus on applying TCF principles throughout the product and financial services life cycle. The sustainability and governance executive committee has the mandate to ensure fair and sustainable outcomes for customers and that business practices are based on an ethical culture. Conduct committees, comprising business chief executives and other senior management, oversee conduct risk and ensure TCF principles are integrated into business-as-usual decision-making and are tracked through clearly defined metrics.

### The group:

- captures its TCF values internally through its 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 risks.

## 2 PRODUCT DESIGN

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

### Product reviews have focused on:

- vulnerable customers;
- product benefits and exclusions; and
- product design and ongoing product reviews.

## 3 CLEAR DISCLOSURE

The group continues to invest significantly in consumer education initiatives and staff training. 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.

## 4 SUITABLE ADVICE

TCF and market conduct outcomes are considered within performance scorecards.

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 continually evaluated by business. Financial advisory and intermediary services product-specific training modules ensure staff are aware of product features, benefits and pricing, and can easily explain these to customers. Continued professional development ensures ongoing learning and upskilling.

### The group remains focused on:

- advisor training; and
- governance procedures and oversight that inform product solutions.

## 5 SERVICE LEVELS AND PRODUCT PERFORMANCE

Products are consistently reviewed to ensure that they continue to deliver fair value. This evaluation process ensures 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. Root causes of common service failure themes are addressed to prevent reoccurrence.

## 6 NO BARRIERS TO CLAIM OR COMPLAIN

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

Claims and complaints are handled through both face-to-face and electronic channels. Dedicated teams manage complaints and engage with business units to resolve the complaints within reasonable timelines. 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 are revised.



# Financial literacy: education spend and programmes

Low levels of financial literacy in certain consumer segments require innovative approaches to financial education.

Financial education initiatives target the low-income market and aim to help consumers make informed financial decisions. During the year the group focused on digital platform innovation, improved monitoring and evaluation across programmes, and increased reach across all delivery methods.

FNB has developed content on financial literacy, savings, credit and debt management, and the benefits of digital banking channels.

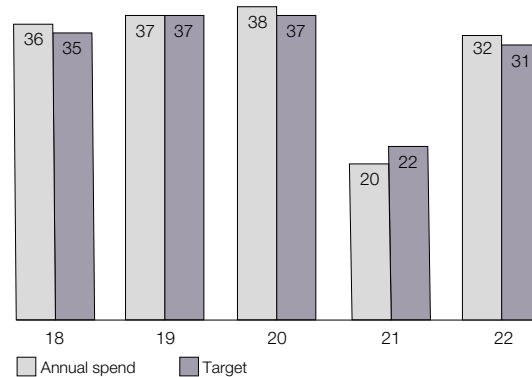
FNB has three key methods of delivery for consumer education – workshops and above-the-line (ATL) and digital platforms.

**1 Workshops** – virtual and face-to-face, facilitated by trained and experienced facilitators.

**2 ATL** – incorporating radio, television and print media, with a particular emphasis on regional and community radio and community print.

**3 Digital platforms** – various digital and social media platforms are utilised.

Annual spend on consumer financial education R million



The target for annual consumer financial education is calculated in accordance with the Financial Sector Code (FSC) and is based on 0.4% of the previous year's retail net profit after tax (NPAT).

## Reach of interventions:

1 174

Workshop sessions held

2021: 454

31 598

Workshop participants reached

2021: 5 609

222 854

Viewers reached through TV

2021: 625 267

21.2 million

Listeners reached by radio

2021: 5.9 million

92.2 million

Total views of content on digital and social media channels

2021: 30.4 million



## FINANCIAL LITERACY: EDUCATION SPEND AND PROGRAMMES *continued*

### Workshops

In-depth workshops incorporate interactive techniques and are conducted in various South African languages.

The easing of Covid-19 restrictions enabled FNB to resume in-person workshops and resulted in a significant increase in reach across target audiences, who were difficult to reach virtually during the pandemic lockdowns.

- FNB actively engages community and faith-based organisations, civil society and public and private sector entities to support their constituents.
- In-person workshops are held within communities, places of employment and educational institutions.
- A small percentage of workshops continue to be held via virtual channels, however, low levels of digital literacy, limited access to technology and data costs present challenges to low-income communities.

### Radio

Community, regional and African language radio stations are used to reach consumers across the country. The radio campaign ran from November 2021 to June 2022, broadcasting content in seven languages<sup>1</sup> across all nine provinces. The campaign format was an interview with an FNB consumer education expert.

**The radio campaign focused on financial literacy topics pertinent to the needs of consumers:**

- Basics of budgeting, tips on revisiting budgets and cutting back on expenses to help deal with income instability.
- The importance of saving for emergencies.
- Digital literacy to enable use of digital banking platforms.
- The importance of insurance, wills, creating resilience to financial shocks and protecting one's financial future.



<sup>1</sup> English, sePedi, seSotho, Swati, seTswana, isiXhosa and isiZulu.

## FINANCIAL LITERACY: EDUCATION SPEND AND PROGRAMMES *continued*

### Digital campaign

Digital platforms are used to deliver and reinforce financial literacy content at no cost to underserved communities:

Think Wi-Fi is a platform that creates free Wi-Fi hotspots in underserved communities. The platform provides content at no cost to the consumer.

During 2022:

- 1.4 million users were able to access FNB financial literacy content on the Think Wi-Fi platform, which was sponsored by FNB.

Other digital channels used include Meta (Facebook and Instagram), Google (programmatic advertising, Google Display Network and rich media), YouTube (TrueView and bumper advertisements), Twitter and AdColony.

### Future focus

FNB is also embarking on several digital initiatives to make financial education content more widely available.

- **E-learning micro modules** – FNB has developed short-format online learning resources for large companies and tertiary institutions in South Africa. Modules will be made available via learning management systems and will support employees and students who are not able to attend longer-format workshops.
- **Udemy** – FNB has developed a financial literacy programme to be made available to consumers for free through Udemy, an online learning platform.



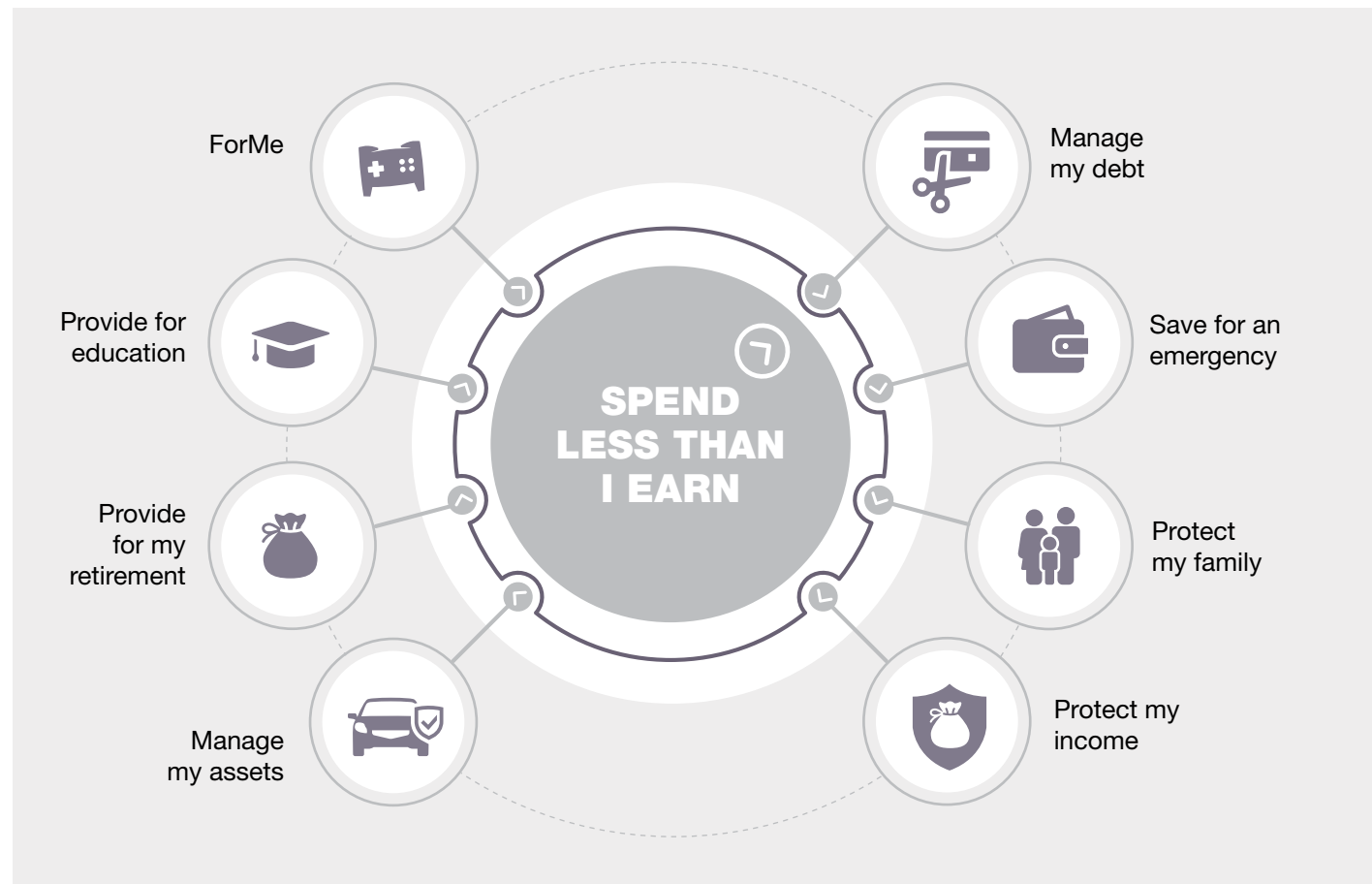
# Integrated advice

FNB provides integrated advice through education, insights and platform solutions for both employees and customers. The objective is to improve financial literacy, resilience and independence, and product uptake.

The integrated advice strategy (previously called money management) holistically covers all aspects of personal financial well-being as depicted in the diagram.

The application of these financial principles can assist customers to:

- free up cash flow;
- optimise debt;
- meet credit commitments;
- unlock investment opportunities; and
- protect their family and assets.



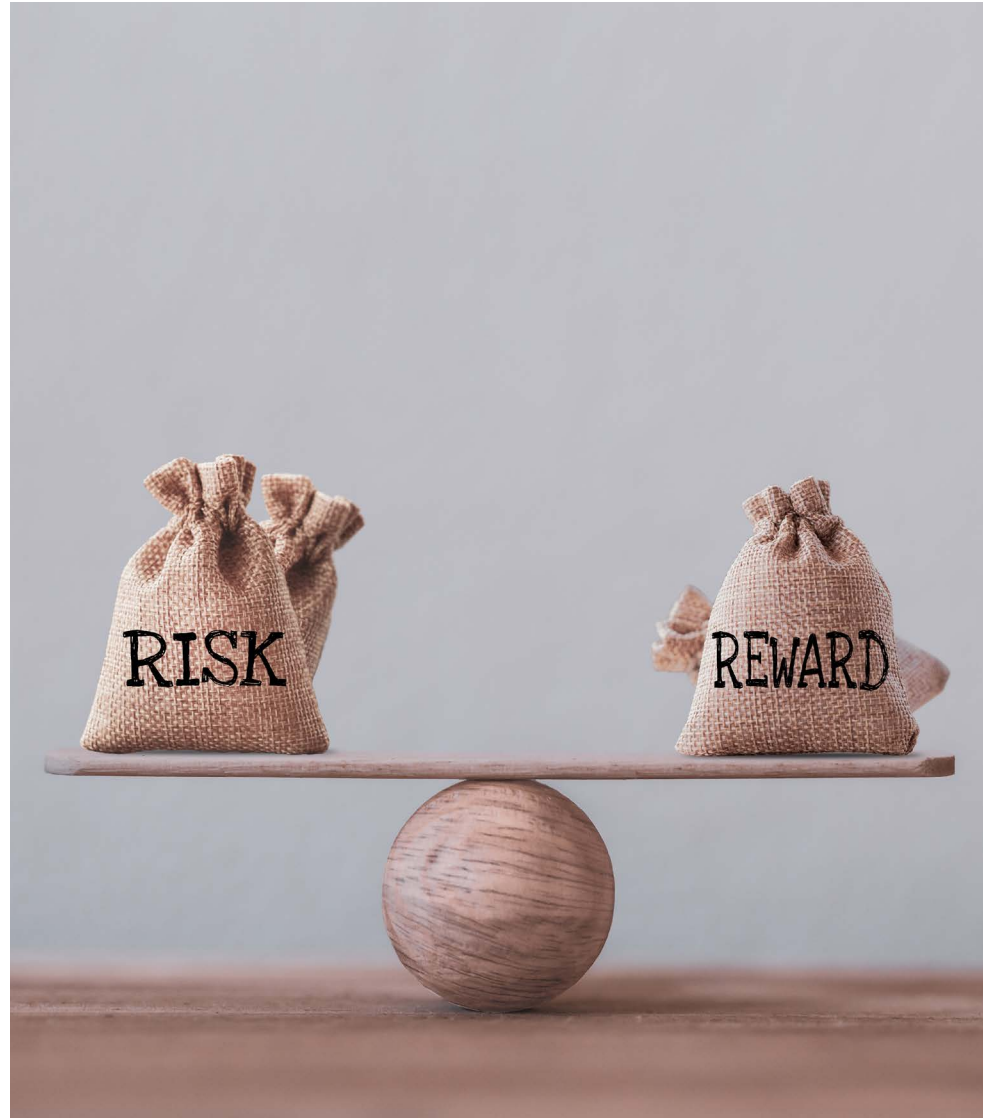
INTEGRATED ADVICE *continued*

The core strategy has included upskilling and assisting FNB staff in managing their money, ultimately setting them up for financial independence. This enables them to better advise customers.

During the year multiple virtual employee masterclasses covering different themes were attended by more than 25 000 staff members.

FNB runs regular customer campaigns, giving contextual tips to set customers up for financial resilience. The power of these tips is that they are integrated into everyday banking activity and are subtle but relevant.

These campaigns include mailers, masterclasses and frontline interactions. Over the last year, there has been a significant increase in digital campaigns, which resulted in more than two million customer messages being sent via the FNB app.



Metric	2022
Total number of customer interactions (all interactions, including masterclasses)	<b>2.2 million</b>
Number of customers who attended masterclasses	<b>3 631</b>
Number of employees who attended masterclasses	<b>25 433</b>
Number of e-learning modules completed by employees	<b>27 713</b>
Number of in-app emails sent to customers	<b>108 961</b>

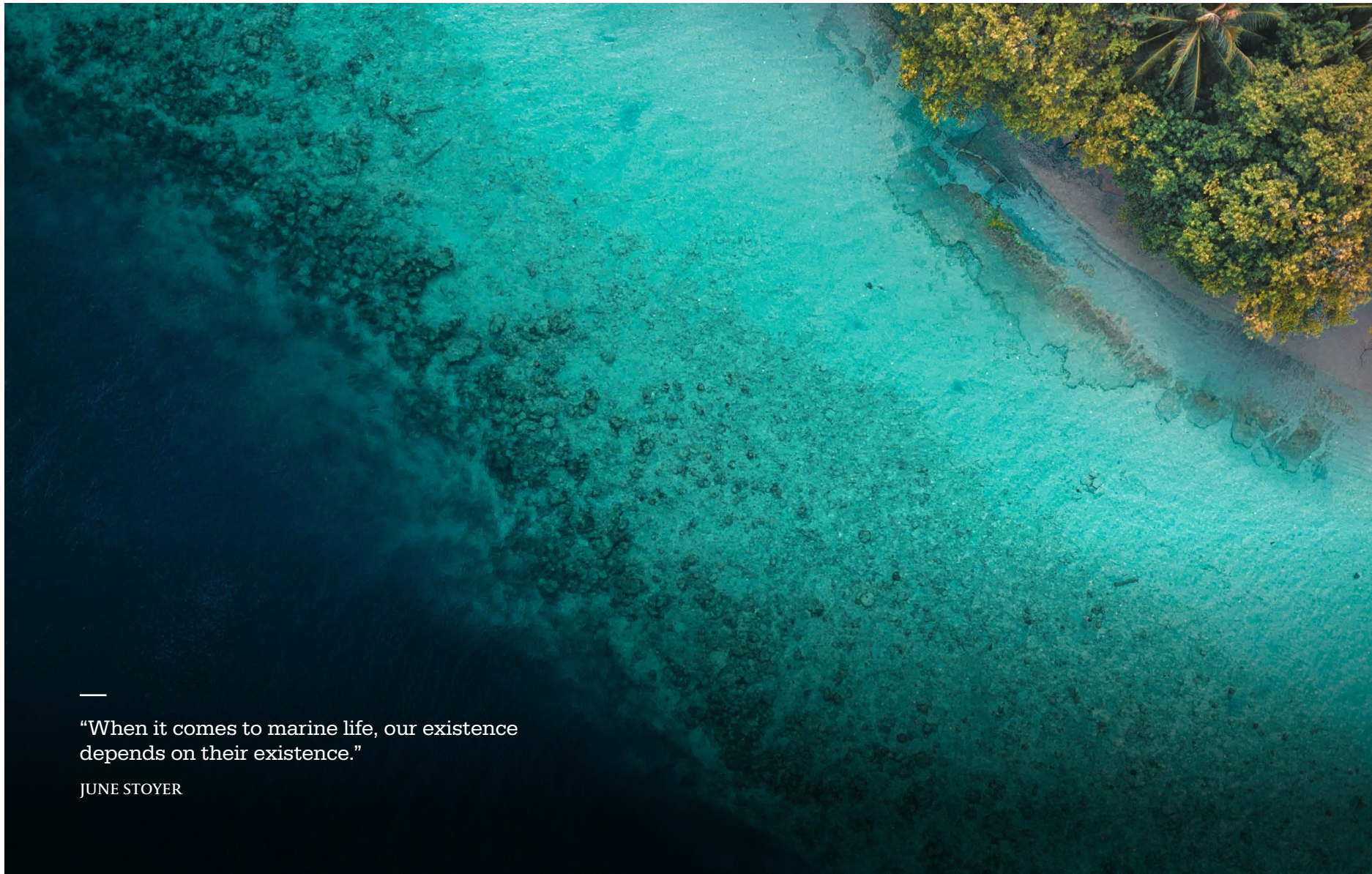
**Key performance indicators for improved insights**

FNB has started to measure and report key performance indicators (KPIs) internally, which provide insights into customer financial behaviour and resilience. These KPIs measure customer budgeting, debt management and saving for an emergency.

