FirstRand

corporate governance report

FOR THE YEAR ENDED 30 JUNE 2022

contents

FirstRand

FirstRand's ESG resource hub seeks to provide stakeholders with a single source of relevant disclosures on environmental, social and governance (ESG) topics relating to FirstRand and its operating businesses. It contains relevant group ESG policies, including several corporate governance policies.

https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/

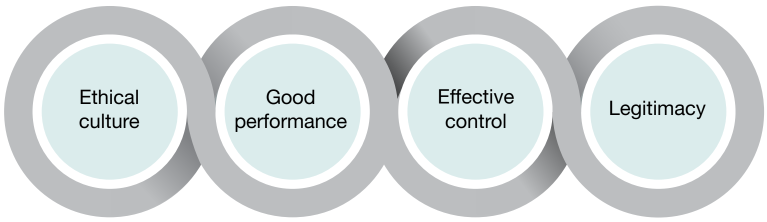
corporate governance

Introduction

The board of FirstRand Limited (FirstRand or the group) is committed to the highest standards of corporate governance, integrity and ethics, which it views as essential to the group's success and to deliver on promises to stakeholders in a credible and transparent manner.

FirstRand's overarching governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained, consistent with the nature, size, complexity and risk inherent in the group's activities and which is responsive to changes in the group's operating environment.

The board endorses a holistic approach to corporate governance, mindful of the legislative backdrop of the jurisdictions in which it operates, and supports the corporate governance outcomes of King IV outlined below.



This report details the practices implemented and progress made towards achieving the above governance outcomes. The board is the custodian of corporate governance. It is satisfied that FirstRand complies with the material recommendations of King IV to ensure sound corporate governance and appropriate governance structures across the group.

Board responsibilities include:

> steering and setting the group's strategic direction;
> enabling delivery of strategy through the approval of required policies, frameworks, budgets, plans, structures and procedures;
> providing oversight on strategy implementation; and
> demonstrating accountability and transparency through appropriate disclosure.

The board retains full and effective control of the group. It is supported by senior management and the strategic executive committee (which is the custodian of the group's strategy) in discharging its fiduciary duties and governance role and responsibilities objectively and effectively, in a manner that balances the interests of all stakeholders.

The board believes that its current composition and mix of knowledge, skills, experience, diversity and independence is suitable to enable the group to meet its strategic objectives.

Governance outcome	**ethical culture**

The board has endorsed the FirstRand code of ethics (the code), which represents a very important framework for the business.

The code provides guidance on ethical decision-making and behaviour. It creates a common understanding of how the group expects its people to behave.

As a financial services group, looking after the financial interests, personal and other information of customers is a responsibility that requires the highest standards of integrity and confidentiality.

The board promotes ethical conduct and directors hold each other accountable for decision-making and acting in a way that is consistent with the code. The group ethics office is the custodian of the code and has representatives in businesses across the group.

Employees are required to adhere to the code and to regularly complete ethics training. Ethical standards are reinforced throughout the employee life cycle and ethical conduct is considered in performance management.

Ethics monitoring

Ethics and risk culture are continually assessed through surveys, audits and ongoing employee engagement. During the year, the perception of the group's ethical conduct was assessed by employees, customers and suppliers. The ethics office continually tracks employee engagement with ethics content (including the code of ethics, related policies and video content).

Current year focus

> Promoting awareness and continued implementation of the new code of ethics, which includes an ethics check to assist decision-making.
> Proactive communication on the ethics line process, protection of whistle-blowers and the management of conflicts of interest.
> Equipping management with practical ethics toolkits.
> Conflict of interest management policy and process were enhanced with a risk-based approach and verification elements.
> Implementation of the framework for ethical use of data.

Governance outcome	**sustainable value creation and good performance**

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

This purpose underpins the group's strategic framework, which is approved by the board.

The group believes that to have the greatest impact 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.

FirstRand's annual integrated report covers the group's financial and operational performance, and the report to society provides deeper insight into the group's societal impact. These reports are available at https://www.firstrand.co.za/investors/annual-reporting/.

During the year ended 30 June 2022, the board oversaw the creation of R150 billion in economic value for stakeholders.

	2022		2021	
Statement of value added (IFRS)	**R million**	**%**	R million	%
Value added				
Net interest income after impairment	**101 887**	**67.8**	92 275	67.0
Non-operating revenue	**49 604**	**33.0**	47 186	34.2
Non-operating expenses	**(1 215)**	**(0.8)**	(1 636)	(1.2)
Value added by operations	**150 276**	**100.0**	137 825	100.0
To employees				
Salaries, wages and other benefits	**36 621**	**24.4**	34 358	24.9
To providers of funding	**60 820**	**40.5**	49 592	36.0
Dividends to shareholders	**18 228**		6 947	
Interest paid	**42 592**		42 645	
To suppliers	**18 790**	**12.5**	17 427	12.6
To government	**14 647**	**9.7**	11 777	8.6
Normal tax	**12 950**		10 232	
Value-added tax	**1 420**		1 505	
Capital gains tax	**–**		–	
Other	**277**		40	
To communities				
Corporate social investment spend	**221**	**0.1**	152	0.1
To expansion and growth	**19 177**	**12.8**	24 519	17.8
Retained income	**15 371**		20 573	
Depreciation and amortisation	**4 827**		5 226	
Deferred income tax	**(1 021)**		(1 280)	
Total value added	**150 276**	**100.0**	137 825	100.0

Governance outcome	**effective control**

Legislation and best practice guidelines

FirstRand complies with relevant corporate governance legislation and best practice guidelines deemed appropriate to ensure the group's effective functioning. These include:

> the JSE Listings Requirements;
> FirstRand's memorandum of incorporation (MOI); and
> Companies Act No. 7 of 2008 (as amended) (the Act).

The board confirms that the group complied with the provisions of the Act and the JSE Listing Requirements, and is operating in accordance with the requirements of FirstRand's MOI.

In addition, FirstRand applies the principles contained in King IV and the Basel Committee on Banking Supervision's (BCBS's) corporate governance principles for banks. The board is satisfied that FirstRand has complied with these principles in all material respects throughout the year under review.

Practices

The board recognises that corporate governance practices must be appropriate and has implemented the highest standards of corporate governance across all businesses. The group values long-term, ethical relationships and has well-established governance processes for ensuring an appropriate balance between achieving growth and meeting the reasonable expectations of stakeholders, including:

> corporate governance policies, processes and procedures;
> financial and internal controls;
> risk management; and
> capital management.

During the year, the various board committees conducted assessments that confirmed the effective implementation of these processes.

Integrated governance framework

FirstRand's integrated governance framework aligns group strategy implementation and the long-term interests of key stakeholders. The framework ensures the group's three lines of defence are appropriately aligned using a risk-based approach to identify, assess, manage and monitor significant material issues.

BOARD OVERSIGHT

Strategy, policies and frameworks:	First-line controls:	Second-line controls:	Third-line controls:
Business unit strategies and governance processes are aligned with group strategy, financial and non-financial risk tolerances and strategic value drivers	Business units ensure that financial and non-financial performance is measured in line with mandates approved by the board	Specialised risk and governance committees provide independent reports on financial and non-financial performance for board oversight	End-to-end independent assurance

Stakeholder engagement: Strategy implementation requires business units to engage and transact with stakeholders