**Twitter Spaces**

In addition, FNB has hosted live audio conversations on Twitter. They are facilitated by FNB subject matter experts and cover different integrated advice themes. Both FNB customers and non-customers may attend. Six Twitter Spaces were hosted during the year, with 35 506 users reached.





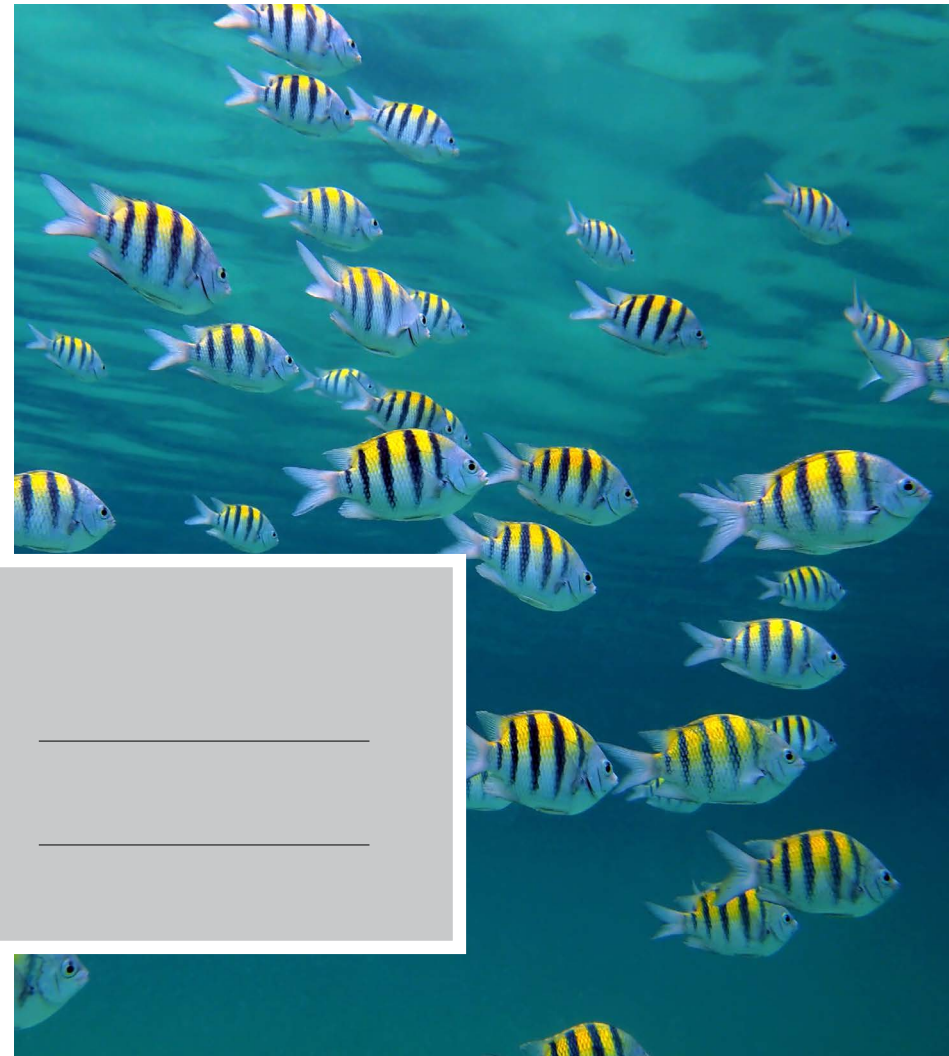
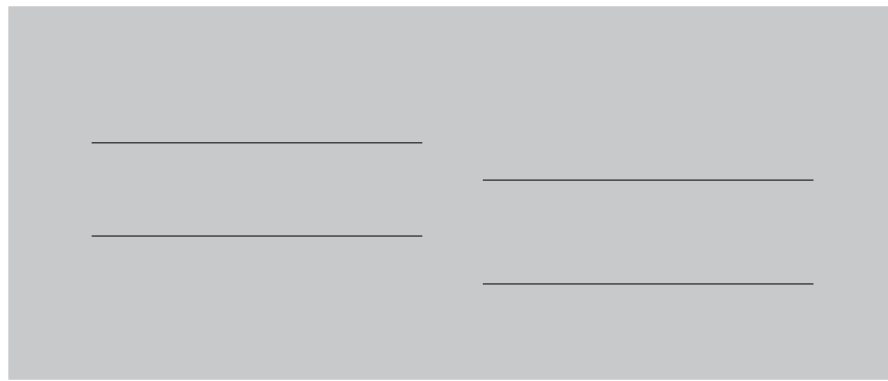
“When it comes to marine life, our existence depends on their existence.”

JUNE STOYER



# ADDRESSING TRANSFORMATION AND EMPLOYMENT EQUITY

FirstRand is proud to have achieved a level 1 broad-based black economic empowerment (B-BBEE) rating under the FSC scorecard for the past five financial years. Notwithstanding this achievement, the group acknowledges that true transformation is much broader than scorecards and that it still has more work to do.



The group considers transformation to be a critical strategic imperative for its business and for the societies it serves. It focuses its strategy in the six pillars outlined below.



FirstRand's 2022 B-BBEE certificate can be viewed at <https://www.firstrand.co.za/the-group/transformation-and-b-bbee-credentials/>.

B-BBEE, as defined in legislation, means the broad-based economic empowerment of all African, Coloured and Indian (ACI) South Africans.

**01 A better macro environment**

The group strives to support economic development through leveraging its key competencies to achieve positive social and financial outcomes for a broad set of stakeholders. This includes the grants allocated by its foundations.

**02 Investment imbalances**

FirstRand helps redress investment imbalances by financing development infrastructure, affordable housing and transformational agriculture, as well as by providing cost-effective and innovative access to financial services, including digital options, to previously disadvantaged people in geographic locations where services were not previously accessible.

**03 Employment equity**

FirstRand is committed to creating a diverse and inclusive organisation. This will enable innovative thinking, deeper insights and broader perspectives. FirstRand is focused on black and female appointments at senior management levels.

**04 Development of black business**

The group continues to procure goods and services from BEE-rated companies. Supporting black-owned and black women-owned suppliers remains a priority. Various business units within the group offer financing/investment to black SMEs at preferential rates. Support is provided to black SMEs through the group's enterprise and supplier development initiatives.

**05 Equitable ownership**

FirstRand's direct black economic interest is 28.80% and its black female economic interest is 13.56%. The FirstRand Empowerment Foundation (FREF) was created from the group's BEE transaction – it represents one of the largest endowments in South Africa and is black controlled.

**Scorecard**

**The FSC BEE scorecard has the following components:**

- ownership;
- management and control;
- skills development;
- preferential procurement;
- empowerment financing: affordable housing, transformational agriculture, development infrastructure and black business growth financing (BBGF) to BEE transactions and SMEs;
- supplier and enterprise development initiatives;
- consumer financial education; and
- access to financial services.





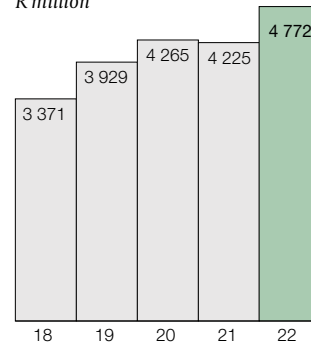
# Preferential procurement

An organisation's procurement process 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.

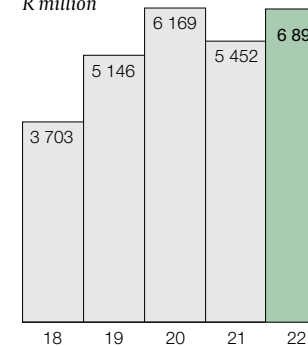
The group continues to focus on transforming its supply chain, specifically focusing on increased spend with:

- 1 SMEs in order to create jobs.
- 2 Black-owned suppliers to contribute to a more inclusive economy.
- 3 Black women-owned suppliers to enhance gender participation in the economy.

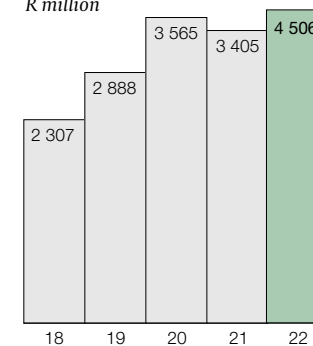
Preferential procurement spend – SME  
R million



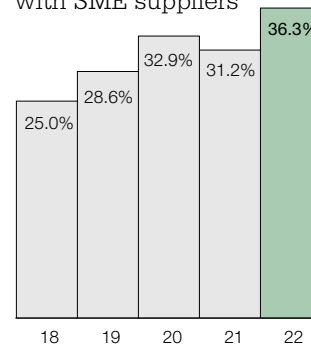
Preferential procurement spend – black-owned  
R million



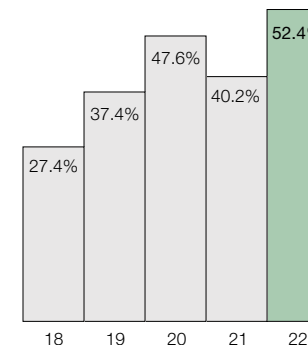
Preferential procurement spend – black women-owned  
R million



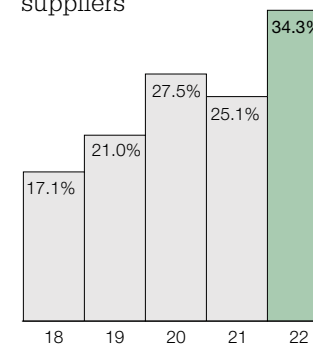
% of the group's total procurement spend with SME suppliers



% of the group's total spend with black-owned suppliers



% of the group's total spend with black women-owned suppliers



\* The above numbers have been verified by a South African National Accreditation System-accredited B-BBEE verification agent.



SME spend includes black-owned SME suppliers, which increased 17% from 2021.

The procurement team continued to execute on its mandate of sourcing fit-for-purpose goods and services at the most appropriate price without compromising its transformation objectives.

In 2022, procurement spend increased 15% from the prior year and reverted to pre-Covid-19 levels, with sustained focus on increased spend with SMEs, black-owned enterprises and black women-owned enterprises.



# Supplier development programme

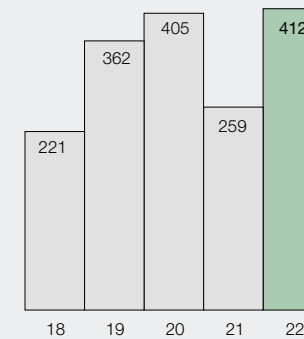
FirstRand's supplier development programme and initiatives are well positioned to develop black-owned SMEs in the group's supply chain. Suppliers are upskilled and supported with the aim of increasing their service offering and business sustainability.



The group's supplier development programme and preferential procurement strategy are integrated.

Participating black-owned SMEs are selected based on their ability to support localisation and/or job creation with a focus on bank-critical commodities. These commodity groups include infrastructure, debt collection, valuation services, consulting services and information and communications technology hardware providers.

Supplier development spend\*  
R million



\* Includes spend on supplier development programmes, mentorships, advisory support services, etc.



# Empowerment financing – black business growth financing

BBGF is a revised category under the amended FSC and replaces the previous categories of black-owned SME lending and BEE transactions.

The criteria for BBGF is new and existing black-owned companies that have direct black management and control. A key objective is assisting these businesses to become financially sustainable. Solutions include preferential lending terms and conditions, committing funds to black-owned fund managers and equity and asset financing at preferential rates.

## Lending to BBGF initiatives

2020	R14 billion
2021	R14.9 billion
2022	R17.5 billion



## CASE STUDY

### WesBank – supporting black SMEs

As specialist lenders in asset and vehicle finance, WesBank can play an important role in enabling small businesses to thrive.

WesBank has focused on simplifying the credit application process to minimise the documentation required to access credit thus enabling faster decision-making.

#### FOR EXAMPLE:

No financials are required for borrowing up to R1 million.

Applications can be made online and the reply is instantaneous.

Furthermore, customers sign their contracts online using highly protected i-contracting technological capabilities.

FNB customers can now apply for finance from WesBank on the FNB app. This was a significant development in 2022, as it makes applying for vehicle and asset finance even more convenient.



This simplified process enabled

8 073

SMEs to obtain finance in 2022

2021: 7 500

R2.8 billion

Rand value of vehicle and other asset finance for ACI SMEs in 2022

2021: R2.5 billion

In 2022, WesBank concluded more than **R2.8 billion of vehicle and other asset finance for ACI SMEs**. This represents an 11% increase in payouts from the previous year and is in line with the SME Index, which measures the small business sector confidence pertaining to labour laws, access to finance and state-level interventions, as well as other socio-economic realities.



# Employment equity, diversity and inclusion

South Africa remains the group's primary market, with 39 287 permanent employees (39 783 including temporary employees). ACI employees and female employees make up 80% and 60% of the South African workforce, respectively.

FirstRand is committed to building an inclusive, diverse and equitable environment where all employees feel they belong. Such an environment enables new thinking, deeper insights and broader perspectives for the benefit of all stakeholders – employees, customers, shareholders and society at large.

Equally, the group remains focused on addressing legally mandated employment equity (EE) requirements. FirstRand has an EE plan, which is a regulatory requirement of the Department of Employment and Labour. The group reviewed its people policies, practices and procedures in preparation for the development of its 2022 – 2027 EE plan and is in the process of implementing recommendations from this policy review. FirstRand believes its policies are non-discriminatory and are continually reviewed for bias against diversity and inclusion.

Recognising the South African transformation context, the group's objective is to ensure appropriate representation of women, black people and people with disabilities in the workplace. The group's EE plan is a key underpin to its transformation strategy.

The group continues to advocate for inclusivity and to be visible as an employer of choice for lesbian, gay, bisexual, transgender, queer, intersex, asexual and other (LGBTQIA+) talent. In 2017, FirstRand launched its LGBTQIA+ affinity group Purple, followed by affinity groups in its divisions in 2020. In 2022, the Purple forum hosted a series of meaningful virtual and contact conversations and events.

Lotus, the group's other flagship gender diversity programme, is in its seventh year. The objective of the programme is to encourage women to grow as leaders by:

- tackling the corporate and personal challenges faced by high-achieving women;
- equipping delegates to make purposeful choices that will expand their impact and influence;
- providing practical tools to manage their careers in a more authentic and powerful way; and
- providing networking opportunities.

During 2022 there was an uptake of 162 women (2021: 76) on the Lotus programme from across the group, including the UK operations and broader Africa subsidiaries.

FirstJob remains the group's key youth development and employability programme, which builds scarce and critical skills in youth through carefully selected learnerships.

In addition, the group is entrenching gender parity by addressing unconscious bias, offering flexible working options and support for parents and employees with family responsibilities.

The group annually reviews and corrects income differentials for gender and race disparities.

The 2022 review identified and addressed unjustifiable income differential cases representing 104 employees. This is 0.3% (2021: 0.6%) of the total workforce. These were adjusted as part of the annual salary review and the cost of aligning the affected individuals' guaranteed packages was R2.3 million (2021: R7.6 million). The adjustment was lower than the prior year, indicating progress in adjusting income differentials.

### The group aimed to achieve the following targets by 2022:

Female representation targets by 2022	Actual
33% at top management	Not achieved, currently 25%
38% at senior management	Achieved, currently 39%
49% at middle management	Achieved, currently 50%
56% at junior management	Exceeded, currently 68%

ACI representation targets by 2022	Actual
42% at top management	Exceeded, currently 50%
51% at senior management	Not achieved, currently 47%
72% at middle management	Achieved, currently 72%
87% at junior management	Achieved, currently 88%



EMPLOYMENT EQUITY, DIVERSITY AND INCLUSION *continued*

FirstRand has achieved most of its 2022 EE targets, except for female representation at top management. This target will be achieved in the next reporting cycle following the appointment of a female CEO at RMB.

The analysis below provides workforce diversity information for the group's South African operations and is disclosed on a financial year basis as reported for Department of Employment and Labour and FSC purposes. This overall positive outcome is the result of the intentional development of ACI successors and female leadership development programmes.

## SA WORKFORCE

Year	Headcount	ACI male %	ACI female %	White and foreign national %
2022	39 287	31	51	18
2021	38 854	30	50	20
2020	40 668	30	50	20
2019	40 233	30	49	21
2018	37 958	29	49	22

## SENIOR MANAGEMENT

Year	Headcount	ACI male %	ACI female %	White and foreign national %
2022	2 407	27	21	52
2021	2 205	26	18	56
2020	2 075	26	18	56
2019	1 991	25	17	58
2018	1 795	24	15	61

## JUNIOR AND MIDDLE MANAGEMENT

Year	Headcount	ACI male %	ACI female %	White and foreign national %
2022	27 998	32	48	20
2021	26 288	31	47	22
2020	27 056	31	46	23
2019	26 390	30	45	25
2018	24 829	29	44	27

## TOP MANAGEMENT

Year	Headcount	ACI male %	ACI female %	White and foreign national %
2022	12	25	25	50
2021	12	17	25	58
2020	12	17	17	67
2019*	12	17	17	67
2018	60	17	18	65

\* 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.

EMPLOYMENT EQUITY, DIVERSITY AND INCLUSION *continued*

**ALDERMORE DRIVING FEMALE REPRESENTATION IN SENIOR ROLES**

Aldermore is committed to the UK's Women in Finance charter and has set a target of increasing representation of women in senior management roles to 30% in 2023, and 50% by 2025.

Currently, women occupy 21% of senior management roles. Aldermore is driving further representation through targeted initiatives such as:

- introducing specific diversity targets for all leaders within the organisation;
- committing to gender-balanced short lists for management roles;
- regularly challenging succession plans; and
- building a strong talent pipeline of women from grassroots to senior levels, through initiatives such as apprenticeships, mentoring, sponsorship and development programmes.





“For life on earth, save our seas.”

ANON





# PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

The group aims to provide its employees with an environment that encourages diverse thinking and innovation, and in which individual well-being is managed appropriately.

The group acknowledges that its employees are its most important resource, and that they are key to delivering on strategy.



# Enabling employees to thrive in the workplace

FirstRand continues to empower employees to build resilience by taking a proactive and holistic approach to managing their well-being. The group's BeingWell programme is built on scientifically led principles that enable employees to perform at their best.

Employees are provided with appropriate medical and wellness support and given proactive steps to mitigate health risks. The services that are provided within the employee well-being model continue to leverage medical scheme benefits, the employee assistance programme, human capital teams and business to collectively maximise value to both the employee and the employer.

During the year, several well-being interventions with a focus on mental health were implemented:

### Mental well-being

The past three years have seen unprecedented shifts in work and home life due to the pandemic and its long-lasting impacts. Despite the return to a level of normality, anticipatory anxiety and feelings of uncertainty about the present and future continue to weigh on employees' minds.

FirstRand continues to assist employees in navigating these complexities and uncertainties through awareness, training and support programmes.

- **Approximately 15 000 employees were trained on various mental health topics between September 2021 and June 2022, with the highest attendance at the following sessions:**

1. Lead well by BeingWell
2. From burnout to balance
3. My journey to BeingWell

- **Other interventions include:**

1. Daily mindfulness sessions
2. Communications for men to make their health a priority
3. "Let's talk about re-energising" programme aimed at addressing how sleep affects mental health, relationships and energy levels
4. "Are you OK?:" programme to start meaningful conversations and encourage individuals to seek required support for and guidance on mental health challenges, followed by an "understanding suicide" series

### VOLUNTARY ENGAGEMENT CHANNELS INCLUDE:

- ICAS push notifications and 24/7 access to virtual counselling;
- line manager psychological fitness training;
- mental well-being talks by affiliated psychologists; and
- mental health screening.



ENABLING EMPLOYEES TO THRIVE IN THE WORKPLACE *continued*



**Physical well-being**

FirstRand encourages employees to take their physical health seriously and facilitates health assessment screening at its five well-being centres and six on-site gyms. The group launched an awareness campaign in May 2022 to encourage employees to undertake personal health assessments, with a 20% uptake target over a 12-month period. The aim is to provide insights into the health of employees which can inform future interventions to reduce health risks.

FirstRand subsidises its on-site campus gyms, improving access for all employees. In 2022, the group introduced a flexible per-session fee, together with an online exercise toolkit, enabling all employees to exercise at any time and anywhere.

**Rewarding healthy behaviour**

FirstRand employees have access to various reward programmes aimed at recognising healthier behaviour. These programmes are available to employees via their respective medical aid schemes as well as through eBucks and nav» Wellness.

The intention is to promote the impact of making small lifestyle changes and maintaining a healthy lifestyle, thus improving overall well-being.

**Gender-based violence and harassment**

Maintaining a healthy and safe work environment remains a top priority for FirstRand and the group has continued to proactively respond to gender-based violence and harassment (GBVH).

The GBVH team, comprising representatives from employee well-being, communications, rewards and benefits, and security, has developed a robust policy to tackle GBVH in the workplace. This is accompanied by a guide on how employees can seek support for themselves, for a colleague or for a family member. This work leverages existing support and benefits and extends to providing real-time physical and emotional assistance.



ENABLING EMPLOYEES TO THRIVE IN THE WORKPLACE *continued*

### Other 2022 well-being interventions

#### *Launch of the Disability Fund*

This fund helps employees with disabilities to procure personal assistive devices and medical support.

#### *Women's Day event*

The event targeted women's health and well-being.

#### *Launch of a new well-being centre in KwaZulu-Natal*

The new well-being centre at Acacia House means the group now has a total of five well-being centres where employees have access to medical and nursing services, on-site counselling, physiotherapy and other medical services.

#### *Retirement workshops*

FirstRand hosted retirement workshops addressing the importance of saving towards retirement. The workshops also covered the psychological impact of the transition from full-time employment to retirement.

#### *Well-being workshops*

Workshops were held to address money matters, infertility, parenting, relationships and family matters, mental health and various men's health-related issues.

#### *BeingWell through good ergonomics*

Communication was shared with employees stressing the importance of setting up their workstations correctly, be it at home or at the office.

#### *Legacy of a Man*

This workshop was aimed at providing male employees with various tools to manage mental health issues specifically affecting men.

#### *Employee safety*

Crime continues to increase. In order to enhance employee safety, the group pays a monthly fee for every South African employee to access real-time armed response if they should need help. Employees can use the benefit via a mobile app 24/7 nationally at home, at work or while on holiday, anywhere in South Africa. In future the group will roll this out to the broader Africa subsidiaries.



ENABLING EMPLOYEES TO THRIVE IN THE WORKPLACE *continued*

### Blended working: Providing inspiring spaces and tools for hybrid work

The FNB Productive Me journey was launched in 2018 to utilise space efficiently and offer staff the ability to work from any location. This was a significant enabler for employees to remain productive during the pandemic.

The past two years have accelerated the uptake of blended working, making it a viable way to enhance organisational performance and the overall employee value proposition.

The group has modernised its buildings to create high-tech and modern spaces that support new ways to collaborate, socialise, learn and innovate. The space optimisation provides flexibility and caters for varying numbers of staff on campus. Office spaces have been designed to make the work experience healthier and more productive:

- Building upgrades have incorporated ergonomic design, illumination and greenery to boost well-being.
- Green principles have been incorporated, such as local sourcing and manufacturing, recycling and an in-house water bottling plant.
- Campus facilities include staff restaurants, gyms, well-being centres, retail offerings, an art gallery and outdoor spaces.
- The reservations system on the FNB app allows employees to conveniently book desks, meeting rooms and parking spaces.

### *Aldermore transitions company car fleet to greener options*

Aldermore aims to have a 100% low-carbon fleet by the end of 2024. During the year the proportion of internal combustion engine (ICE) vehicles in the company fleet fell from 45% to 29%. As part of a new benefits and sustainability strategy, new vehicle lists consist of electric or hybrid vehicles only. Employees get tax benefits for low-carbon or zero-carbon vehicles. During the year, drivers were allowed to terminate their ICE vehicle leases early to switch to electric vehicles.



# Leading Light programme

Given FirstRand's activities as a financial services business, the risk of theft, fraud, corruption and other unethical conduct is continually monitored with controls implemented to prevent such occurrences. FirstRand relies on its employees to be alert to any potential incidents and to take appropriate action so that all parties are safeguarded against associated losses.

The Leading Light reward programme incentivises employees to detect, prevent and report unethical practices. The programme is managed by FirstRand's ethics office and has a long track record of detecting and preventing losses caused by unethical practices.

Data collected from the programme is used to train and inform employees of fraudsters' methods, improve systems and protect customers. Key findings are also shared with the financial services industry to help curb unethical conduct.

Leading Light submissions increased 36% compared to the previous financial year. This was influenced by an awareness drive and Leading Light winners being announced on an internal television channel, X-TV.

Metric	2022	2021	2020	2019
Leading Light submissions received	1 262	925	987	1 056
Rand value of attempted theft, fraud, corruption and other unethical activities reported to Leading Light	R509 million	R354 million	R301 million	R351 million
Rand value of attempted theft, fraud, corruption and other unethical activities prevented through Leading Light	R508 million	R353 million	R298 million	R346 million
Rand value of rewards won by the Leading Light winners	R1.7 million	R270 000	R260 000	R1.7 million



# Youth unemployment

## FIRSTJOB YOUTH DEVELOPMENT AND EMPLOYABILITY INITIATIVE

The youth unemployment rate in South Africa is unacceptably high, negatively impacting lifelong earnings, economic growth and social cohesion.

Recognising the need for work experience amongst youth, FirstRand launched the FirstJob youth development programme in 2018. Since inception more than R414 million has been invested and 3 812 meaningful work experiences have been created. The investment for the 2022 financial year was more than R84 million, with 675 unique work experiences created.

The programme runs across the entire group to ensure that 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;
- creating meaningful work experiences; and
- building FirstRand ambassadors.

The programme comprises the FirstJob internal programme and the external partner programme.

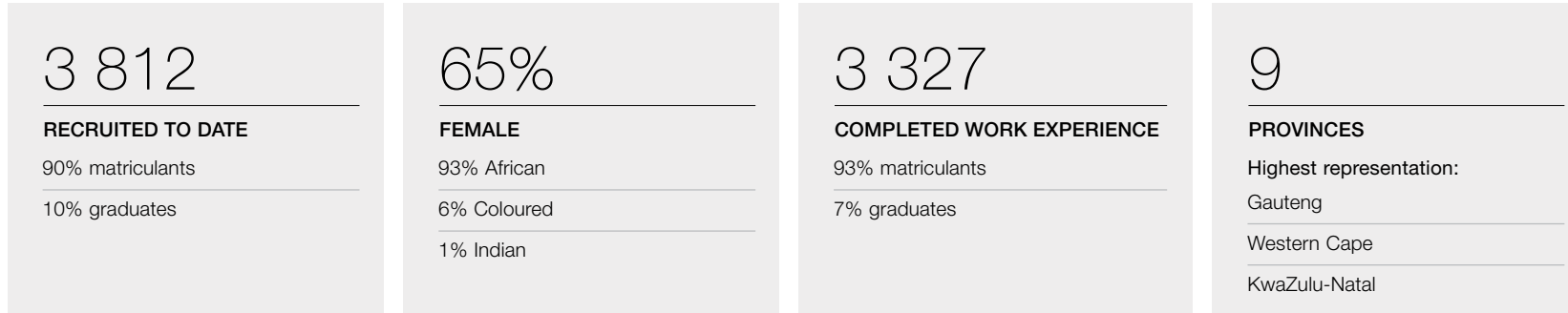
The external partner programme was created in April 2019 as an extension of the youth initiative. In partnership with the FirstRand Foundation (FRF) and FirstRand Empowerment Foundation (FREF), this programme places youth with external partners, including capacitating NGOs.

Since inception, 43% of youth on the FirstJob programme have been absorbed into the group and its wider ecosystem.



YOUTH UNEMPLOYMENT *continued*

**The FirstJob programme (internal and external) – cumulative four-year statistics at 30 June 2022:**



**Internal programme achievements:**

- FirstJob Namibia launched in April 2022.
- The Data Academy pilot was launched in 2022 to support the business need for data science skills. Fifty FirstJob youth, including matriculants and graduates, have been placed in data science learnerships across FNB.
- The new Risepreneur programme (entrepreneurship programme) was started to support budding entrepreneurs exiting the FirstJob programme. Thirty FirstJob alumni, who started small businesses during the FirstJob programme, received a five-month contract for support and training on entrepreneurship skills. This support was delivered by FNB Fundaba in conjunction with the Banking Sector Education and Training Authority and a training service provider.

**External partner programme achievements:**

- During 2022, FirstJob piloted a new customer placement programme:
  - » The first pilot was successfully completed, with ten FirstJob youth placements at an FNB customer.
  - » The pilot has been extended to an additional 26 FNB customers, placing just more than 70 youth for the next financial year.





YOUTH UNEMPLOYMENT *continued*

**CASE STUDY**

### Community bankers

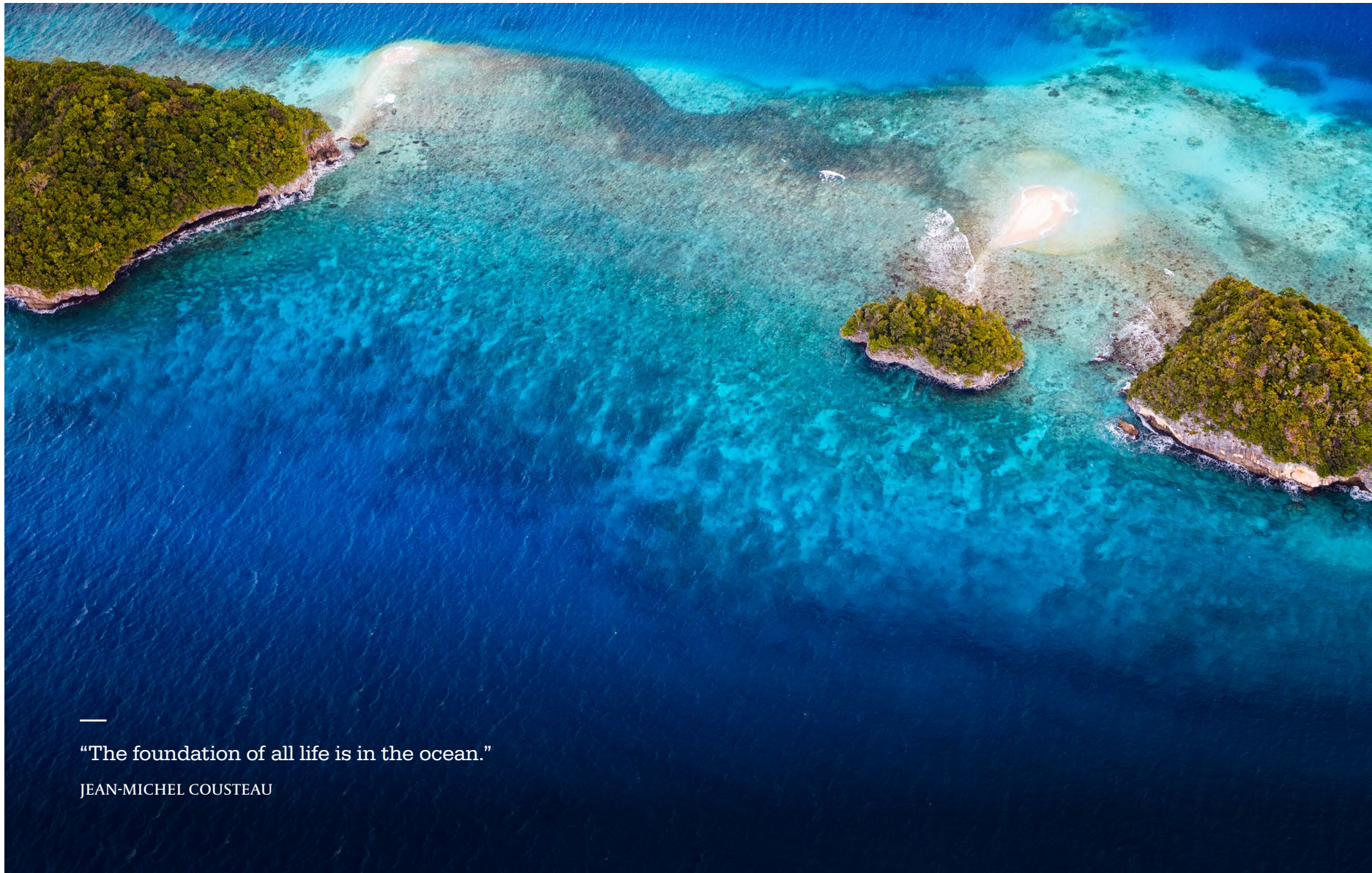
As part of the FirstJob programme, FNB has created an initiative called community bankers. Unemployed youth from previously disadvantaged communities are trained by FNB and then deployed as community bankers to assist FNB's strategy of servicing community economies (townships and rural areas).

Community bankers operate outside of the branch environment and onboard customers in their own communities, targeting entry eWallet and entry banking customers. This is an effective distribution channel. For example, 28% of Easy Zero sales originated from community bankers during the 2022 financial year, increasing to 49% during September 2022.