Combined assurance

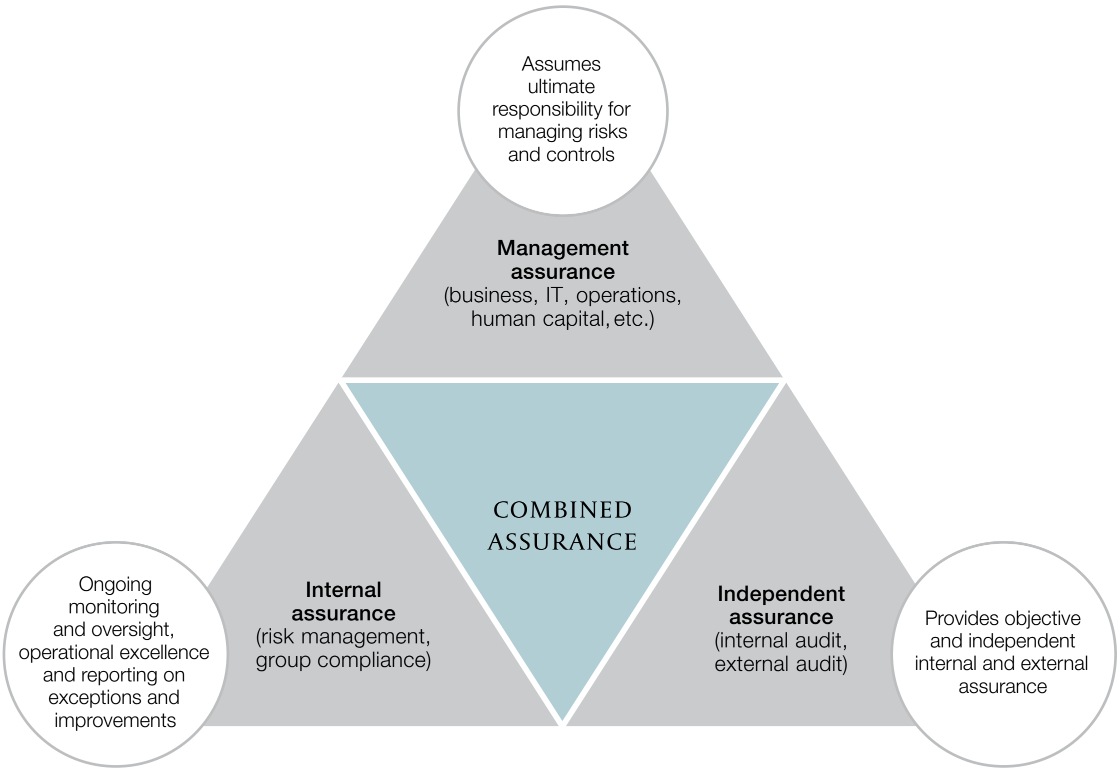
The primary objective of the group's combined assurance forum, supported by segment/operating business combined assurance forums, is to assist the audit committee in discharging its responsibilities relating to the integration, coordination and alignment of the various risk management and assurance processes and activities across the group. Combined assurance is firmly embedded across the group and drives consistent reporting to relevant governance committees.

The successful implementation of combined assurance is enabled through:

> active participation and contribution across all assurance providers;

> the use of a common risk rating methodology and risk taxonomy; and

> a combined assurance standard.



For more detail on the group's combined assurance framework refer to the group's Basel Pillar 3 disclosure for the year ended 30 June 2022, available at https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

The combined assurance forum meets quarterly to agree on key current and emerging risks. During these meetings, the following views are presented:

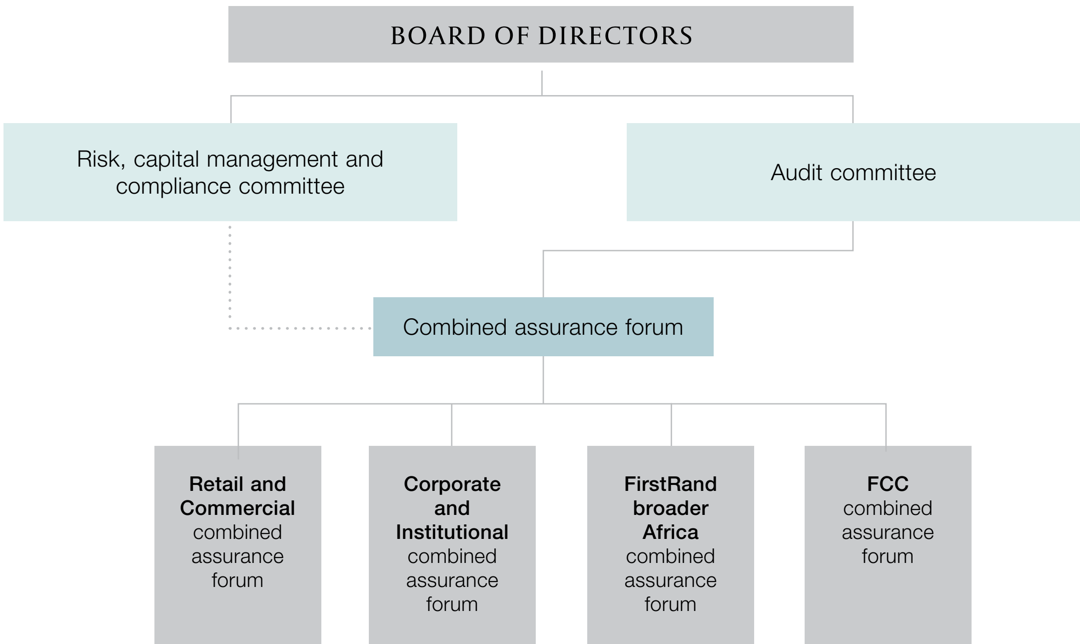
> adequacy of the current assurance level per key risk; and

> forward-looking risks for the next quarter that will require assurance.

The combined assurance forum is chaired by the Head: Enterprise Risk Management (ERM) and includes attendees from management, risk management and internal and external audit. The combined assurance forum reports to the audit committee on its assurance activities as well as key and emerging risks across the group on a quarterly basis.

The audit committee is satisfied with the expertise, adequacy and effectiveness of arrangements in place for combined assurance.

FLOW OF COMBINED ASSURANCE OUTPUTS



Internal audit

The group has an independent in-house internal audit function which operates in terms of an approved charter. The scope of Group Internal Audit (GIA), under the mandate of the charter, spans across FirstRand Limited and its subsidiaries, joint ventures, trusts, offshore operations and business interests.

GIA's purpose is to be a proactive business partner providing integrated, risk-based, objective assurance, insight and related advisory services. The GIA scope of activities includes providing independent and objective assurance on internal control systems and the group's regulatory and economic capital models, regulatory reporting, capital management, stress testing and the internal capital adequacy assessment process (ICAAP).

GIA adopts a combined assurance model and continually engages with other assurance role players to obtain insights into business strategies and to ensure integration, coordination and alignment of assurance activities to maintain sufficient coverage of high-risk areas across the three lines of defence. The collaboration enables GIA to place reliance on work performed by other assurance providers subject to certain criteria being met around competence, rigour and bias related to the execution of assurance work.

The risk-based annual audit plans are presented at the various segment audit committees and to the group audit committee for approval. The audit plan is reviewed and adjusted as necessary during the year in response to changes in the group's business, risks, operations, programmes, systems and controls. Progress against as well as changes to the plan are approved on a quarterly basis by the relevant segment/business audit committees.

GIA is headed by the Chief Audit Executive (CAE), who reports functionally to the audit committee chair and administratively to the group CEO. The CAE is mandated to communicate directly and freely with executives and the board on relevant matters. Each segment or operating business in FirstRand has an independent head of internal audit who reports to the CAE. Senior GIA staff are exposed to key business and governance meetings to engage proactively with business.

The heads of internal audit of subsidiary entities across broader Africa and in the bank's offshore branches have a functional reporting line to the group CAE and adhere to specific in-country governance reporting requirements. Support is provided by a head office team based in South Africa for specialised skills and additional resources. This approach supplements the in-country skills to perform specific technical and entity-wide reviews and facilitates effective knowledge sharing.

Where requisite skills are not available internally, GIA co-sources these from external experts. GIA has an embedded quality assurance and improvement programme (QAIP) which ensures that the function conforms to the group's internal audit methodology and with the international professional practices framework of internal auditing, as promulgated by the Institute of Internal Auditors (IIA).

Independent assessments of the GIA function are undertaken every five years to test compliance with the IIA standards. The last assessment was performed by Ernst & Young in 2020 and included all areas of the group, except Aldermore, which was independently reviewed in 2017. The overall assessment concluded that the activities of FirstRand's internal audit function generally conform to the IIA standards.

GIA has adopted an enterprise governance, risk and compliance (eGRC) platform, which maintains a database of audit findings and facilitates efficient tracking, monitoring and reporting of management's remediation efforts. GIA interrogates the audit findings database to highlight common themes and areas of significant risk exposure, and to glean insights on pervasive issues across the group, which in some instances may not be significant individually, however, when considered holistically can point to pervasive control weaknesses which warrant management attention.

Governance structure

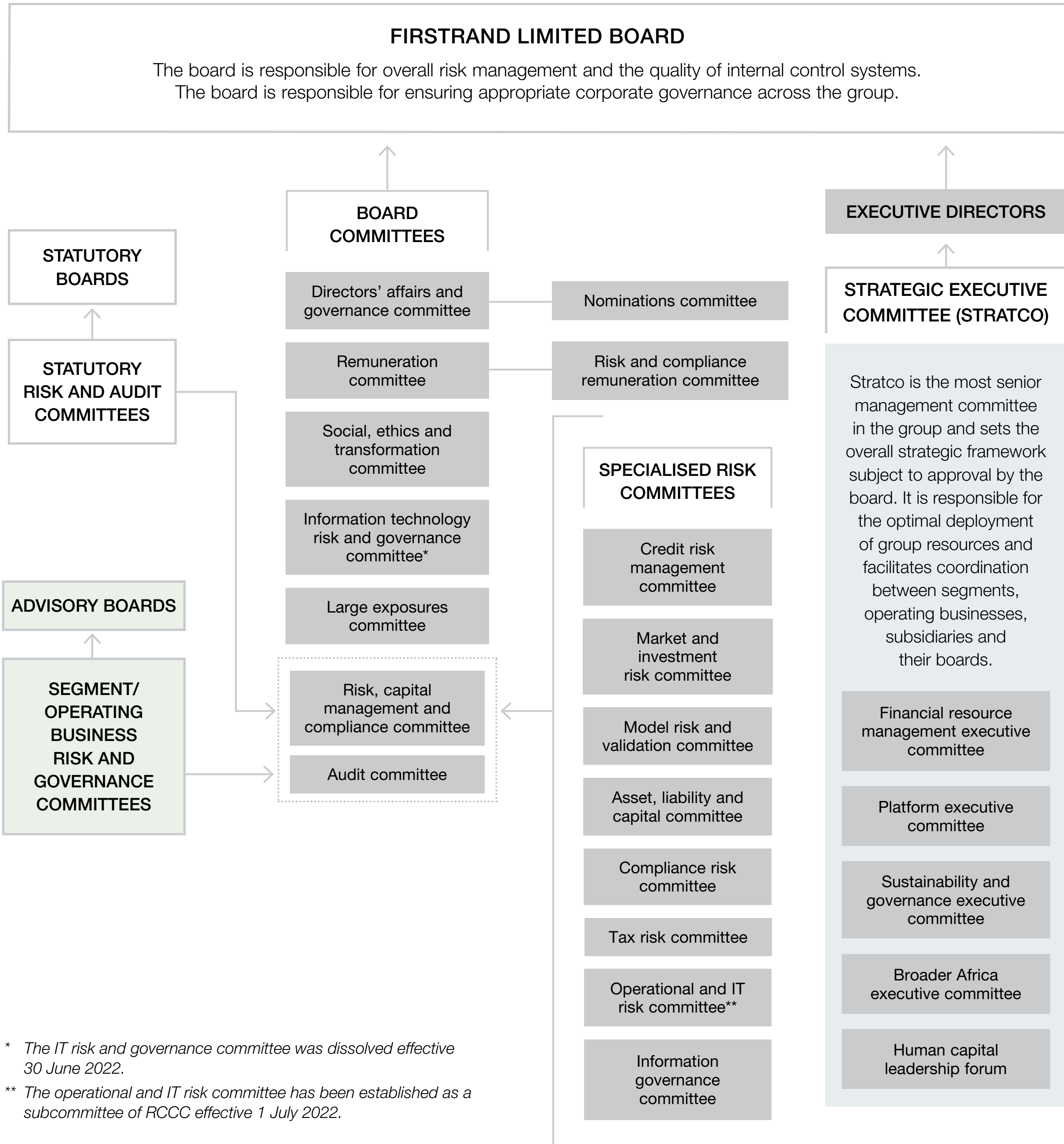
The board performs its duties and responsibilities in terms of a board charter which is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees, senior management and other governance forums. Various management forums may be established for gathering information, agreeing on and tracking actions and, where necessary, escalating findings or recommendations to decision-making forums.

Governance structures and processes are formally reviewed annually and continually adapted to accommodate internal developments and reflect national and international best practice.

The board has concluded that:

> it has collectively satisfied and fulfilled its responsibilities in accordance with the board charter; and

> it is satisfied that the composition of the board committees and that the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.



* *The IT risk and governance committee was dissolved effective 30 June 2022.*

** *The operational and IT risk committee has been established as a subcommittee of RCCC effective 1 July 2022.*

Board of directors

FirstRand has a unitary board chaired by an independent non-executive director. The board benefits from the directors' extensive skills and expertise and has the appropriate mix of knowledge, diversity and independence to balance the interests of all stakeholders.

As at 30 June 2022, the board comprised 13 members, including three executive directors and ten non-executive directors. Nine of the non-executive directors are classified as independent non-executive directors.

Chairman

William Rodger (Roger) Jardine: 56
Independent non-executive chairman
Appointed chairman: April 2018

BSc, MSc

Executive directors

Alan Patrick Pullinger: 56
Chief executive officer
Appointed: October 2015
Appointed chief executive officer: April 2018

MCom, CA(SA), CFA

Mary Vilakazi: 45
Chief operating officer
Appointed: July 2018

BCom (Hons), CA(SA)

Hetash Surendrakumar (Harry) Kellan: 50
Financial director
Appointed: January 2014

BCom (Hons), CA(SA)

Independent non-executive directors

Grant Glenn Gelink: 72
Independent non-executive director
Appointed: January 2013

BCom (Hons), BCompt (Hons), CA(SA)

Russell Mark Loubser: 72
Independent non-executive director
Appointed: September 2014

BCom (Hons), MCom, CA(SA)

Thandie Sylvia Mashego: 44
Independent non-executive director
Appointed: January 2017

BCom (Hons), CA(SA), MBL

Independent non-executive directors

Premilla Devi (Shireen) Naidoo: 60
Independent non-executive director
Appointed: April 2022

BSc

Zelda Roscherr: 55
Independent non-executive director
Appointed: April 2020

BSc, BCom Hons, MSc

Sibusiso Patrick Sibisi: 67
Independent non-executive director
Appointed: April 2021

BSc, PhD

Independent non-executive directors

Louis Leon von Zeuner: 61
Independent non-executive director
Appointed: February 2019

BEcon, Chartered Director (SA)

Tom Winterboer: 66
Independent non-executive director
Appointed: April 2018

BCom (Hons), CA(SA), AEP

Non-executive director

Johan Petrus Burger: 63
Non-executive director
Appointed non-executive director: September 2018

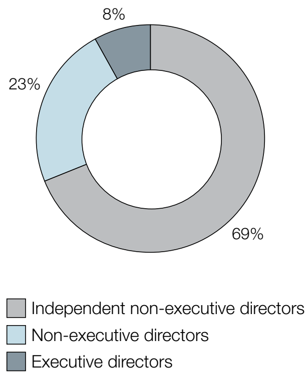
BCom (Hons), CA(SA)

Board changes

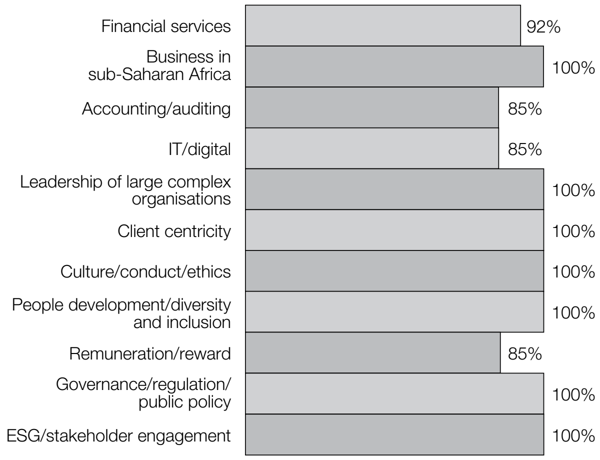
Changes to the directorate are outlined below.

		Effective date
Resignation		
F Knoetze	Non-executive director	1 December 2021
Appointment		
PD Naidoo	Independent non-executive director	1 April 2022

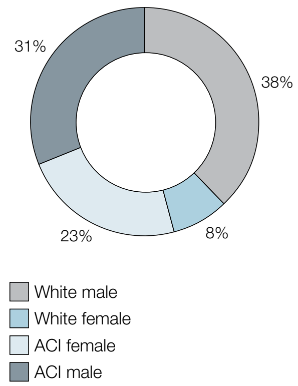
Executive and non-executive directors



Board skills and experience



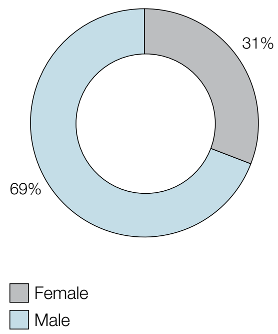
Board demographics



Board diversity

The board recognises that having a diverse and inclusive board promotes diversity of thought, unique insights and perspectives, and enhances decision-making, benefiting all stakeholders. The board has a policy to promote diversity. The policy considers a broad range of diversity attributes, such as age, nationality, culture, race, gender, independence, industry knowledge, skills and expertise. The policy seeks to increase the board's female representation and improve race diversity and sets out voluntary targets (30% for female representation and 50% for race diversity).