This initiative helps unemployed youth develop workplace confidence and skills, whilst contributing to economic activity in their communities.

During the 2022 financial year, FNB employed 228 community bankers with a target of 387 community bankers for the next year.



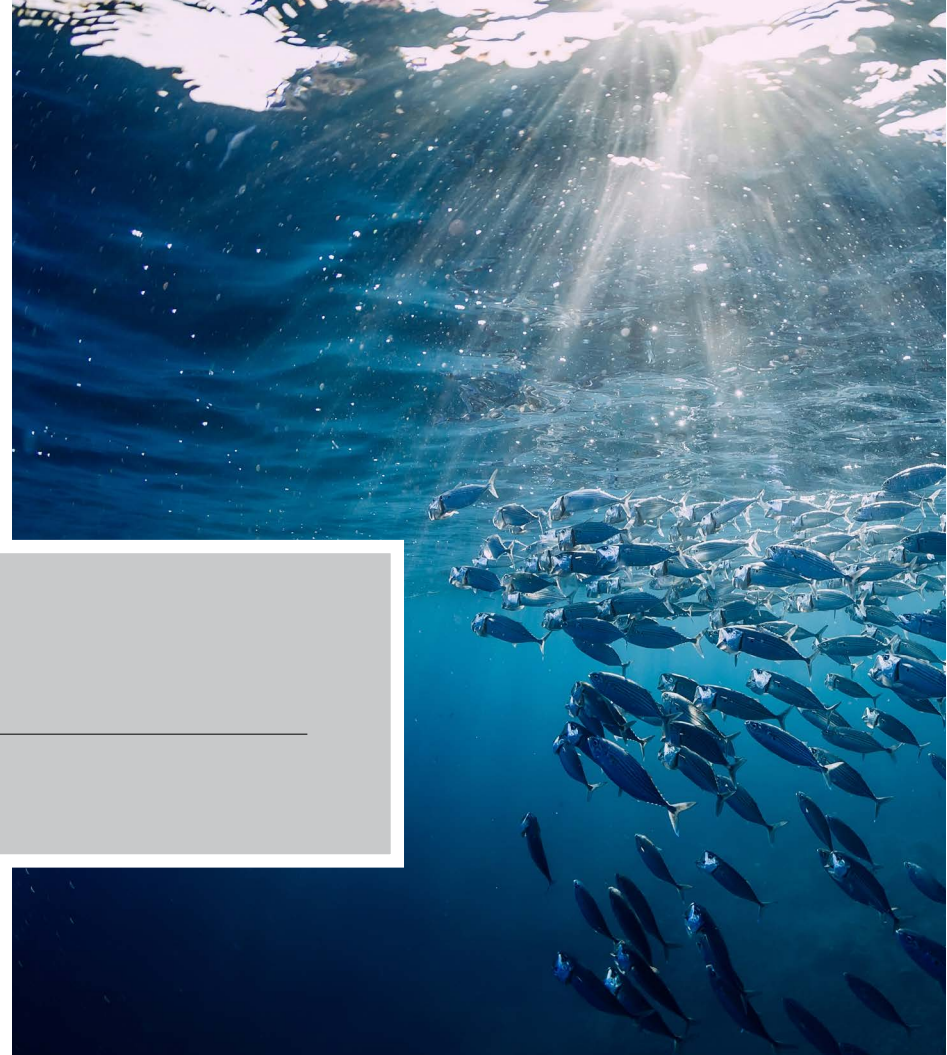


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“The foundation of all life is in the ocean.”

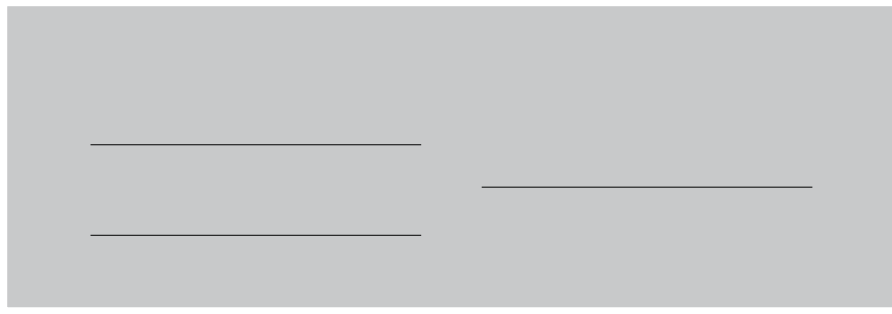
JEAN-MICHEL COUSTEAU



# SOCIAL INVESTING CONTRIBUTES TO UPLIFTMENT



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

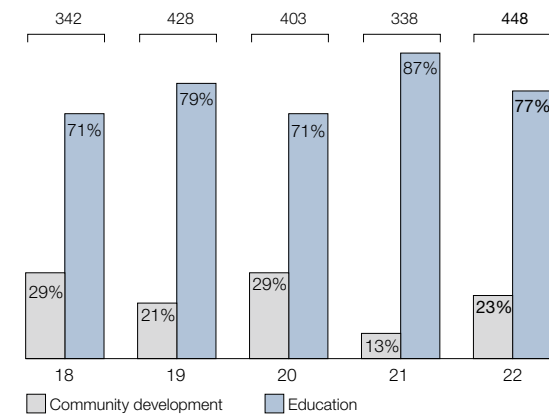


# FirstRand foundations

**There are three FirstRand foundations:**

	<b>FirstRand Foundation (including fund and trust)</b>	<b>FirstRand Empowerment Foundation</b>	<b>FirstRand Staff Assistance Trust</b>
Established	1998*	2005	2005
Type	Independent corporate foundation	Independent BEE ownership trust	Independent staff assistance trust
Number of trustees	10 (6 independent)	8 (7 independent)	6 (2 independent)
Funding based on**	1% NPAT of FirstRand Limited, excluding Aldermore and broader Africa	Dividends from endowment	Dividends from endowment
Value of endowment at 30 June 2022	Not applicable	Approximately R7.6 billion#	Approximately R1 billion#
Registered public benefit organisation	Yes	Yes	No

Total CSI commitment – FRF, F'REF and FSAT  
R million



\* Originally established as the Southern Life Foundation in 1988 and renamed the FirstRand Foundation in 1998.

\*\* In terms of South African Revenue Service (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 F'REF is financed through dividend income (and not via donations), it does not face spending requirements of this sort.

# Endowment values move in line with the FirstRand share price.



FIRSTRAND FOUNDATIONS *continued*

**Establishment of the FirstRand Foundation**

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 net profit after tax.

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 in the country, committed to contributing to the development of a better South Africa.

Last year, FirstRand transitioned the management of social investing from an outsourced model to an in-house team. This will enable closer alignment between the foundation and broader FirstRand operations.

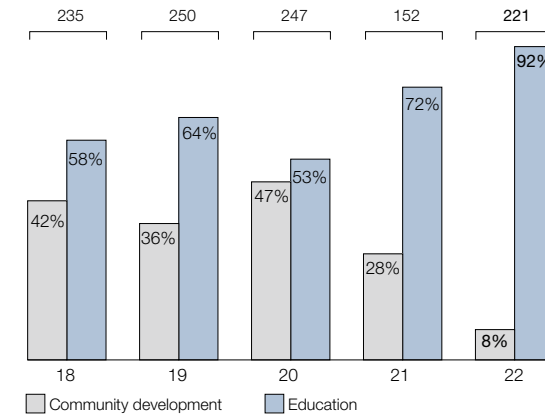
As part of this transition, a new strategy has been developed and four key focus areas were redefined as follows:

- 1. Facilitating an enabling environment** – enhance capacity within the development sector and enable delivery on other FRF focus areas.
- 2. Lifelong learning** – support the ongoing pursuit of knowledge for personal or professional reasons, to foster active citizenship, self-sustainability, competitiveness and employability.
- 3. Financial inclusion and well-being** – enable financial inclusion as a means towards achieving the end state of financial well-being.
- 4. Building thriving and resilient communities** – unlock the potential of communities to utilise available resources and access opportunities to become self-sufficient and resilient.

These strategic focus areas aim to address issues emanating from poverty, inequality and unemployment. FRF will ensure that race, disability, age, gender and geography are well represented in all interventions. The focus areas will also benefit from greater partnership with business and enabling volunteer activities. Technology will be an important driver of innovation, efficiency and scalability.

**FRF CSI commitment\***

R million



\* The reported number is the audited contribution for the FirstRand financial year. It is based on 1% of the prior year's NPAT of FirstRand Limited.

The 2021 FRF CSI contribution was lower than prior years due to the drop in the 2020 net profit after tax as a result of the Covid-19 pandemic. The 2022 CSI contribution has increased aligned with the group's improved financial performance.

Community development consists of investment in:

- the creative economy;
- the green economy;
- food security and agricultural livelihoods;
- the group's Volunteers programme;
- support for the disabled; and
- thought leadership.



FIRSTRAND FOUNDATIONS *continued*

**Establishment of the FirstRand Empowerment Foundation**

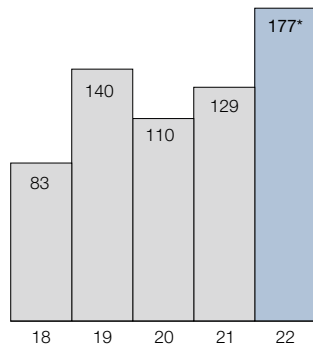
FREF was established in 2005 as part of FirstRand Limited's B-BBEE transaction. The parties to the foundation are FirstRand Limited, FirstRand Bank Limited, Kagiso Charitable Trust, the WDB Trust, WDB Investment Holdings Proprietary Limited, the Mineworkers Investment Trust and MIC Financial Holdings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

The key objective of FREF is to reduce 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.

FREF has a significant unencumbered endowment of FirstRand, MMI and Discovery shares. Up to 2021, the dividend income on these shares had been used to provide, promote and fund educational development in relation to disadvantaged South Africans, particularly in, but not limited to, the financial services industry.

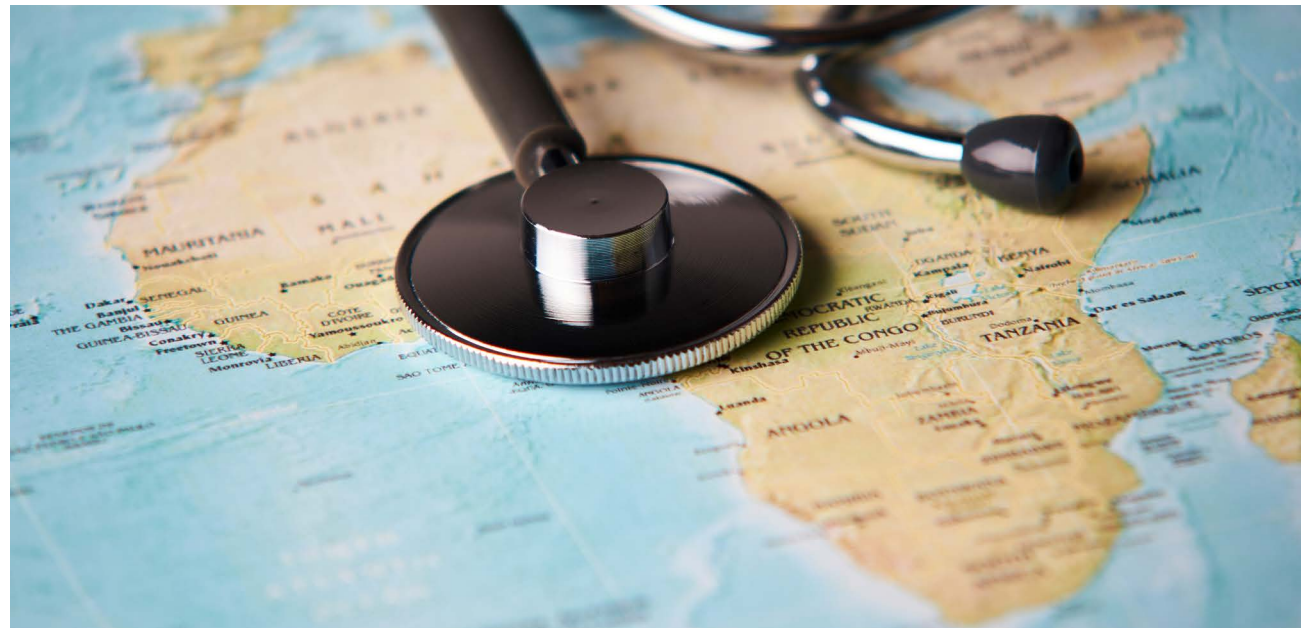
FREF CSI commitment  
R million



\* In prior years, FREF initiatives were focused only on education. From 2022, FREF has broadened its scope with 51% of its commitment to education and 49% to community development.

Going forward, FREF has refined its strategic focus areas as follows:

- 1 Agri-systems** – aims to transform and strengthen the agri-value chain and unlock the value of assets.
- 2 Climate change response** – recognises the impact of climate change on the development agenda. There is a need to invest in a climate change response to mitigate effects on livelihoods.
- 3 Gender-based violence and femicide (GBVF)** – aims to address the gaps in GBVF responses, through prevention, rebuilding social cohesion, economic empowerment, research and information systems.
- 4 Healthcare value chain** – aims to provide support throughout the healthcare value chain to enable the participation of black people.
- 5 Quality education** – aims to improve the quality of education for black South Africans.



FIRSTRAND FOUNDATIONS *continued*

**CASE STUDY**

### FREF'S SETTLING STUDENT UNIVERSITY DEBT PROJECT

South Africa's youth remain amongst its most vulnerable groups. According to Stats SA (2022), youth unemployment in South Africa is at 66.5%. Economic participation is important for youth in order to achieve self-sufficiency and support their families. Students who do not settle their university debt may not receive their graduation certificates – an essential requirement for entering the job market.

Student debt in South Africa has ballooned to R16.5 billion, up from R14 billion at the end of 2019. This number is expected to continue increasing as the delayed impact of the Covid-19 pandemic reduces household affordability of study loans and paying of fees, and as government continues to cut university grants.

In response to this challenge, the FREF has granted R40 million and partnered with Feenix on the Settling Student University Debt Project. Through this project FREF has helped unlock access to employment opportunities for university students who had a historical debt that prevented them from graduating and obtaining their degree certificates.

**The key objectives are:**

- 1 Ensure debt-free graduation** for financially excluded students in higher education
- 2 Ensure graduated students are best equipped to actively seek employment** and/or other economic activities with a degree certificate in hand
- 3 Measure students' further education** or economic inclusion/employment as an indication of a reduction in the amount of young people who fall within the Not in Education, Employment, or Training category
- 4 Support holistic student success** in conjunction with addressing funding challenges

### What impact did the project have?

**Student impact**

**682**  
students' university debt was settled

**95.98%**  
of students graduated and achieved their education goals

**Following deployment of funds, Feenix surveyed just under 50% of the funded cohort and discovered that:**

**63%**  
of graduates are economically active or in education, of which

**42%**  
of graduates are earning an income, and

**19%**  
of graduates are earning more than a liveable wage (R5 000) per month.

**Societal impact**

The project also aims for students to provide financial or non-financial support to their communities, their peers and other students supported by Feenix in order to ensure a ripple effect of socio-economic upward mobility.

**Pleasingly, 32% of graduates who benefited from the Settling Student University Debt Project are giving back in some way:**

**17.6%**  
is giving money to charity or family

**14%**  
is tutoring or mentoring other learners at school or university level

**The longer-term societal impact of the project lies in the opportunities that have been unlocked for some of South Africa's most marginalised groups, specifically:**

**Youth**  
- the median age of the project beneficiaries is 25 years;

**Historically disadvantaged groups**  
- 96% of beneficiaries are black; and

**Women**  
- access to previously male-dominated sectors have been unlocked for 47.8% of female graduates.

This demonstrates how access to a degree certificate positively impacts the family and communities of students who received funding. The funding provided and the partnership with Feenix have allowed FREF to make a meaningful contribution to the challenge of student debt. It aligns with **FREF's broader vision to reduce poverty and inequality by supporting public benefit activities that result in broad-based black economic empowerment.**



FIRSTRAND FOUNDATIONS *continued*

**Establishment of FirstRand Staff Assistance Trust**

FSAT is constituted as a perpetual trust registered with the Master of the High Court and SARS, and is governed by a trust deed. The trust's mandate is to assist black employees earning a salary package below a certain level, as well as their immediate families, with educational, healthcare and other needs. The trust offers bursaries to assist employees' children from grades R to 12. Qualifying expenses include school fees, transport, books and uniforms. The board of trustees has the discretion to amend qualifying criteria and expenses.

Due to the impact of Covid-19 on dividend income, the trustees reduced the qualifying income threshold from an annual salary of R400 000 to R250 000 for the 2021 school cycle. The trustees resolved to keep the qualifying threshold at R250 000 for the 2022 school cycle.

This threshold reduction excluded a large contingent of employees who had benefited in previous years. In response, for the past two years FirstRand Limited has donated an amount to make up the shortfall. This ensured continued support for employees' children who may have already been enrolled in schools that parents would not have been able to afford without this benefit.