Gender diversity



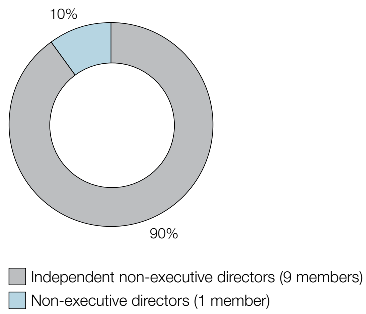
Independence and conflicts of interest

FirstRand is guided by the criteria set out in the King IV principles, the Act and JSE Listings Requirements to assess the independence of directors and ensure that no director wields unfettered power over the board or is likely to influence unduly or cause bias in decision-making when judged from the perspective of a reasonable and informed outside party.

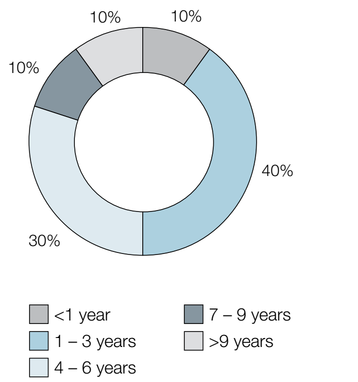
Grant Gelink has served on the board for a period longer than nine years. Taking into consideration the provisions of the King IV code and the critical transition to the first set of incoming joint auditors for the 2024 financial year end, the South African Reserve Bank's (SARB's) Prudential Authority (PA) has granted an exemption from Directive 4/2018 which allows Mr Gelink to continue to serve as an independent non-executive director until the 2024 annual general meeting. Following a rigorous annual review, the board concluded that Mr Gelink continues to be independent in character and exercises objective judgement in board deliberations by always acting in the best interests of the group.

The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the group. The roles of the chairman and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

Board independence – non-executive directors



Non-executive director tenure



Separation of roles and responsibilities

Roger Jardine is the independent non-executive chairman of the board. He has extensive experience in financial services in diverse industries such as steel, retail, manufacturing, IT services, mining services and infrastructure development. Before being appointed chairman, Roger served on both the FirstRand Bank and FirstRand Limited boards as a non-executive director. His experience and knowledge of the FirstRand group make him well suited to fulfil the role of chairman. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings Requirements and the Banks Act.

In addition, Thandie Mashego, an independent non-executive director and the chair of the directors' affairs and governance committee, is accountable for ensuring that there is no conflict of interest on the part of the chairman in the performance of his duties. Thandie also ensures that the independent members of the board demonstrate impartiality and leadership

Conflicts of interest policy

Policies are in place to manage any potential conflicts of interest. Directors sign quarterly declarations stating that they are not aware of any undeclared conflicts of interest that may exist due to their interests in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's-length commercial terms. In instances that they are conflicted, directors will recuse themselves from the relevant deliberations.

The conflicts of interest policy is available on the group's website at https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/.

Dealings in securities

The policy for dealing in securities for directors, prescribed officers and the company secretary, as well as the policy for group-wide personal trading, prohibit these individuals and employees from trading in securities during closed periods, or any period which contains unpublished price sensitive information in relation to the company's securities. Closed periods are effective from 1 January until publication of the group's interim results and from 1 July until the publication of year-end results.

In addition, this trading restriction applies during embargo periods during which certain nominated employees are prohibited from trading in designated securities due to price sensitive information that they have or may be privy to by virtue of their positions.

The chairman approves dealings for the board, executive directors, prescribed officers and company secretary.

Meetings during the year

The board meets quarterly and, should an important matter arise between scheduled meetings, additional meetings are convened. During the year, board and committee meetings were conducted virtually and/or physically. Due to the group's sound and deeply embedded governance frameworks, principles and practices, the switch to remote meetings did not impact the effectiveness of board or committee oversight. The board and management collaborated effectively, ensuring continuity in effective governance and decision-making.

Directors attend scheduled board meetings, a bilateral meeting with the PA held in November and a strategic conference. Scheduled training programmes are also attended by the directors to ensure continued professional development.

Name	Board	Bilateral	Strategic conference	Directors' training
Number of meetings	4	1	2	4
Independent non-executive directors				
WR Jardine	4/4	1/1	2/2	4/4
GG Gelink	4/4	1/1	2/2	4/4
RM Loubser	4/4	1/1	2/2	4/4
TS Mashego	4/4	1/1	2/2	4/4
PD Naidoo*	1/1	-	2/2	1/1
Z Roscherr	4/4	1/1	2/2	4/4
SP Sibisi	4/4	1/1	2/2	4/4
LL von Zeuner	4/4	1/1	2/2	4/4
T Winterboer	4/4	1/1	2/2	4/4
Non-executive directors				
JP Burger	4/4	1/1	2/2	4/4
F Knoetze**	2/2	1/1	–	2/2
Executive directors				
AP Pullinger	4/4	1/1	2/2	4/4
HS Kellan	4/4	1/1	2/2	4/4
M Vilakazi	4/4	1/1	2/2	4/4

* *Appointed 1 April 2022.*

** *Resigned 1 December 2021.*

Board appointment process

The board has a policy detailing procedures for nominations, elections and appointments to the board to contribute to a diverse and inclusive board with the required skillsets. Such appointments are formal and transparent, and are the responsibility of the board, assisted by its nominations committee.

Prior to the appointment of a new director, the nominations committee is responsible for making recommendations to the directors' affairs and governance committee as to a candidate's suitability. In terms of the South African banking regulations, all directors of a bank or a bank-controlling company must be assessed by the PA and found to be fit and proper. The nominations committee is committed to ensuring that the directive requirements are achieved and duly considered whenever there is a change to board composition.

The nominations committee considers diversity when proposing suitable candidates for board election. This is in addition to considering the board's effectiveness, as well as the balance between non-executive and executive directors, and the need for most of the non-executive directors to be independent.

Induction and ongoing board development programme

The directors' affairs and governance committee prioritises the professional development of board members and oversees directors' induction and ongoing training programmes.

During the induction training provided to new directors, it is emphasised that directors are accountable and responsible for all actions of board committees. Other ongoing training and education courses allow directors to familiarise themselves with FirstRand's operations, its operating environment, fiduciary duties and responsibilities, and the board's expectations in respect of a director's commitment, ethical behaviour and keeping abreast of regulatory changes and trends.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

During the year the following major training topics were covered:

- retail and commercial credit;
- corporate and institutional credit;
- cybercrime;
- combined assurance in a digital era;
- the Financial Sector Laws Amendment Bill;
- artificial intelligence (AI) in financial services;
- ESG and shared prosperity;
- insurance and asset management strategies;
- broader Africa portfolio strategies;
- remuneration; and
- remote working.

Succession plan

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's subsidiary boards and non-statutory advisory boards are used as a platform for mentoring potential future executive and non-executive directors and developing their knowledge of the group. The group continues to apply specific focus on succession planning at board level. The board is comfortable that its composition, and that of its committees, is appropriate, with the correct mix of skill and expertise.

Retirement and rotation of directors

The retirement age of non-executive directors, in terms of the MOI, is set at 70. Such directors shall vacate their office at the close of the annual general meeting after turning 70, unless the board resolves to extend retirement for an additional one year in each instance, should their specialised skills be required, and the board unanimously supports their nomination.

Two non-executive directors are older than 70 years. Russell Loubser was re-elected in 2020 for his specialised skills and will see out his existing tenure, which terminates in 2023. Grant Gelink's tenure has been extended by two years as explained on page 12.

Each year, one-third of FirstRand's non-executive directors, excluding the board chairman, retire by rotation and are eligible for re-election. When FirstRand directors retire from the board they automatically retire from the statutory boards and statutory committees on which they serve unless it has been unanimously agreed by the board that their skills and experience warrant retention.

Non-executive directors are expected to ensure that appointments to boards outside the group do not affect their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting.

Annual assessment

During the year under review a formal external evaluation was conducted which measured the board's performance and effectiveness, as well as that of the individual members and the company secretary. The directors' affairs and governance committee reviewed the evaluation and identified no material concerns in respect of the areas assessed, hence no remedial actions were required.

The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in the best interests of the group. A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare.

The board is satisfied that the evaluation process contributes to its performance and effectiveness.