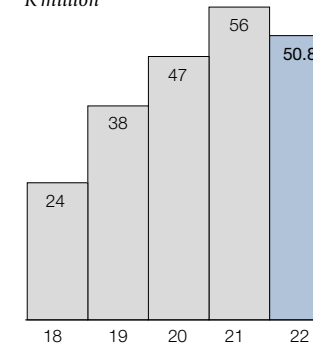
For the 2022 school cycle the trust, with the help of FirstRand Limited, assisted 5 628 employees with their children's school expenses, to the value of R32.4 million. This represents a fulfilment rate of 98% of total staff applications.

**School cycle assistance**

Year	Number of employees assisted	Value of assistance (R million)	Fulfilment rate (%)
2018	5 431	37.9	94
2019	6 205	46.5	96
2020	7 213	56	93
2021	6 567	50.6	96
<b>2022</b>	<b>5 628</b>	<b>32.4</b>	<b>98</b>

**FSAT CSI commitment\* (education)**

R million



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





# 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.

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

The programme's vision of "action with purpose" encourages employees to create strong long-term relationships with the communities they support. Employees are also encouraged to use action plans and metrics to track the impact of their initiatives.

### The FirstRand Volunteers programme offerings include:

- Cause-related volunteering: Employees support registered causes they are passionate about.
- Skills-based volunteering: Employees are encouraged to utilise their skills in volunteering efforts.
- Volunteering with FRF: Employees volunteer their time, skills and knowledge to organisations funded by FRF.

Year	2022	2021	2020	2019	2018
Employee donations (R million)	5.1	2.3	7.2	9	11.9
Number of employees who volunteered	899*	222	1 123	1 955	NM
Employee hours donated	2 931	1 210	6 055	9 616	NM
Number of organisations registered for volunteer support	203	113	140	224	247
Of which are schools	49	32	107	59	101
Of which are ECD facilities	40	66	45	40	40

NM: Not measured

\* Includes retired FirstRand employees (pensioners), previously not included.

Employee volunteer hours declined over the past two years due to the Covid-19 pandemic. During 2022 there was an increase in employee volunteering efforts as social distancing and lockdown restrictions were lifted, allowing more employees to visit and physically support their chosen organisations. During the year, 203 organisations were registered and received support from employees.



FIRSTRAND VOLUNTEERS *continued*

**CASE STUDY**

**EMPLOYEES SHARE SKILLS AND KNOWLEDGE**

FirstRand Volunteers partnered with a registered NGO called enke: Make Your Mark to develop a structured, supportive mentorship programme for the FirstJob graduates. The objective of the programme is to provide graduate interns with additional guidance, skills, knowledge, and exposure to the networks and experience of FirstRand employees during their one-year internship within the group. Fifty-four employees and FirstJob graduates were matched and participated in the first pilot, launched in October 2021.

Three structured skills workshops are included in the one-year programme. These are relevant learning and knowledge-sharing opportunities for the mentees, and in turn assist and inform mentors with goal-setting plans for their mentees.

**Summary of other drives supported during the year:**

Initiative	Support provided	2022 highlights
<b>People with disabilities drive</b>	Donation of assistive devices such as wheelchairs and walkers, and gym equipment for mobility exercises and physical stimulation.	<b>Nineteen FirstRand Volunteer teams donated 137 assistive devices to registered organisations, positively impacting the lives of 1 993 people living with disabilities.</b>
<b>FNB Keep Girls in School initiative</b>	An annual FNB Volunteers drive in collaboration with Mbali Eco Solutions and Palesa Pads to donate reusable sanitary pads to underprivileged girls at local schools.	<b>The initiative assisted 1 230 girls from 24 schools across eight provinces.</b>
<b>WesBank Child Road Safety initiative</b>	A WesBank partnership with the non-profit organisation Wheel Well to improve child road safety.	<b>A total of 22 used child car seats were donated by employees. Volunteer teams facilitated the handover of more than 100 new car seats, and also provided parents with training and assistance to install them.</b>

**RMB: KwaZulu-Natal flood response**

RMB employees partnered with the Themba Njilo Foundation to assist affected communities. They donated funds to purchase school uniforms, blankets, mattresses, bathing dishes, soap and candles for people who had lost their homes and belongings in the floods and who were being housed in community halls across Inanda, Efolweni and KwaMashu. RMB employee donations assisted 350 families and more than 150 schoolchildren from these communities.

RMB employees had been supporting the Themba Njilo Foundation prior to the floods and will continue to offer support to the organisation.



## Other employee initiatives

In addition to the 1% NPAT that FRF receives, teams from the retail and commercial businesses have set up complementary mechanisms that seek to leverage platforms, systems, client relationships and outreach ability for the benefit of broader society.

With the help of nav» Care platforms customers and employees are enabled to contribute to and be part of a larger “community of care” in conjunction with FirstRand’s efforts. The three pillars of assistance include:

- **Disaster relief:** The Retail and Commercial Disaster Relief Fund (Disaster Relief Fund or the fund), which includes FNB, WesBank, DirectAxis and MotoVantage, was set up in 2020 to complement existing CSI initiatives to provide rapid temporary disaster relief to affected communities.
- **Employee and customer engagement:**
  - » **Donate:** A donation of cash or eBucks to one of seven causes ensures that due diligence and governance checks are performed and donations have real impact.
  - » **Adopt:** Adoption of an ECD centre or old-age home enables a community of adopters to support sustainable interventions.
  - » **Volunteer:** Volunteering enables employees to give of their time and receive matched funding and/or apply for incentives to fund specific, chosen organisations.
- **Tracking progress:** Sponsorship of R20 million was provided to the Thrive by Five Index to measure school readiness by age five for children in South Africa.



OTHER EMPLOYEE INITIATIVES *continued*

**ADOPTION OF ECD FACILITIES AND OLD-AGE HOMES**

In 2020, the FNB Care team expanded its outreach mission to include support for the elderly as well as ECD facilities.

One of the objectives is to facilitate the adoption of ECD facilities and old-age homes by FNB employees:

1. Employees adopted 1 059 ECD facilities.
2. Employees adopted 29 old-age homes.

Customers and employees are encouraged to adopt centres and provide support to uplift various aspects of their centres, based on an individual needs analysis conducted at the centre. In an ongoing effort to scale the adoption model, nav» Care will be made accessible to FNB business customers on the FNB app. This has the potential to materially increase reach and impact.

**THRIVE BY FIVE INDEX**

The Thrive by Five Index of 2021, initiated by FNB and Innovation Edge in collaboration with the Department of Basic Education and supported by the US Agency for International Development and ECD Measure, is the largest survey of preschool child outcomes attempted in South Africa yet. It is the first in a series of surveys that will, over time, monitor trends in the children enrolled in early learning programmes who are "On Track" for their age in key areas of development.

Data on learning outcomes was collected using the Early Learning Outcomes Measure, a locally developed and standardised instrument that is aligned with the South African early learning curriculum. The data is intended to be used to galvanise action and drive change, to ensure that all children have the opportunity to thrive by age five.



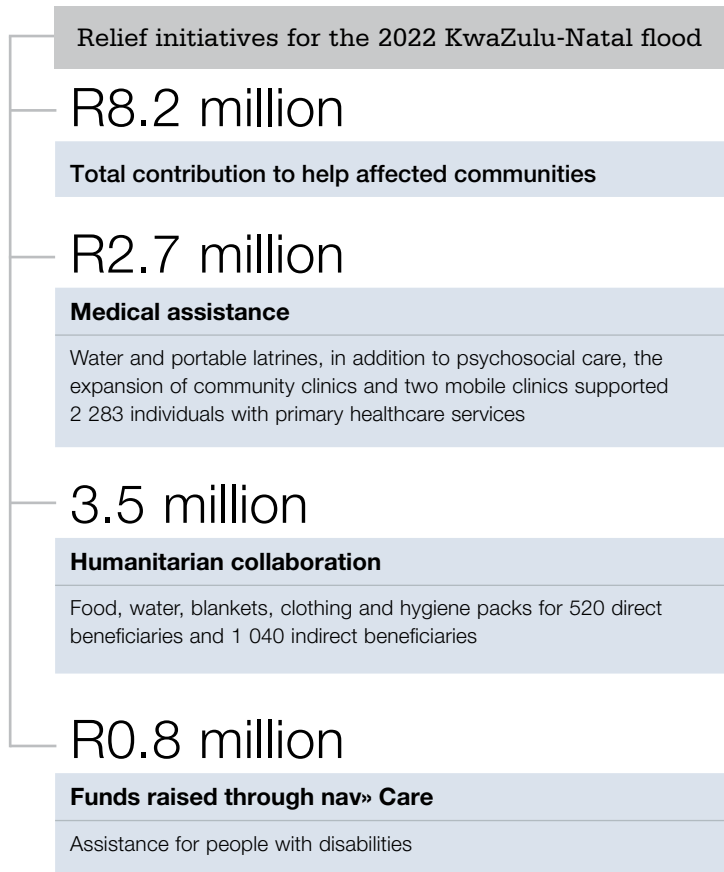
OTHER EMPLOYEE INITIATIVES *continued*

RELIEF INITIATIVES FOR THE 2022 FINANCIAL YEAR

The financial year started off with unrest in KwaZulu-Natal and Gauteng in July 2021, and KwaZulu-Natal was also affected by extreme flooding in April 2022. The retail and commercial businesses contributed more than R37 million towards disaster relief initiatives in the 2022 financial year.

*Relief initiatives for the July 2021 KwaZulu-Natal and Gauteng unrest*

The Disaster Relief Fund contributed R21.5 million to help employees and the greater community during the unrest. Funds went towards rebuilding vandalised schools, humanitarian relief (e.g. food) and SME support.





# Social impact through sponsorship

The budget allocated to building the FirstRand brand is directed at sponsoring activities and events that fund or support specific youth development programmes, particularly in disadvantaged communities. The group felt that if communities saw FirstRand as part of the success of its youth, it would be a powerful win-win outcome.

## Soweto Canoe and Recreation Club

The first youth development programme the group became involved with is the Soweto Canoe and Recreation Club (SCARC), an amateur sports club near the famous Orlando Towers in the township. This club has an impressive track record, using sport to help young people develop life skills such as building positive interpersonal relationships, learning how to work as a team and studying effectively. The club also provides vocational training and supports members with education and employment opportunities. FirstRand directly sponsors the club's racing team as well as its FirstRand-branded minibus, canoes and gear.

Previously SCARC faced a challenge during the long school holidays, with its members often alone at home without adult supervision. FirstRand proposed the solution of facilitating special youth development camps to reinforce the objectives of SCARC in a fun and secure environment. The camps have become an intrinsic part of the SCARC annual programme, with two camps each year. The focus of the camps has evolved to a blend of physical activities and life skills training including anger management, drug and alcohol abuse, team work and sex education. FirstRand sponsors the camps' running costs and FirstRand employees participate with career guidance and motivational sessions. The camps were suspended during the Covid-19 pandemic and resumed in July 2022. The camps

host approximately 50 children and teenagers between the ages of eight and 19.

The SCARC Learning Centre in Soweto was opened in 2019 and provides a safe space for the members to learn with a focus on reinforcing essential skills such as reading, writing and maths. The centre is open seven days a week with tutoring conducted across the age groups every weekday.

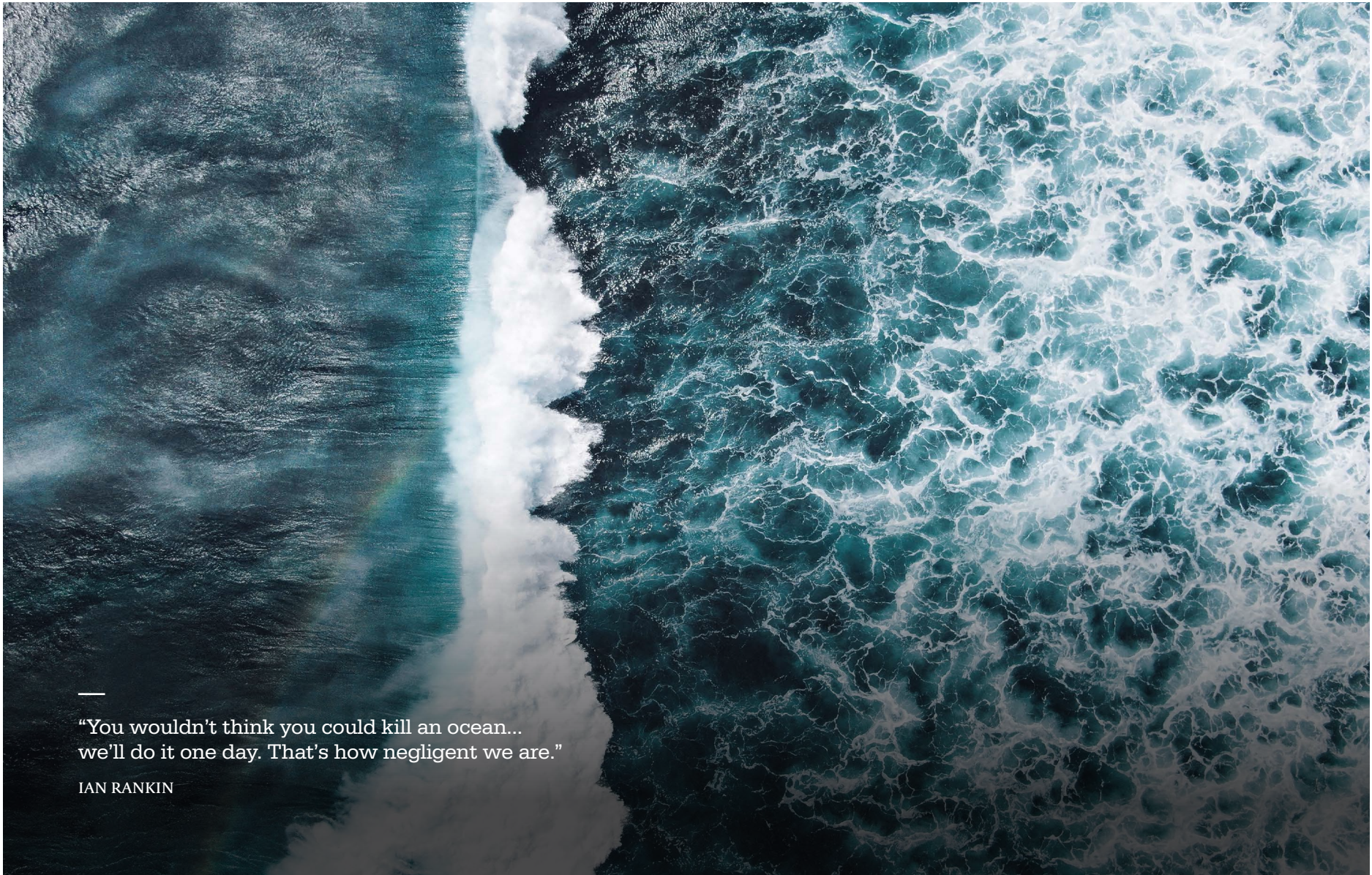
Since inception in December 2015, SCARC has reached a total of 280 people of which 52% are female. SCARC is actively looking to increase the number of female paddlers. The female representation at the club is significantly higher than the average in the sport.



### Breakdown of total community reach

	Male	Female	Total
Aged 14 years and under	55	45	100
Aged between 15 to 24 years	70	50	120
Aged 25 years and above	10	50	60
<b>Total number of people reached</b>	<b>135</b>	<b>145</b>	<b>280</b>





—  
“You wouldn’t think you could kill an ocean...  
we’ll do it one day. That’s how negligent we are.”

IAN RANKIN



# MANAGING THE GROUP'S ENVIRONMENTAL IMPACT

FirstRand is committed to the effective management of the environmental risk of its lending and investment decisions, its product and service offerings and its own operational impacts. It also promotes responsible practice through its supply and value chains.

**“FirstRand’s employees are highly motivated to find climate resilience solutions for its operations and even more importantly, for its clients.”**

ALAN PULLINGER – CEO



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*



### Environmental risk

Environmental risk is defined as the impact of the natural environment on the group's business, as well as the impact and dependencies of the group's business on the environment and on natural capital. A financial institution may be negatively impacted because of its failure to comply with the relevant environmental practices, laws, regulations, rules, related self-regulatory organisational standards and codes of conduct applicable to its activities.

These impacts can manifest in:

- legal or regulatory contraventions;
- material financial losses;
- operational costs;
- physical damage;
- credit risk; or
- loss of reputation.

Environmental risks can be grouped into two categories of impact for the group:

- Direct: Risk to or impact on the environment which is directly associated with activities related to the group's physical operations.
- Indirect: Risk or impact on the environment associated with the group because of activities conducted by its clients, investee companies, stakeholders, vendors or supply chain.

Environmental risk includes climate change and nature risk. When lending and investment transactions are screened, social risks are also considered.

#### Climate risk

This is risk resulting from climate change, which causes an increase in physical risks (stemming from increased incidences of natural disasters), transition risks (resulting from changes in laws, regulations or customer preferences) and third-party liability risks (due to non-compliance with climate regulations).

#### Nature risk

Nature risk and climate risk are distinct but interdependent. Nature risk encompasses biodiversity loss and ecosystem degradation and can lead to potential threats to a company linked to its and others' dependencies and impacts on nature. There has been a rapid decline in natural resources and processes (natural capital) which are critical for the stability of the planet.

As natural capital declines, nature's capacity to provide ecosystem services\* may be reduced temporarily or permanently, resulting in nature-related financial risks.

#### Social risk

Social risk relates to social impacts associated with activities of customers, investee companies or stakeholders resulting in financial, lending/financing, investment and equity interest exposure.

Social risks include issues relating to product responsibility and inclusion, labour, occupational health and safety, community involvement, community security, human resettlement, indigenous people's rights and human rights.

\* Ecosystem services are benefits that people obtain from natural capital, such as air and water purification services, crop pollination and the breaking down of waste. Biodiversity underpins the flow of benefits.



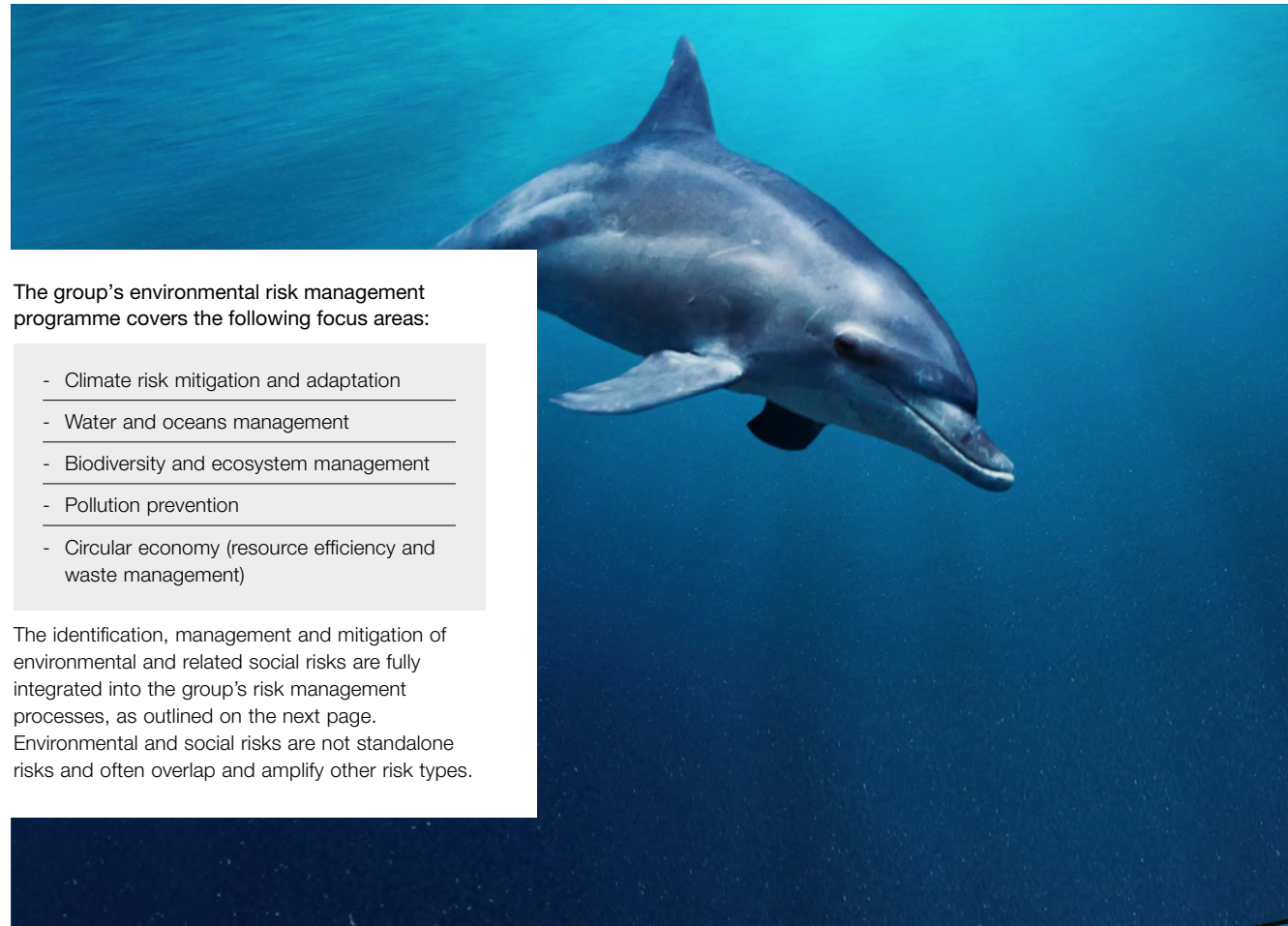
MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

## Governance and management of environmental risk

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

FirstRand has formal governance structures and processes for managing environmental and social risk. These include:

- enterprise-wide risk, social, conduct and ethics committees;
- detailed environmental and social risk due diligence for lending activities;
- reviewing the impact of natural capital risks on the group's lending portfolios;
- managing direct operational environmental risk impacts; and
- a dedicated environmental risk management team that forms part of the group enterprise risk management function.



The group's environmental risk management programme covers the following focus areas:

- Climate risk mitigation and adaptation
- Water and oceans management
- Biodiversity and ecosystem management
- Pollution prevention
- Circular economy (resource efficiency and waste management)

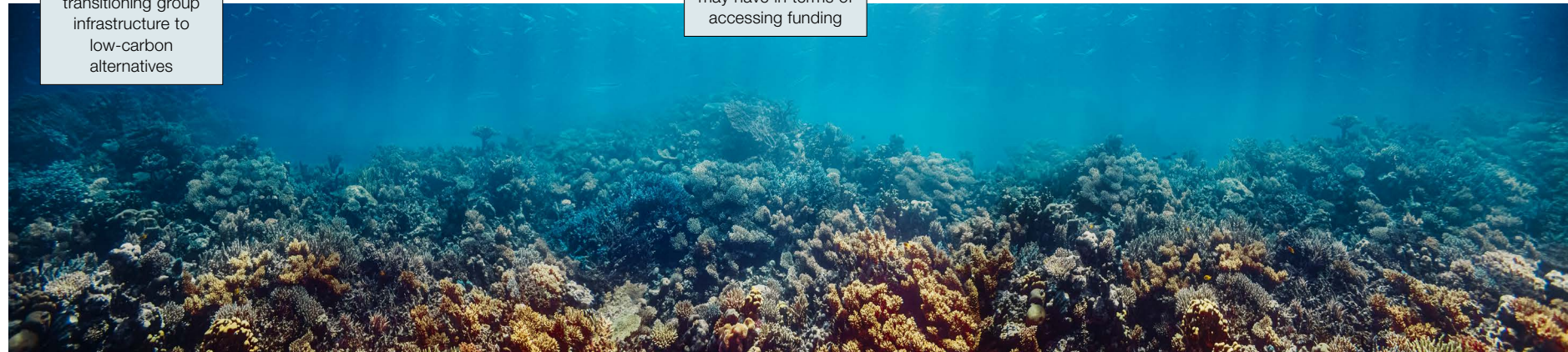
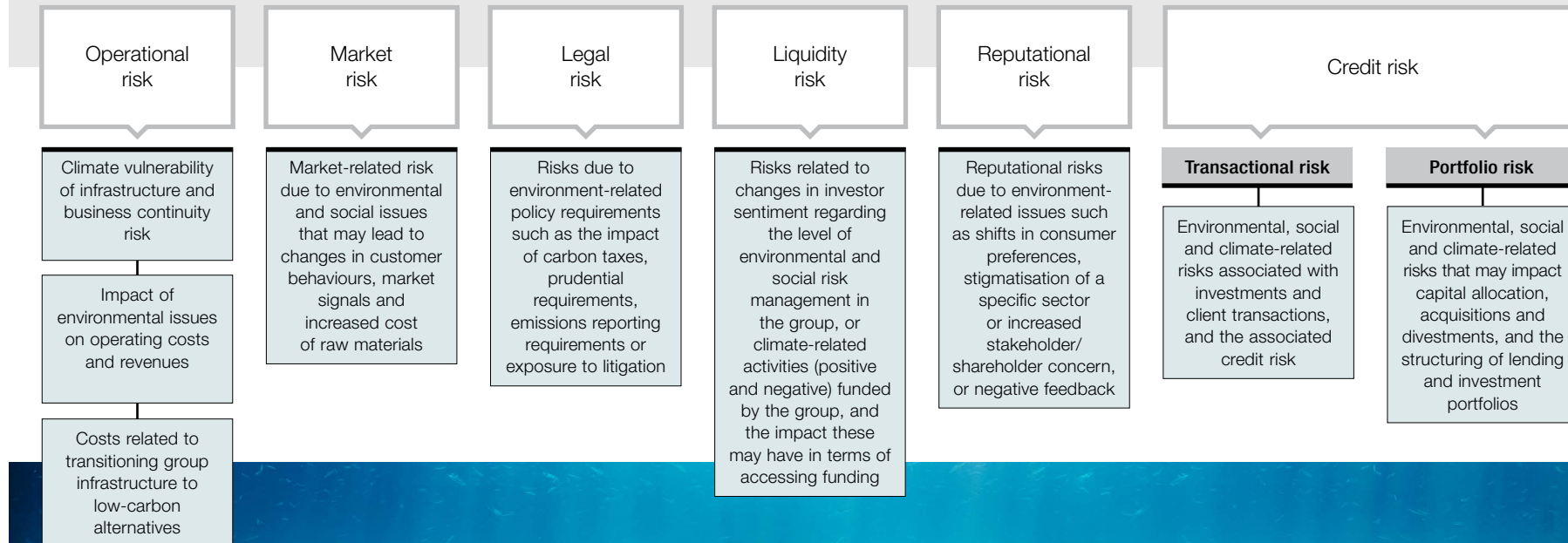
The identification, management and mitigation of environmental and related social risks are fully integrated into the group's risk management processes, as outlined on the next page. Environmental and social risks are not standalone risks and often overlap and amplify other risk types.



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**Risk management framework**

The environmental, social and climate risk (ESCR) management framework is designed to identify, manage and mitigate the following risks:



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**Assessment of environmental and social risks in lending and investment**

The group's environmental and social risk assessment (ESRA) transactional due diligence process was implemented in 2009 and is integrated into the credit risk governance process. It identifies and assesses environmental, social, regulatory and reputational risks, to either FirstRand or its clients, with the potential to cause severe societal and environmental degradation as well as to negatively impact the ability of clients to meet their credit commitments.

**ESRA:**

- 1** 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.
- 2** Includes a built-in exclusion list and a restricted list of sensitive activities that the group will finance within limits (negative screening).
- 3** Requires compliance with all relevant local and national environmental, labour, health and safety and human rights legislation, as well as formal impact assessments, permitting and public commentary processes.
- 4** Includes a climate risk and biodiversity questionnaire to assess the client's current performance baseline.
- 5** Transactions are automatically risk rated by means of an online ESRA process based on activity, which is 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, for example by lacking permits or not being compliant with the conditions and standards set by the group, the transaction team and FirstRand's ESRA specialists work with the client to resolve this. Submission of an environmental and social action plan developed by the client may be required for compliance monitoring. Where a decision on the way forward cannot be reached due to the risks involved, the transaction is reported to the relevant committees and to the FirstRand Setcom for noting and discussion purposes. ESRA is a prerequisite and a mandatory credit application component.

The ESRA process is housed within the group environmental risk management team, which has 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 enhancements made in 2022:**

- The focus of the screening has traditionally been on the impacts that clients have on the environment and on social aspects. The 2022 upgrade included the integration of climate- and biodiversity-related assessments in order to analyse and better understand key dependencies and impacts due to climate change and biodiversity losses.
- Enhanced review of climate-sensitive industries, in particular fossil fuels.

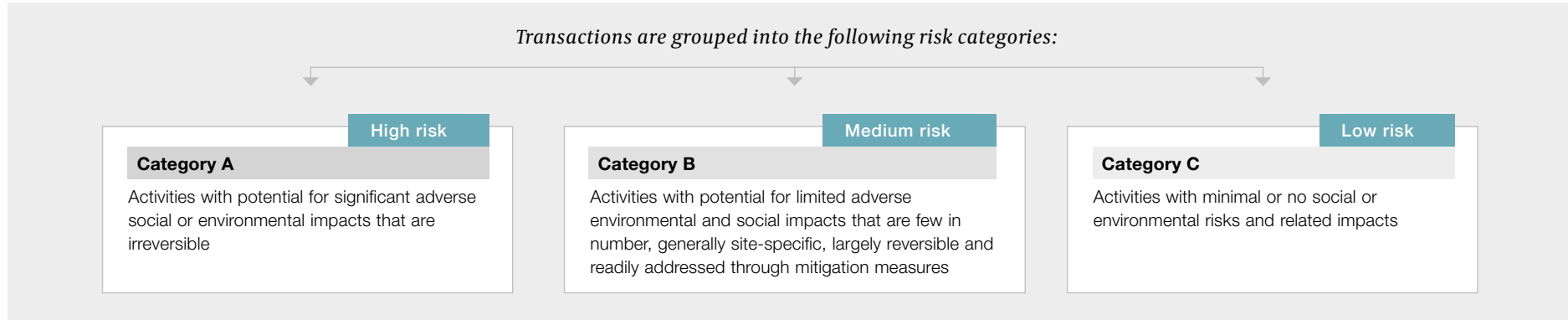
In addition, the updated ESRA 2.0 system was commissioned. It is a new online platform which is accessible to all employees across FirstRand's businesses and subsidiaries. The updated tool can be used on any group platform or interface, and provides automated workflows and time-stamped audit trails.



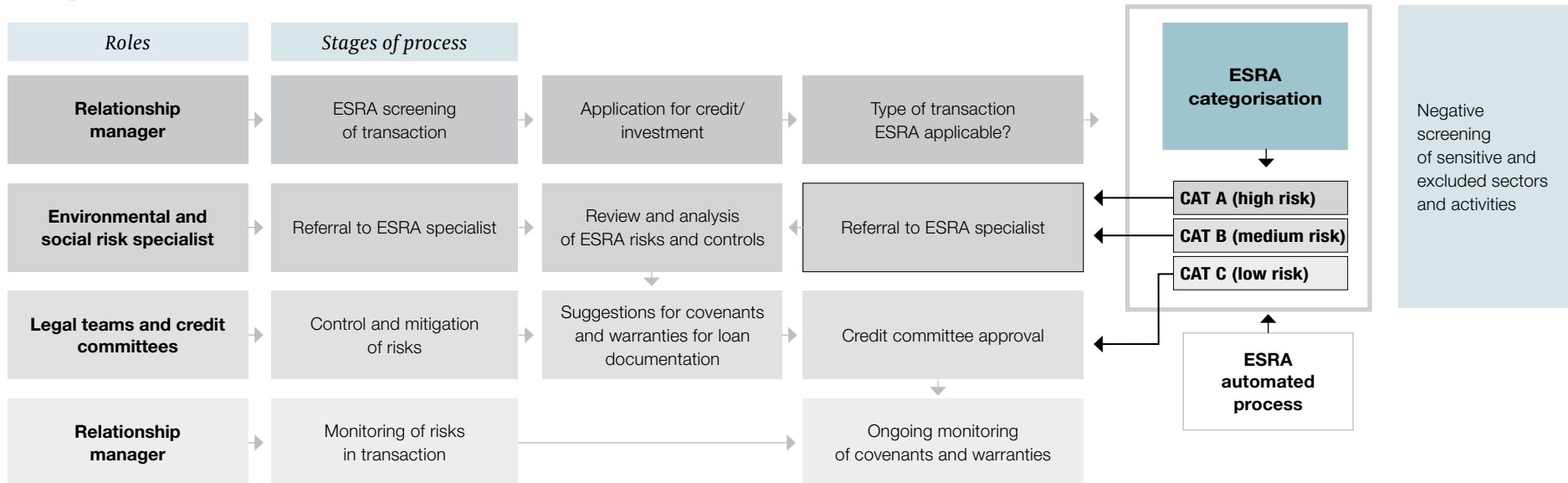
MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

*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.