During the year the following areas were assessed:	> board and board committee governance, performance and effectiveness; > performance and effectiveness of the board chairman; > performance and effectiveness of individual non-executive directors; and > performance and effectiveness of the company secretary.

Company secretary

The company secretary plays an essential role in FirstRand's corporate governance. The company secretary is responsible to the board for, *inter alia*, acting as a central source of information and advice to the board on its duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Carnita Low has been FirstRand's company secretary since January 2014 and is also the company secretary to FirstRand's South African subsidiaries. In line with good governance practice, the appointment and removal of the company secretary is a board matter.

All directors have full access to the professional services and advice of the group company secretary in all aspects of the board's mandate and operations of the group. The board is satisfied that these arrangements are effective.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed the company secretary:

> is competent, suitably qualified and experienced;
> has the requisite skills, knowledge and experience to advise the board on good governance;
> maintains an arm's-length relationship with the board and directors; and
> has discharged her responsibilities effectively in the year under review.

Chief executive officer

Alan Pullinger was appointed CEO by the board on 1 April 2018 and is responsible for leading the implementation and execution of approved strategy, policies and operational planning. The CEO leads and directs the executive management and serves as the chief link between management and the board.

The CEO is accountable to the board for, amongst other things:

> developing and recommending the group's short-, medium- and long-term strategies;

> managing the strategies, group performance and vision of FirstRand, and ensuring the achievement of its performance targets;

> ensuring that FirstRand has an effective management team and management structures;

> ensuring that appropriate policies are formulated and implemented;

> ensuring that effective governance measures are deployed; and

> serving as FirstRand's chief spokesman.

The CEO does not have any work commitments outside of the group and its related companies. In line with South African employees' notice periods, the contract of the CEO is subject to a one-month notice period which can be extended on mutual agreement. There are no contractual conditions related to his termination. A succession plan for the CEO is in place and is reviewed annually.

Board committees

FirstRand has established seven duly constituted board committees to assist and support the board in discharging its duties. Each committee acts in terms of a written charter. The charters were reviewed and approved during the year. The board and subcommittees are satisfied that they have fulfilled their responsibilities during the past financial year in accordance with their terms of reference, as set out in the board and committee reports.

The board is comfortable that the current composition of the board committees contributes to effective collaboration and balance of power, so no individual can dominate decision-making and no undue reliance is placed on any individual.

Reports from the board subcommittees are provided on pages 17 to 41.

large exposures committee

RUSSELL LOUBSER
Chairman

The large exposures committee (LEC) has been constituted in accordance with the requirements of Banks Act Directive 5/2008, section 73 of the Banks Act and Banks Act Regulations. The prime objective of the committee is to assist the board in discharging its credit risk oversight responsibilities, specifically with regard to credit granting and credit risk management.

Membership

- RM Loubser* (chairman)
- LL von Zeuner*
- TS Mashego*
- JP Burger**
- CEO#
- COO#
- Financial director#
- CRO
- Head: Wholesale Credit
- Group ERM credit executive

* *Independent non-executive director.*
** *Non-executive director.*
\# *The executive directors are members, but only one executive director is required for quorum purposes.*

82%	11†	✓
Attendance	**Meetings held during the year** † *Comprised scheduled and unscheduled meetings – the 82% attendance relates to scheduled meetings.*	**The committee is satisfied that** it fulfilled its obligations in terms of its mandate

COMMITTEE SKILLS AND EXPERIENCE:

- Wholesale credit
- Banking and financial services
- Corporate finance
- Risk management
- Strategic decision-making

Key stakeholders

Regulators | **Clients** | **Investors**

lec

LEC's main purpose

- Assess transactions (e.g. the making of investments or the granting of credit) exceeding 10% of the group's qualifying capital and reserves in terms of section 73 of the Banks Act.
- Assess the making of investments in or the granting of credit to related parties, or writing off of any related-party exposure where the amount exceeds 1% of the group's qualifying capital and reserves, in terms of Regulation 24(9) of the Banks Act.
- Be responsible for the delegation of mandates, in respect of the approval of non-large exposure group and individual facilities, to the FirstRand wholesale credit approval committee, the FirstRand commercial credit approval committee and the FirstRand retail credit policy, risk appetite and mandate approval committee, as required.

LEC further assists the board in ensuring that:

- credit activities relating to large exposures, as defined, are conducted within the risk strategy, policies and tolerances approved by the board;
- the group operates within sound and well-defined credit-granting criteria as far as large exposures are concerned; and
- all extensions of credit, which are large exposures, are made on an arm's length basis; and
- key reputational risk matters which may emanate from the group's activities in climate-sensitive sectors are appropriately managed.

2022 KEY FOCUS AREAS

- Considered appropriateness of credit risk appetite and provided input on credit origination strategies.
- Monitored economic developments and responded appropriately in credit decision-making.

FUTURE FOCUS AREAS

- Review and enhance the group's wholesale credit decision-making process.
- Continue to interrogate and challenge credit origination strategies related to large exposures.
- Continue to monitor the operating environment and assess the impact of changes on credit origination strategies and the existing credit portfolio.
- Assess the impact of changes to the regulatory environment on economic conditions and credit decision-making.

directors' affairs and governance committee

THANDIE MASHEGO
Chair

The directors' affairs and governance committee (DAG) oversees continual refinements in the group's corporate governance structures and processes, ensuring that arrangements for delegation within these structures promote independent judgement and assist with the balance of power and effective discharge of its duties. This ensures that corporate governance provides a solid foundation for the development and execution of business strategy.

Membership

- TS Mashego* (chair)
- WR Jardine*
- JP Burger**
- GG Gelink*
- F Knoetze** (resigned 1 December 2021)
- RM Loubser*
- Z Roscherr*
- LL von Zeuner*
- T Winterboer*
- SP Sibisi*
- PD Naidoo* (effective 1 April 2022)

100%	5	✓
Attendance	**Meetings held during the year**	**The committee is satisfied** that it has fulfilled its obligations in terms of its mandate

COMMITTEE SKILLS AND EXPERIENCE:

- Financial services
- Corporate governance
- Public policy/regulations
- Business leadership
- IT

Nominations committee membership

- TS Mashego* (chair)
- WR Jardine*
- JP Burger**

* *Independent non-executive director.*
** *Non-executive director.*

The nominations committee is a subcommittee of the DAG, comprising non-executive directors with a majority of independent directors, as guided by King IV. The nominations committee is responsible for establishing a formal process for the identification and appointment of directors, focusing on ensuring an appropriate mix of skills, promoting diversity by focusing on a broad range of attributes and maintaining the correct balance between executive, non-executive and independent non-executive directors.

Key stakeholders

Regulators	Investors	Rating agencies

DAG's main purpose

The committee assists the board in discharging its duties in respect of governance and board effectiveness, board continuity and executive succession planning. It:

> defines the group's corporate governance objectives;
> evaluates the adequacy, efficiency and appropriateness of the group's corporate governance structures and practices;
> ensures the group complies with all laws, regulations and codes of conduct and practice;
> establishes the parameters for corporate governance performance evaluations;
> establishes new committees as required and approves committee mandates and charters;
> oversees the board induction, and training and development programmes;
> oversees non-executive director continuity and succession for the board; and
> nominates candidates to fill key senior executive positions across the group.

2022 KEY FOCUS AREAS

> Approved the board nomination policy, board diversity policy and conflicts of interest policy in terms of the JSE Listings Requirements.
> Conducted board evaluations in terms of King IV to assess:
  – the performance and effectiveness of the board and board committees;
  – the performance and independence of the board chairman, individual non-executive directors and the company secretary; and
  – the independence of independent non-executive directors who have served continuously for nine years or more.
> Assessed the non-executive director independence classification in accordance with King IV and PA directive requirements.
> Provided oversight of the board and committee evaluation assessment process conducted by an independent service provider and which included the Regulation 39 assessment (Banks Act), considered the outcomes from all assessments (including action plans).
> Considered and approved the annual review of non-executive directors' and executive directors' fees.
> Managed individual directors' assessment and development.
> Considered and recommended board nominations, board committee changes, appointments and retirements, and reviewed the non-executive director succession plan.
> Evaluated the composition of the board and its subcommittees to ensure appropriateness of broader diversity attributes.
> Reviewed and approved the updated executive succession plan.

FUTURE FOCUS AREAS

The committee will build on the 2022 focus areas where appropriate and will continue to proactively review these.

> There will be continued focus on board succession planning taking diversity, skills and tenure into account.

> Executive succession planning will also continue to be a priority for the committee.

> The committee will continue to update the board training programme to appropriately take the changing operating and regulatory environment into account.

> The committee will review the appropriateness of the governance structures in the group's subsidiaries.

> Board effectiveness will remain a key consideration.

risk, capital management and compliance committee

RUSSELL LOUBSER
Chairman

The risk, capital management and compliance committee (RCCC) provides independent oversight of the group's risk, capital management and compliance activities. This includes ensuring an effective policy and plan for risk management have been implemented to improve FirstRand's ability to achieve its desired outcomes, and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders.

Membership

- RM Loubser* (chairman)
- GG Gelink*
- F Knoetze** (resigned 1 December 2021)
- T Winterboer*
- JP Burger**
- LL von Zeuner*
- Z Roscherr*
- SP Sibisi*

* *Independent non-executive director.*
** *Non-executive director.*

The RCCC is supported by the segment/operating business risk and compliance committees which are chaired by independent non-executives who participate in the group's RCCC.

100%	4	✓
Attendance	**Meetings held during the year –** in addition, two RCCC framework approval committee meetings were held	**The committee is satisfied** that the group has adequate resources, systems and skills to facilitate ongoing effectiveness of the risk, capital management and compliance functions

COMMITTEE SKILLS AND EXPERIENCE:

- Banking and financial services
- Public policy/regulations/governance
- Capital and risk management

Key stakeholders

- **Regulators**
- **Investors**
- **Rating agencies**

rccc

RCCC's main purpose

- Ensure that relevant risk and compliance management policies, frameworks approaches and processes are approved in terms of the group risk management framework.
- Approve the RCCC subcommittees' charters and memberships.
- Monitor the management and containment of risk exposures within the return and risk appetite framework and the group risk management framework.
- Monitor the implementation of risk and compliance management approaches, risk appetite limits and effectiveness.
- Monitor that the group takes appropriate action to manage the various types of risks and complies with applicable laws, rules, codes and standards.
- Approve regulatory capital models, risk and capital targets, limits and thresholds.
- Monitor capital adequacy and ensure that a sound capital management process exists.
- Report on RCCC's assessment of the adequacy and effectiveness of risk appetite, risk management and the group's ICAAP and compliance processes.

2022 KEY FOCUS AREAS

- Monitored the group's overall risk profile and escalated material matters to the board where appropriate.
- Considered global and local macroeconomic developments and how these are expected to impact different portfolios. Approved the IFRS 9 macroeconomic forecasts and scenarios.
- Reviewed and approved changes to board limits and risk appetite.
- Reviewed the risk maturity assessment by risk type and related management corrective actions.
- Reviewed the group's approach to climate change risks, including the physical and transition risk in the underlying portfolios as well as relevant extracts from the Task Force on Climate-related Financial Disclosures (TCFD) report.
- Cyber risk was a key focus area for the year.
- Approved assumptions underlying the group's internal ICAAP and stress testing process, including a review of management plans to address additional risks arising from risk scenarios and further ICAAP refinements that were implemented.
- Approved the group's recovery and resolution plan as recommended by the group asset, liability and capital committee.
- Considered the impact of macro environmental changes and specific management actions taken to manage the additional risk, including tax risk, regulatory engagements and actions.
- Reviewed the credit risk profile and approved credit risk appetite parameters as recommended by the credit risk management committee. Approved credit risk capital models.
- Tracked the progress made with the BCBS's principles for effective risk data aggregation and risk reporting (BCBS 239) project, including integration with the group data strategy.
- Reviewed the management of regulatory and supervisory risk in all jurisdictions where the group operates. Considered group-wide monitoring coverage plans for regulatory risk management.

FUTURE FOCUS AREAS

The committee will build on the 2022 focus areas and will continue to proactively review these.

The following areas will continue to be points of focus in the next year:

> cyber-security and resilience;
> IT and data risks resulting from migration of activities onto data and digital platforms;
> climate change and broader ESG risks and their impacts on credit and other risk types;
> transition risk (including project and change management risks);
> third-party risk;
> the macroeconomic outlook and scenarios and their related impact on the group's risk profile, as well as the impact of global events on the group's portfolios and business operations; and
> regulatory changes emanating from Basel IV and impacts on credit, market and other risks.

The Basel Pillar 3 disclosure for the year ended 30 June 2022 is available at ***https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/*** *and sets out the specific risk, capital and compliance management actions undertaken during the year.*

IT risk and governance committee

LEON CROUSE
Chairman

The IT risk and governance committee is responsible for IT risk and governance in accordance with King IV. It ensures the effectiveness of the group's information technology systems and IT risk management processes as required by the Banks Act.

Membership

- L Crouse* (chairman)
- GG Gelink**
- AC Meyer*
- M Chirnside*
- SP Sibisi**

* *Specialist consultant (IT risk specialist).*
** *Independent non-executive director.*

100%	4	✓
Attendance	**Meetings held during the year**	**The committee is satisfied** that the group has adequate resources, systems and skills to ensure effectiveness and efficiency of the group's IT systems and IT risk management processes

COMMITTEE SKILLS AND EXPERIENCE:

- Banking and financial services
- IT strategy
- IT risk, systems and controls

Standing invitations

CRO
Chief Digital Officer
Chief Audit Executive
Chief Information Security Officer
Segment chief information technology officers
Head: IT Risk and Governance
Head: Operational Risk Management
Head: Information Security
Head: Information Governance

Key stakeholders

Regulators | **Investors** | **Customers**

IT, risk and gov

The IT risk and governance committee's main purpose

- Provides the board with an overall view of IT risk and governance across the group.
- Reviews and approves the FirstRand IT governance framework and oversees its implementation.
- Monitors the appropriateness and effectiveness of the group's management of IT risk and information, and cyber-security.
- Considers the FirstRand IT risk profile, including cyber-security, and ensures it is managed within FirstRand's IT risk appetite.
- Receives reports on significant IT, information security and cyber-related incidents, and monitors that adequate corrective actions have been implemented.
- Escalates significant IT (including cyber) risk and governance matters to the board.
- Monitors IT spend to ensure that significant technology investment delivers value.
- Monitors group compliance with all relevant regulatory requirements.
- Maintains oversight of the IT operating model to ensure it is appropriate to meet the group's strategic requirements.

2022 KEY FOCUS AREAS

- Reviewed the group's information security management system.
- Reviewed top IT risks related to unsupported technologies, including planned remediation and mitigation.
- Further refined reporting of business IT spend, which now reflects a split between capex and opex budget and spend.
- Monitored the group's progress towards compliance with new relevant regulatory and legislative requirements.
- Obtained a view of businesses' IT strategies, including key projects, and tracked progress made to remediate key IT risk and governance issues across the group.
- Reviewed key IT risk scenarios across the group.
- Assessed the group's cyber-security and resilience, including reviewing results of penetration/vulnerability tests and benchmarking exercises.
- Implemented a standalone cyber risk appetite framework.
- Reviewed the top IT systems projects across the group.
- Reviewed and approved various IT frameworks and policies.

GOVERNANCE STRUCTURE REVIEW

FirstRand embarked on a process to review and simplify its IT governance and committee structures with specific focus on the IT risk and governance committee, platform executive committee and the scope of the group's operational risk committee.

The aim of the review was to improve efficiency in the governance process by streamlining and reducing duplication, and to enhance focus on key topics, e.g. cyber risk.

Key stakeholders across the group contributed to the review and analysis.

As a result, the IT risk and governance committee was dissolved effective 30 June 2022. An operational and IT risk committee was established as a subcommittee of RCCC effective 1 July 2022, and is chaired by Dr Sibusiso Sibisi.

FUTURE FOCUS AREAS FOR THE NEWLY CONSTITUTED OPERATIONAL AND IT RISK COMMITTEE

Focus areas will include:

> the group's IT, cloud, data and digitisation strategies;

> maintaining BCBS 239 compliance from an IT risk perspective;

> the group's cyber-security strategy, incident management and breach readiness;

> proactive monitoring of intelligence to identify, avoid and respond to incidents (including cyberattacks);

> enhancing the risk and governance processes relating to the use of digital tools (e.g. robotics and artificial intelligence); and

> strengthening the IT control environment given emerging risks identified during the pandemic.

audit committee

GRANT GELINK
Chairman

The audit committee is the board subcommittee responsible for assisting the board in fulfilling its oversight responsibilities in areas such as internal and external audit functions, financial reporting, financial risk management, regulatory compliance and internal control systems.

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008 and section 64 of the Banks Act of 1990.