**ESRA process flow**



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**Scope of ESRA application**

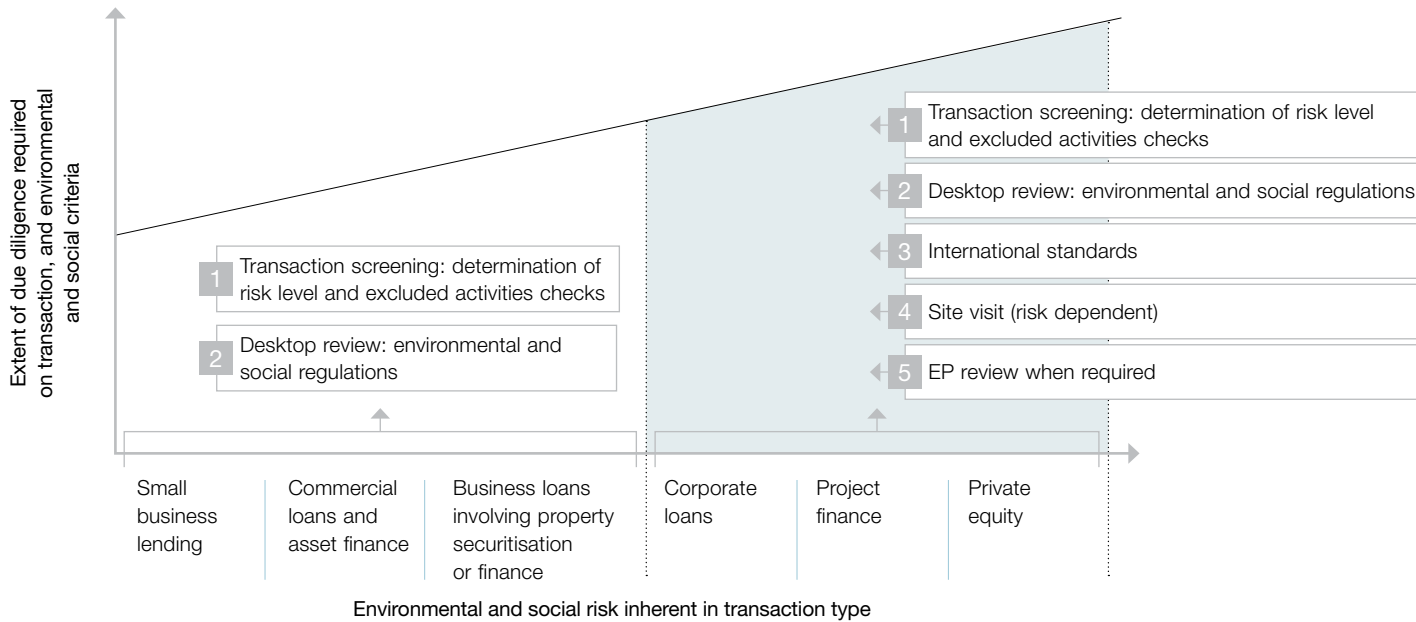
ESRA is applicable to all lending and investment transactions that are ≥R7.5 million in value in the commercial, corporate and institutional segments and where use of proceeds is known, and for certain working capital facilities.

**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 guidelines; and
- World Bank guidelines.

EP is an international standard for the management of environmental and social risks in large investment banking and project finance transactions.

**Scope of ESRA review related to transaction type**



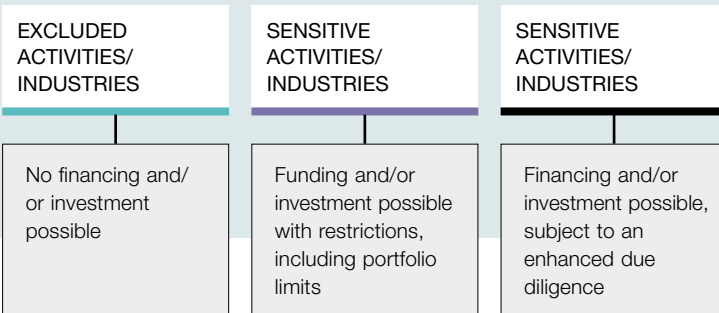
MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**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 considerations:**

- **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 **group strategy**.



Screening at customer onboarding stage in conjunction with the "know your customer" process, with ongoing monitoring of client desirability

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
Cross-border trade in waste (Basel Convention)	Human rights violations	Unbonded asbestos fibres*	Prostitution and pornography	Activities involving the destruction of high-value conservation areas
Seal hunting	Racist and anti-democratic media	* Financing exception for unbonded asbestos fibres where it forms less than 10% of client activities and is considered non-substantial.		

**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	Oil and gas	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
Hazardous waste	Forestry	Wildlife and trophy hunting		

For financing policies refer to <https://www.firststrand.co.za/investors/esg-resource-hub/policies-and-practices/>.





MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

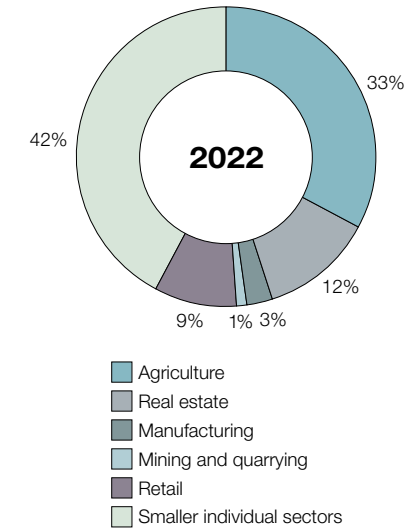
ESRA performance in 2022

Transactions funded in the year ended 30 June:

	2022	2021	2020
Category A (high risk)	498	350	743
Category B (medium risk)	3 694	3 348	3 007
Category C (low risk)	5 406	5 611	4 601
Total transactions screened for environmental and social risks	9 598	9 309	8 351
Of which are SA-based	89%	88%	89%
Of which are based in broader Africa	11%	12%	11%
Transactions that involved engaging with clients about their environmental and social processes and management plans	4 192	3 698	3 750

The number of transactions screened is dependent on the deal flow/pipeline. Most of these transactions are lower-risk transactions (category C) and based in South Africa.

% split of sectors for 2022 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, amongst others.

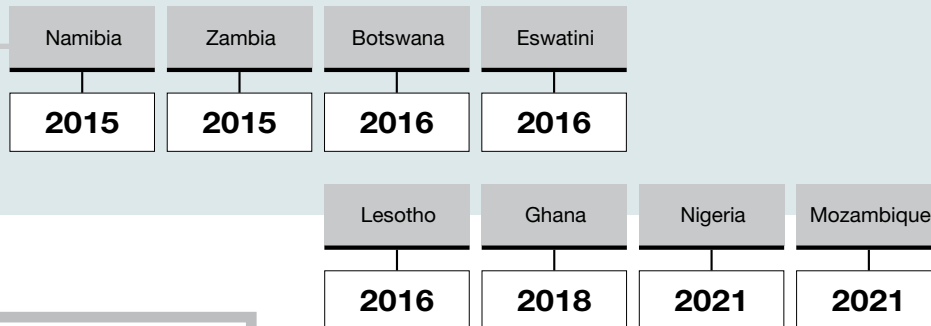


MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**Broader Africa ESRA**

ESRA is integrated into the credit risk governance processes and is fully operational across the broader Africa subsidiaries. ESRA is applicable to all lending and investment transactions within the corporate, commercial and business segments. Within each subsidiary the ESRA process is supported by a localised policy which is governed by the group's applicable frameworks and guidelines, national laws and regulations, industry best practices and international principles.

The timelines below show the rollout of ESRA. ESRA has now been fully implemented in the broader Africa subsidiaries.



326

broader Africa subsidiary employees who received online-based ESRA training during the financial year

2021: 235 employees

**Training provided to employees:**

To ensure continued effectiveness and to streamline efficiencies within the ESRA process, all new and existing employees involved in the ESRA process are provided with refresher training to assist them in fulfilling their responsibilities. During 2022, ESRA 2.0 platform training was rolled out to broader Africa ESRA reviewers.

**Grievance procedure for external stakeholders:**

A grievance mechanism has been developed across the subsidiaries, which enables external stakeholders to communicate queries or concerns relating to environmental and social aspects of activities and projects that the group finances.

All environmental and social queries relating to the following subsidiaries can be accessed using the links below:



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**FIRSTRAND EQUATOR PRINCIPLES PERFORMANCE**

The process is defined by the EP Association and the adoption of IFC performance standards. It applies to project-related corporate loans of an equivalent value of \$50 million, project finance deals equal to or 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, IBIS Environmental Social Governance Consulting Africa (Pty) Ltd (IBIS) provided reasonable assurance on the EP figures.

 Refer to the independent assurance report on pages 130 to 132.

**EP performance 2022**

**EP project finance loans**

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

**EP transactions funded by risk category and industry**

Sector	A	B*	C
Mining	0	0	0
Infrastructure	0	1	0
Power	0	0	0
Renewables	0	0	0
Retail	0	1	6
Gas	0	0	0
<b>Total<sup>RA</sup></b>	<b>0</b>	<b>2</b>	<b>6</b>

All projects were on the African continent and in non-designated countries.

There were no EP-defined project finance advisory and EP-defined corporate transactions for the reporting period<sup>RA</sup>.

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

<sup>RA</sup> External reasonable assurance provided over total EP-defined project finance transactions.

**Climate change**

FirstRand supports the Paris Agreement and commits to aligning its financial flows to help the group's operating jurisdictions realise their NDCs.

It is the long-term ambition of FirstRand to be net zero by 2050 for scope 1, 2 and 3 emissions. The 2050 net-zero commitment includes financed emissions and operational emissions. Operational emissions from the group's own activities are expected to be net zero by 2030. Financed emissions refers to emissions associated with FirstRand's on-balance sheet loans and advances (excluding exposures to sovereigns and financial institutions).

In 2020, FirstRand introduced its five-year climate roadmap, highlighting its journey towards contributing to a lower-carbon world. The group's second Task Force on Climate-related Financial Disclosures (TCFD) report details the progress made and affirms that the group is on track with the objectives and commitments of the roadmap.

For more on FirstRand's climate commitments, governance, strategy, risk management, metrics and targets refer to:

- **FirstRand TCFD report 2022:**  
<https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-tcf-report-2022.pdf>
- **FirstRand climate change policy:**  
<https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-climate-change-policy-2022.pdf>
- **FirstRand policy on energy and fossil fuel financing:**  
<https://www.firstrand.co.za/media/investors/policies-and-practice/pdf/firstrand-policy-on-energy-and-fossil-fuels-financing-2022.pdf>



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

## Own emissions

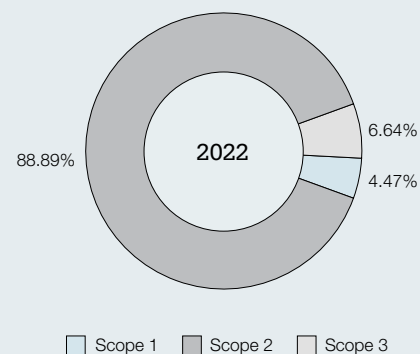
FirstRand has committed to ensuring that climate change risks (physical and transition risks) are prudently considered, understood and managed in its own operations. This includes the impact of its operations on the environment and on climate change. FirstRand looks to mitigate these impacts by measuring its operational emissions and taking steps to reduce emissions, build climate resilience and increase resource efficiency. The group's emissions are calculated in line with GHG Protocol standards.

## South African operations:

tCO <sub>2</sub> e	2022	2021	% change
<b>Scope 1 emissions</b>			
Fuel use in generators	1 683	745	126%
Business fleet travel	4 517	4 463	1%
Refrigerants	1 103	1 300	(15%)
<b>Scope 1 TOTAL<sup>LA</sup></b>	<b>7 303</b>	<b>6 508</b>	<b>12%</b>
<b>Scope 2 emissions</b>			
Electricity – buildings	137 572	145 609	(6%)
Electricity – ATMs	7 681	7 659	0%
<b>Scope 2 TOTAL<sup>LA</sup></b>	<b>145 253</b>	<b>153 268</b>	<b>(5%)</b>
<b>Scope 3 emissions</b>			
Paper use	759	796	(5%)
Business road travel	2 642	1 708	55%
Business air travel	3 241	457	609%
Fuel well to tank emissions	1 521	1 280	19%
Electricity transmission losses	2 690	2 948	(9%)
<b>Scope 3 TOTAL<sup>LA</sup></b>	<b>10 853</b>	<b>7 189</b>	<b>51%</b>
<b>Total carbon emissions South African operations</b>	<b>163 409</b>	<b>166 965</b>	<b>(2%)</b>
<b>Total CO<sub>2</sub>-e emissions per full-time employee</b>	<b>4.8</b>	<b>4.8</b>	<b>–</b>

<sup>LA</sup> External limited assurance provided over 2022 scope 1, 2 and 3 carbon emissions for South African operations.

Composition of South African operational emissions



An overall  
**2%**  
decrease in emissions  
was recorded for  
South African operations  
from 2021 to 2022

Emissions from the use of electricity in buildings and ATMs make up 89% of the South African operational carbon footprint. These emissions reduced by 5% from the previous financial year due to ongoing energy-efficiency and renewable energy initiatives and a reduction in the group's real estate management portfolio.

A significant increase in diesel consumption and resulting emissions was recorded in the 2022 financial year due to higher levels of loadshedding, which required increased use of generators, as well as additional diesel backup storage in data centres for business continuity. An increase in emissions was also recorded from business travel, mostly due to a return to normal operations after the Covid-19 lockdown.

**Emissions reduction targets:**

FirstRand aspires to be net zero by 2030 in its South African operations for all scope 1, 2 and 3 operational emissions and is looking into innovative and effective solutions to reach this goal.

- Refer to the 2022 TCFD report for further detail on reduction targets, reduction initiatives and internal shadow carbon pricing.

## MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

### FirstRand's water management strategy

An integrated water management strategy and guideline has been developed to drive water efficiency in the group. A study of the South African operations was conducted to inform this strategy, which included:

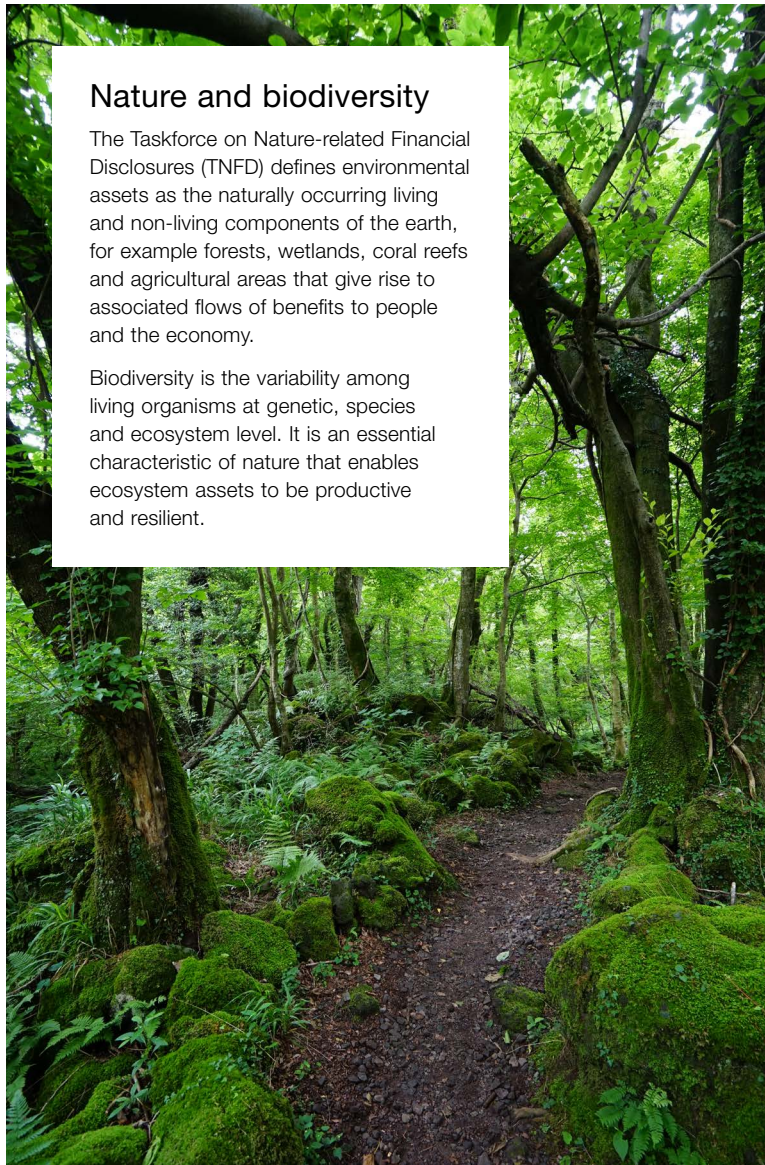
- A water footprint analysis.
- Measurement of the potential impacts of climate change on the group's South African buildings and branches.
- The incorporation of results into operational resilience and business continuity planning.

The water management strategy will be implemented through the following measures:

- Governance structures, management teams and programmes.
- The ratings of targeted buildings (against SANS 10252 part 1 and part 2, and Green Building Council South Africa's whole building water rating tool) will be improved through modernisation and maintenance.
- Alternative water supply sources (including rainwater harvesting and grey water usage) will be investigated and water efficiency and recycling will be maximised.
- Water education campaigns will be conducted to influence staff behaviour.
- Water losses will be reduced by fixing water leaks (with the assistance of water-metering tools).



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*



**Nature and biodiversity**

The Taskforce on Nature-related Financial Disclosures (TNFD) defines environmental assets as the naturally occurring living and non-living components of the earth, for example forests, wetlands, coral reefs and agricultural areas that give rise to associated flows of benefits to people and the economy.

Biodiversity is the variability among living organisms at genetic, species and ecosystem level. It is an essential characteristic of nature that enables ecosystem assets to be productive and resilient.

**Nature-related risk**

FirstRand considers the loss of natural capital, biodiversity and resulting ecosystem impacts an emerging risk. Biodiversity and functioning ecosystems are essential for livelihoods and economies.