Membership

- GG Gelink* (chairman)
- RM Loubser*
- LL von Zeuner*
- T Winterboer*

* *Independent non-executive director.*

The audit committee is supported by the segment/operating business audit committees which are chaired by independent non-executives who also participate in the group's audit committee.

100%	5	✓
Attendance	**Meetings held during the year –** including the trilateral meeting with external auditors and the PA	**The committee is satisfied** that it fulfilled its obligations in terms of its mandate and that the individual members of the committee meet the requirements of section 94(4) of the Companies Act, King IV and the Banks Act. The committee has the appropriate financial expertise, related qualifications and balance of skills and experience to discharge its responsibilities.

COMMITTEE SKILLS AND EXPERIENCE:

- Banking and financial services
- Capital/risk management
- Accounting and auditing

Standing invitations

CEO
COO
Financial director
Chief Risk Officer
Chief Audit Executive
Head of Group Finance
Subcommittee chairs and other specialist consultants
External auditors

Key stakeholders

- **Regulators**
- **Investors**
- **Rating agencies**

audit

Audit committee's main purpose

> Review the quality, independence and effectiveness of the statutory audit work performed by the group's external auditors.

> Recommend the appointment of the external audit firms to the board and approve the appointment of the audit lead partners after consideration of enhanced due diligence results.

> Monitor the extent of non-audit engagements provided by the group's external audit firms, in accordance with approved internal policies and limits.

> Assist the board in evaluating the adequacy and effectiveness of FirstRand's internal control environment (including financial controls and IT risk related controls), accounting practices, information systems and internal assurance processes.

> Ensure that a combined assurance model is applied to provide a coordinated approach to assurance activities.

> Provide independent oversight regarding financial risks, including risks relating to the validity, accuracy and completeness of the interim financial results, annual financial statements and the annual integrated reporting suite (including financial and non-financial reports) and recommend these items to the board for approval.

> Receive and assess reports on fraud and IT risks as these relate to financial reporting.

> Satisfy itself as to the adequacy of the expertise, resources and experience of the group's financial director and finance function.

> Assess and evaluate the effectiveness of the group's risk management processes regarding compliance with applicable legal and regulatory requirements and accounting policies in preparation of the financial statements and external reports.

2022 KEY FOCUS AREAS

- The committee assessed and is satisfied with the performance and quality of the external audit function, and the independence of the external auditors and lead partners of the group as set out in section 94(8) of the Companies Act. The committee is also satisfied with the auditor and designated audit partner suitability assessment conducted in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements.
- Deloitte & Touche and PwC were nominated for re-election as the external audit firms responsible for performing the functions of auditor for the 2023 financial year.
- The committee assessed and is satisfied that the group has appropriate financial reporting control frameworks and procedures (which include consideration of all entities included in the consolidated group IFRS financial statements) and that these procedures are operating effectively.
- The committee conducted a formal assessment process on the group's financial director and it is satisfied with the expertise, effectiveness and experience of the financial director during the financial year.
- The committee reviewed and considered the effectiveness of the group's internal financial controls and the going-concern aspect of FirstRand and its subsidiaries, in terms of Regulation 40(4) of the Banks Act Regulations (including specific approval of the list of loss-making entities and/or those with a negative net asset value).
- The committee reviewed the report on management's self-assessment of internal financial controls, enabling the directors' attestation in terms of the JSE Listings Requirements section 3.84(k).
- The committee reviewed and approved the audit work plan.
- With regard to the mandatory audit firm rotation (MAFR) rule issued by the Independent Regulatory Board for Auditors (IRBA), the committee confirmed the intention to first replace Deloitte by Ernst & Young following the completion of the 30 June 2023 financial year audit and then replace PwC by KPMG following the completion of the 30 June 2025 financial year audit.
- The committee reviewed the impact of emerging and current regulation on the group.
- The committee reviewed and responded to the outcome of the statutory and regulatory audits.
- The committee noted management's response to regulatory correspondence related to the group's annual financial statements (including the JSE proactive monitoring of financial statements relating to the 2021 calendar year, published in 2021, and additional reports issued by the JSE for the 2022 financial year).
- The committee reviewed and approved the group's materiality framework.

FUTURE FOCUS AREAS

> Oversee the transition process of EY as joint auditors for the financial year ending 30 June 2024 and subsequently KPMG for the financial year ending 30 June 2026, in accordance with MAFR.
> Review and monitor the group's implementation plan, as well as the disclosure impact, relating to the adoption of IFRS 17, which will replace IFRS 4 Insurance contracts.
> Monitor the implementation of the amended JSE Listings Requirements.

A detailed audit committee report is also included on pages B11 to B17 of the group's annual financial statements for the year ended 30 June 2022, available at ***https://www.firstrand.co.za/investors/annual-reporting/.***

social, ethics and transformation committee

ZELDA ROSCHERR
Chair

The FirstRand social, ethics and transformation committee (Setcom) is a mandated board committee. The role of the committee is to assist the board with ensuring responsible social and ethical business practices across the group, and to monitor group activities regarding the Companies Act, King IV, the committee charter and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters.

Membership

- Z Roscherr* (chair)
- F Knoetze** (resigned 1 December 2021)
- TS Mashego*
- JP Burger**
- SP Sibisi* (effective 7 June 2021)

* *Independent non-executive director.*
** *Non-executive director.*

97%	4	✓
Attendance	**Meetings held during the year –** in addition, one framework approval committee meeting was held	**The committee is satisfied** that it has executed its duties during the past financial year in accordance with the committee charter, relevant legislation, regulations and governance practices

The committee is supported by the operating businesses' social, ethics and transformation forums and the FirstRand sustainability and governance executive committee.

COMMITTEE SKILLS AND EXPERIENCE:

- Public policy
- Stakeholder engagement
- Diversity, equity and inclusion
- Environmental, social and governance

Key stakeholders

Regulators | **Customers** | **Investors** | **Employees** | **Society**

setcom

Setcom's main purpose

Ethical conduct in the financial system is critical and remains a business imperative for FirstRand. The group expects ethical behaviour from all its stakeholders and vendors. The group's ethics culture is continually assessed so that effective interventions are implemented to support ethical behaviour and outcomes. Leadership uses a values-led approach to integrate ethics objectives into commercial strategies, whilst the board ensures that the correct tone is set at the top and oversees the embedment of these values.

- The committee is charged with providing oversight of:
  - all ethics, culture, environmental and conduct risk programmes;
  - the group's ESG policies and frameworks;
  - broad-based black economic empowerment initiatives, measurement and reporting;
  - diversity, equity and inclusion initiatives;
  - skills development and working conditions;
  - corporate social investment; and
  - the group's engagement with key stakeholders.
- The committee assists the board in monitoring the agreed performance measures and outcomes of responsible corporate citizenship.

Setcom oversees the group's approach to climate change

Setcom specifically assesses progress in the following focus areas:

- the adequacy of climate change strategy and climate commitments as articulated in the climate change policy and key supporting policies;
- the appropriateness of climate change focus areas and progress against the roadmap;
- the group's climate change roadmap;
- the transparency of disclosure through its TCFD report; and
- key reputational risk matters which may emanate from the group's activities in climate-sensitive sectors.

Public reporting and assurance

Setcom and the audit committee are responsible for reviewing and approving the non-financial content that is included in FirstRand's annual integrated report and published on the group's website, as well as determining and making recommendations on the need for assurance of the group's public reporting on its sustainable performance.

The group workforce profile is available on the FirstRand website at ***https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/.***

2022 KEY FOCUS AREAS continued

Ethical conduct

FirstRand conduct programmes

The group's conduct programmes are organised under three themes: ethics, business conduct and market conduct. During the year under review, the committee reviewed policies and frameworks supporting an ethical culture and sound conduct outcomes.

Business conduct

The committee oversaw and deliberated on the following business conduct matters:

> supplier conduct and engagement to support positive customer and societal outcomes;
> the broader societal impact of the deployment of artificial intelligence;
> initiatives across the group to manage potential conflicts of interest, including personal account trading;
> enhancements in the detection and mitigation of anti-bribery and corruption risk;
> the management of client desirability matters, including the associated reputational risk;
> the effective management of the ethics line whistle-blowing programme and analysis of emerging themes;
> the deployment of a comprehensive framework for the ethical use of data which is to be embedded in business processes; and
> the effectiveness of the FirstRand Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud, corruption and other unethical conduct.