Globally, as awareness and action on climate change grows, there has been a shift in focus towards nature-related risks and impacts in the business sector. FirstRand aims to collaborate with other organisations and financial institutions to build knowledge and capacity to improve biodiversity impact and dependency measurement for the finance sector. For example:

Initiative	FirstRand involvement
<p><b>The UN Biodiversity Conference (COP15)</b></p> <p>COP15 convened governments with the aim to protect and restore the earth's biodiversity and to agree to a new set of goals over the next decade through the Biodiversity Conference post-2020 framework process.</p>	<p>FirstRand commented on the draft Global Biological Diversity Framework through its association with Business for Nature.</p>
<p><b>The Partnership for Biodiversity Accounting Financials (PBAF)</b></p> <p>The PBAF standard provides financial institutions with practical guidance on biodiversity impact and dependency assessments of their loans and investments.</p>	<p>FirstRand is a PBAF partner and participates in various working groups.</p>
<p><b>The Taskforce on Nature-related Financial Disclosures</b></p> <p>A global, market-led initiative delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks, with the aim to support a shift in global financial flows away from nature-negative outcomes and towards nature-positive outcomes.</p> <p>The TNFD framework follows the format of the TCFD framework around pillars of governance, strategy, risk management and metrics and targets.</p> <p>Over 650 TNFD forum members are participating in the process of developing and reviewing the framework. A beta version of the TNFD framework was published in March 2022, with the final release scheduled for September 2023.</p>	<p>FirstRand is a member of the task force and participates in the following working groups:</p> <ul style="list-style-type: none"> <li>- Data</li> <li>- Communication</li> <li>- Finance sector guidance</li> </ul> <p>FirstRand also participated in two pilots as described on the next page.</p>



MANAGING THE GROUP'S ENVIRONMENTAL IMPACT *continued*

**CASE STUDY**

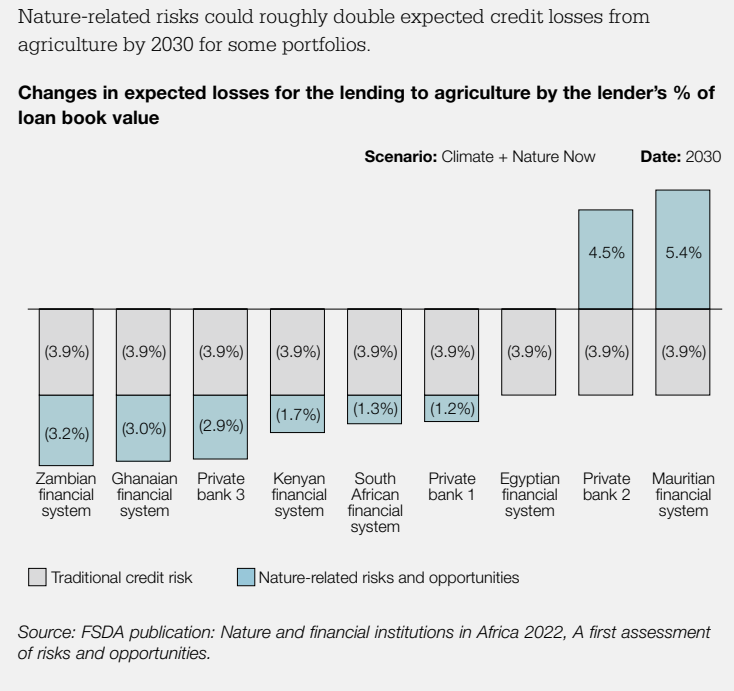
APPLICATION OF TNFD FRAMEWORK TO FIRSTRAND

In collaboration with FSD Africa FirstRand:

1. conducted an initial nature risk assessment and stress testing exercise to better understand nature opportunities and risks; and
2. piloted the beta version of the TNFD framework.

Nature risk assessment and stress testing exercise

- > The agricultural and extractive industries were selected because they are high impact and nature risk-sensitive.
- > The assessment evaluated the degree to which these sectors impact and depend on nature and how nature affects their business activities and supply chains.
- > Preliminary results provided estimates on how these identified nature-related opportunities and risk factors influenced average company-level financial performance and impact asset values over time per sector.
- > Key learnings and outcomes from the case study can be found in the following report (<https://www.fsdafrica.org/publication/nature-and-financial-institutions-in-africa-a-first-assessment-of-opportunities-and-risks/>).



TNFD framework application:

- > FirstRand assessed its readiness to apply the framework across risk management, disclosure and existing organisational structures and processes.

Both pilots enabled FirstRand to provide feedback on the beta TNFD framework. In addition, the pilots will guide the development of a FirstRand nature and biodiversity risk management programme.

The circular economy and resource efficiency

FirstRand has identified the circular economy as an emerging opportunity that can address aspects of nature risk.

Circular economy is defined as a closed-loop system that promotes economic prosperity whilst eliminating waste, minimising the input of virgin natural resources and promoting a “share, repair, reuse and repurpose” approach to waste and goods.

The group is building its understanding of circular economy practices. A financial institution's largest impact on the circular economy is to direct capital towards companies and activities that are included in circular business models.

The group's current activities in the circular economy include:

- sustainability-linked bonds with resource efficiency outcomes; and
- research into regenerative agriculture, which aims to increase biodiversity, reduce water consumption, recycle farm waste, sequester GHG emissions and improve soil health and the climate resilience of crops.

Currently ESRA does not explicitly screen transactions for circular economy dependencies and opportunities and only focuses on waste management legislation. The long-term objective is to integrate circular economy considerations into the ESRA process, including tracking against targets. To this end, the group is assessing how to align circular economy considerations with national policy and international best practice.



## Industry forums and pilots

FirstRand is committed to participating in local and global industry forums to ensure that new research is considered and incorporated into the group's ESCR management programme. Participation allows the group to learn from global peers and contribute to the development of new methodologies and frameworks. Key organisations that the group engages with on an ongoing basis include:



The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

### FirstRand involvement

FirstRand is a signatory to the TCFD.



The Principles for Responsible Banking is a unique framework for signatory banks to commit to strategy and practise alignment to the UN SDGs and the Paris Climate Agreement.

With over 300 signatory banks representing almost half of the global banking industry, the Principles comprise the world's foremost sustainable banking framework.

### FirstRand involvement

FirstRand was a founding contributor to the Principles for Responsible Banking and is a signatory.



UNEP FI is a partnership between UNEP and the global finance sector. UNEP FI works with more than 400 financial institutions and more than 100 supporting organisations. Various focus areas are covered by work teams, for example the work done by the TCFD task group.

### FirstRand involvement

FirstRand is amongst almost 100 financial institutions (banks, investors and insurers) from around the world that have participated in UNEP FI pilots. The resultant tools and frameworks have assisted the financial industry to better manage and disclose climate risks.

FirstRand participated in phase 2 and 3 and is currently participating in phase 4 of the TCFD project. This includes a focus on litigation and reputational risks, physical risks and climate scenarios.



The Principles for Responsible Investment (PRI) reflect the increasing relevance of ESG issues to investment practices and help to better align investors with the broader objectives of society.

### FirstRand involvement

Ashburton is a signatory to the PRI.



CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. This information is made available to investors.

### FirstRand involvement

FirstRand annually participates in the CDP process and discloses climate strategy, own emissions, emissions reduction targets and an analysis of risks and opportunities.

FirstRand's 2022 response covered new CDP questions on biodiversity and forestry.





The National Business Initiative (NBI) is a voluntary coalition of South African and multinational companies working towards sustainable growth and development in South Africa.

The NBI is the facilitator for South African companies and provides a voice in support of the South African government.

### FirstRand involvement

FirstRand has formed a strong relationship with the NBI in its Just Transition and Climate Pathways work, referenced in the group's 2021 TCFD report, and as members of the steering and CEO committees.

FirstRand recently signed the Alliances for Climate Action undertaking, in partnership with the NBI.

FirstRand is a member of the following NBI committees:

- Steering committee
- Advisory committee on environment and society
- CEO committee (FirstRand's CEO)

FirstRand participates in the Just Transition Pathways project.



**national treasury**  
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Following the issuance of the Financing a Sustainable Economy technical paper by the National Treasury and the Department of Forestry, Fisheries and the Environment in April 2020, various workstreams were formed to do further work.

### FirstRand involvement

FirstRand is a member of the following committees:

- Climate steering committee
- Taxonomy working group
- Sustainable finance working group
- Disclosure working group

FirstRand participated in the scenario analysis benchmark work conducted by the regulator.



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.

The Sustainable Finance Forum members comply with the BASA principles for managing environmental and social risk.

### FirstRand involvement

FirstRand is a member of the following committees:

- Sustainable finance committee
- Climate change committee
- Positive impact finance committee



The IFC is a member of the World Bank Group and runs a programme called "30 by 30 zero". The objective of the programme in South Africa is to strengthen the financial sector to increase investment in climate-friendly activities and reduce the number of financial institutions and investors invested in carbon-intensive assets and activities.

### FirstRand involvement

FirstRand is participating in the "30 by 30 zero" programme by contributing to better climate-related data collection and analysis.

FirstRand is running pilots in partnership with the IFC in the beef and deciduous fruit industry.



Business Unity South Africa (BUSA) is a non-profit company representing cross-cutting organised business interests in South Africa.

### FirstRand involvement

FirstRand participates in the BUSA environmental subcommittee.



Large infrastructure and industrial projects can have adverse impacts on people and on the environment. The Equator Principles are intended to serve as a common baseline and risk management framework for financial institutions to identify, assess and manage environmental and social risks when financing projects.

### FirstRand involvement

FirstRand has been an Equator Principles signatory since 2009.





PBAF provides financial institutions with practical guidance to assess the biodiversity impact and dependencies of their loans and investments.

**FirstRand involvement**

FirstRand is a PBAF partner and participates in various working groups.



The Partnership for Carbon Accounting Financials (PCAF) is a global partnership of financial institutions developing a global GHG accounting and reporting standard for the financial industry.

**FirstRand involvement**

FirstRand is a member of the core team of PCAF and the regional lead for Africa.



Integrated Biodiversity Assessment Tool.

**FirstRand involvement**

This tool is used in the ESRA process and in nature-related risk assessment. It includes:

- Red List (International Union for Conservation of Nature Red List of Threatened Species)
- Protected Planet (world database on protected areas)
- KBA (world database of key biodiversity areas)



Established in 2012 and supported by UK Aid, FSD Africa is a specialist development agency working to build and strengthen financial markets across sub-Saharan Africa.

FSD Africa established the African Natural Capital Alliance, a collaborative forum for mobilising the financial community's response to the risk of nature loss in Africa.

**FirstRand involvement**

FirstRand collaborates with FSD Africa on nature-related risk disclosure and is a member of the African Natural Capital Alliance.

The group is currently involved in the piloting of the TNFD beta versions.



The World Wide Fund for Nature is an international non-governmental organisation founded in 1961. It operates in the field of wilderness preservation and the reduction of human impact on the environment.

**FirstRand involvement**

FirstRand joined the WWF as a business partner in 2021 and has joined work groups on water and sustainable finance. This partnership provides access to a wide network.

FirstRand was recommended as an African continent representative to the TNFD by the WWF and UNEP FI.



Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) is a tool to help users better understand and visualise the impact of environmental change on the economy.

**FirstRand involvement**

FirstRand participated in an agriculture sector case study during the development of the ENCORE tool and again when the biodiversity module was designed and added. Future work is planned in collaboration with the Swiss Economic Department and the Natural Capital Alliance.



# Independent assurance report to the directors and stakeholders of FirstRand Limited

## Introduction

IBIS ESG Consulting Africa (Pty) Ltd (IBIS) was commissioned by FirstRand Limited (FirstRand) to perform an independent assurance engagement in respect of selected greenhouse gas (GHG) and Equator Principles (EP) information included in its *Report to Society* (the report) for the year ended 30 June 2022 (01 July 2021 – 30 June 2022). This assurance report is produced in accordance with the terms of our engagement letter, dated 30 May 2022.

IBIS is an independent provider of sustainability assurance services. This engagement was conducted by a multidisciplinary team of assurance specialists with extensive experience in sustainability reporting. The assurance team was supported by Megan Nair and Bradley Riley and led by Petrus Gildenhuys, who has more than 25 years' experience in sustainability performance measurement involving both advisory and assurance work.

## Scope and subject matter

The scope of the subject matter for reasonable and limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements, other than Audits or Reviews of Historical Financial Information and ISAE 3410, Assurance Engagements on Greenhouse Gas Statements issued by the International Auditing and Assurance Standards Board, as captured in the agreement with FirstRand, included the following selected disclosures relating to material sustainability matters and commitments covering FirstRand:

Reasonable assurance			
Disclosure	Unit of measurement	Boundary	Page
<p>The number of EP defined Project Finance transactions that are \$10 million or more in value and reached financial close during the reporting year, and categorised according to:</p> <ul style="list-style-type: none"> <li>- EP category per:                             <ul style="list-style-type: none"> <li>» sector;</li> <li>» region; and</li> <li>» category by host country classification and detailed as designated and non-designated country.</li> </ul> </li> <li>- Category (A or B) and whether an independent review has been carried out.</li> </ul>	Number	South African divisions of FirstRand Limited	122
Limited assurance			
Disclosure	Unit of measurement	Boundary	Page
<p><b>Total Scope 1 GHG emissions</b></p> <ul style="list-style-type: none"> <li>- Emissions as a result from generator diesel consumption</li> <li>- Emissions from refrigerant gases</li> <li>- Emissions from fleet vehicles</li> </ul>	Tonnes of CO <sub>2</sub> e	South African divisions of FirstRand Limited	123
<p><b>Total Scope 2 GHG emissions</b></p> <ul style="list-style-type: none"> <li>- Emissions due to purchased electricity (owned and leased buildings and branches)</li> <li>- Emissions due to standalone/non-branch ATMs</li> </ul>	Tonnes of CO <sub>2</sub> e	South African divisions of FirstRand Limited	123
<p><b>Total Scope 3 GHG emissions</b></p> <ul style="list-style-type: none"> <li>- Emissions due to flights</li> <li>- Emissions due to rental vehicles and shuttles</li> <li>- Emissions due to employee reimbursable travel claims and car allowances</li> <li>- Emissions due to paper consumption</li> <li>- Emissions from fuel well to tank</li> <li>- Emissions due to electricity transmission and distribution losses</li> </ul>	Tonnes of CO <sub>2</sub> e	South African divisions of FirstRand Limited	123

IBIS's responsibilities do not extend to any other disclosures or assertions. The disclosures assured are marked by an RA and LA in the report.

INDEPENDENT ASSURANCE REPORT *continued*

## Respective responsibilities

### FIRSTRAND LIMITED

The directors of FirstRand are responsible for the generation, collection and presentation of the selected sustainability information within the report. FirstRand is also responsible for maintaining adequate records and internal controls that support the reporting process during the reporting period.

### IBIS

IBIS's responsibilities were to conduct an assurance engagement and to report its conclusions to the directors in accordance with the assurance procedures followed.

IBIS conducted the engagement in alignment with ISAE 3000 (Revised) and ISAE 3410, which inter alia requires that the assurance practitioner follows due process and complies with ethical requirements.

## Summary of work performed

FirstRand provided IBIS with the relevant supporting information and documentation related to the selected subject matter reported on. IBIS applied the Global Reporting Initiative (GRI) Standards, the GHG Protocol and EP4 as audit criteria in respect of the underlying data in the scope of the assurance engagement.

### A) Reasonable assurance engagement

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 subject matter 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 subject matter, whether due to fraud or error. In making those risk assessments we have considered internal controls relevant to FirstRand's preparation of the selected subject matter.

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 subject matter.
- **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 engagement

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 subject matter, assessing the risks of material misstatement of the selected subject matter whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected subject matter.

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 subject matter where limited assurance was obtained, we do not express a

reasonable assurance opinion about whether FirstRand's selected subject matter 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 subject matter;
- **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 in the preparation of the selected subject matter; and
- **evaluated** whether the selected subject matter presented in the report is consistent with our overall knowledge and experience of sustainability management and performance at the company.



## INDEPENDENT ASSURANCE REPORT *continued*

### Inherent limitations

The reliability of the reported sustainability data is subject to inherent uncertainty, given the available methods for determining, calculating or estimating the underlying information. It is important to understand our assurance conclusions in this context.

Evidence to support information reported was obtained electronically for review and assessment as a basis for our assurance conclusion. In addition, the evidence-gathering procedures performed in a limited assurance engagement vary in nature from and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained on subject matter in a limited assurance engagement (as per the emissions subject matter) is lower than the assurance that would have been obtained in a reasonable assurance engagement.

### Other matters

The maintenance and integrity of the FirstRand website is the responsibility of FirstRand's management. 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 the FirstRand website.

### Restriction of liability

Our work has been undertaken to enable us to express opinions and conclusions to the directors of FirstRand on the selected subject matter, in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume responsibility to any third parties, i.e. any parties other than the directors and the company, for our work or for this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

### Assurance conclusion

#### A) Reasonable assurance conclusion

We believe that the information provided by FirstRand and the work performed by IBIS are sufficient and appropriate to form a basis for our reasonable assurance conclusion.

In our opinion, and based on our reasonable assurance procedures conducted, the selected subject matter set out in the assurance scope above, for the year ended 30 June 2022, is prepared in accordance with the reporting criteria in all material respects.

#### B) Limited assurance conclusion

We believe that the information provided by FirstRand and the work performed by IBIS are sufficient and appropriate to form a basis for our limited assurance conclusion.

In our opinion, and based on our limited assurance procedures, nothing has come to our attention that causes us to believe that the selected subject matter set out in the assurance scope above and prepared for the year ended 30 June 2022 is not fairly represented in all material respects.



**Petrus Gildenhuys**  
*Director, IBIS ESG Consulting Africa (Pty) Ltd*

Johannesburg

14 December 2022