Market conduct

The committee oversaw and deliberated on the following market conduct matters:

> ethical considerations and principles in the development of the group's digitisation journey – the committee remains committed to sound conduct and vigilance on topics of digitisation, the deployment of artificial intelligence and machine learning, and the associated social impact;
> management's considerable effort to address service and customer complaints, including internal review and mediation processes to ensure proactive engagement and resolution of customer complaints;
> financial inclusion and internal practices around the management of inactive and dormant accounts;
> the operationalisation of market conduct metrics which will improve the committee's oversight;
> feedback received from the Financial Sector Conduct Authority following a number of market conduct supervisory engagements; and
> the continual impact of Covid-19 on regulatory requirements, timelines and overall customer treatment.

Environmental (climate) and social risk

The committee heightened its focus on climate change matters and received regular feedback on environmental, social and climate risks. This included reviews of the group's current operational and financed emissions. The following items were discussed, noted and/or approved by the committee during the year:

> FirstRand's climate policy;
> the updated FirstRand energy and fossil fuel financing policy;
> FirstRand's ESG policy;
> the group's operational greenhouse gas emissions and associated reduction targets;
> progress against the group's climate roadmap; and
> FirstRand's TCFD report.

Corporate social investment

> The committee monitored the group's progress on corporate social investment activities, principally undertaken through the foundations, including the FirstRand Foundation, the FirstRand Staff Assistance Trust and the FirstRand Empowerment Foundation.

FUTURE FOCUS AREAS

The committee will build on the 2022 focus areas where appropriate and will continue to proactively review these. Internal and external stakeholder engagement will ensure the group is aware of and responds to material issues.

> There will be a continued focus on environmental and climate change and associated themes. The committee will further be strengthened with environmental and climate skills.

> Transformation at all levels of the group will remain a high priority.

> Oversight of organisational engagement from an ESG perspective will be strengthened.

> Human rights impacts and related themes, including modern slavery and human trafficking, will be monitored.

> As the social and economic environment remains unpredictable, the committee will proactively engage on issues to ensure ethical conduct and support of sustainable business activities across the group.

> The committee will ensure that the framework for the ethical use of data and AI is appropriately embedded across the group.

> Another area of focus will be the enhancement of stakeholder engagement.

Further detail can be found in the group's report to society at ***https://www.firstrand.co.za/investors/annual-reporting/.***

remuneration committee

LOUIS VON ZEUNER
Chairman

FirstRand's remuneration practices are governed by the FirstRand remuneration committee (Remco). The committee assists the board in ensuring that the group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.

Remco membership

- LL von Zeuner (chairman)*
- GG Gelink*
- RM Loubser*
- WR Jardine*
- JP Burger**

* *Independent non-executive director.*
** *Non-executive director.*

93%	6	✓
Attendance	**Meetings held during the year**	**Remco is satisfied** that it has executed its duties during the past financial year in accordance with its charter and relevant legislation, regulations and governance practices. Remco believes that the remuneration policy has achieved its stated objectives.

COMMITTEE SKILLS:

- Remuneration and reward
- Governance
- Banking and financial services

The full remuneration report was published on 15 September 2022. Only the chairman's letter has been included in this corporate governance report. The full report is available on the group's website.

Key stakeholders

Regulators	Investors	Employees

letter from the chairman of the remuneration committee to stakeholders

In the year under review, FirstRand delivered normalised earnings growth of 23% and ROE of 20.6%. The group produced R10.1 billion of economic profit or net income after cost of capital (NIACC), which is the group's key performance measure.

FirstRand's performance is testament to the quality of the business and, importantly, the disciplined execution on certain strategies implemented during the pandemic. These strategies were tightly managed through the group's financial resource management (FRM) process. The key objectives of these strategies were to:

> carefully price for financial resources;

> appropriately provide against lending portfolios;

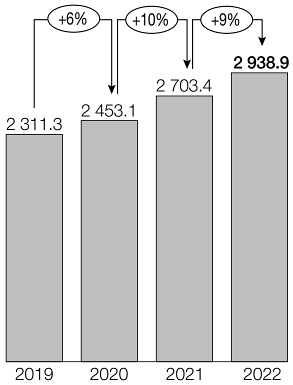
> strengthen and appropriately tilt the balance sheet to the macro environment; and

> accrete capital and net asset value.

The above deliverables were closely anchored to management key performance indicators (KPIs) and effective execution has shaped material shareholder value creation during the period under review. Not only have earnings fully recovered – and are significantly above peak 2019 levels – NIACC has more than doubled since the prior period. The ROE remains well situated in the target range of 18% to 22%. In addition the group has delivered sustained growth in net asset value (NAV). The Common Equity Tier 1 (CET1) ratio increased to 13.9% (2021: 13.5%), which enabled the board to approve the highest annual dividend in the group's history. This amounts to a dividend of 342 cents per share and a special dividend of 125 cents per share, resulting in a total distribution to shareholders of R26.2 billion.

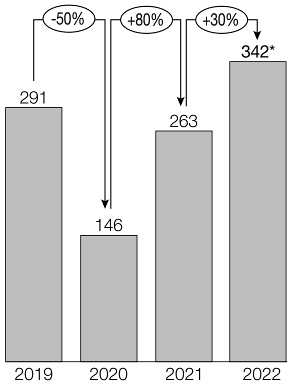
NAV per share

Cents



Dividend per share

Cents



* *Excludes special dividend of 125 cents per share.*

Remuneration pool

FirstRand's performance management framework is anchored to NIACC and is viewed over a six-year business cycle. This focus on NIACC recognises that performance measurement should begin after charging earnings for the cost of the capital utilised in generating those earnings.

The 2022 short-term incentive (STI) pool increased 26% compared to the prior year. This outcome was driven in particular by:

> The 23% increase in normalised earnings.

> Positive NIACC of R10 112 million in the current year (compared to R4 857 million in the prior year).

> An improvement in ROE from 18.4% to 20.6%.

Ultimately the demonstration that shareholders continue to do better than management in the previous and current year lies in the following:

> For the year to June 2020 the STI pool reduced 43%, more than the decline in earnings of 38%.

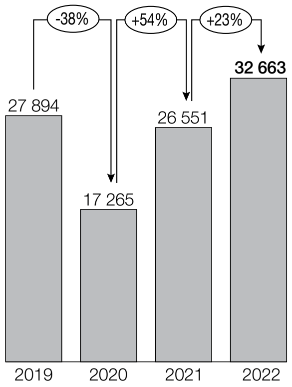
> For the year to June 2021 the STI pool grew 45%, less than the increase in earnings of 54%, as both earnings and ROE had not fully recovered. This is further reflected in the fact that the 2022 allocated STI pool was lower than the 2019 STI pool level.

> The higher growth in STI relative to earnings in 2022 is a result of the recovery in NIACC (more than double the value of 2021) to over R10 billion and takes into account the prior year's lag on STI growth. However, the absolute allocated pool has not fully recovered to 2019 levels as NIACC has not fully recovered.

For executive directors and prescribed officers STIs increased 23% overall. This is below the total pool growth of 26% due to the consequences of the operational event at MotoNovo for the CEO and CFO. The executive scorecards are covered in the remuneration report on pages 35 to 42, and the remuneration outcomes on pages 43 to 59.

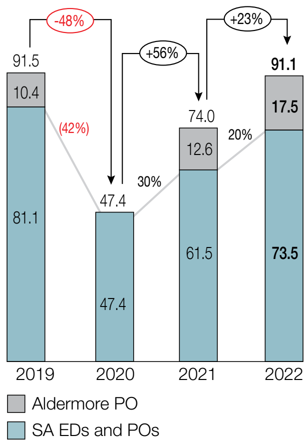
Normalised earnings

R million



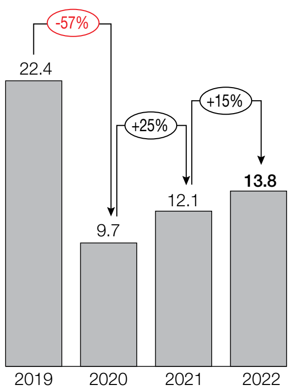
Executive STI

R million



CEO STI

R million



Shareholder engagement

The remuneration policy and implementation reports for the year to June 2021 were tabled at FirstRand's annual general meeting (AGM) in December 2021 for separate non-binding advisory votes by shareholders. The results (shown below) did not meet the 75% threshold set by the Listings Requirements.

Remuneration policy	For	Against
2021	74.11%	25.89%

Implementation report	For	Against
2021	48.75%	51.25%

The group is encouraged by the above, in particular regarding the remuneration policy outcome. Non-support from one large shareholder impacted the overall vote, however, excluding this shareholder 94.9% of voting shareholders supported the policy. The group reads this result positively because it demonstrates that the vast majority of its shareholders acknowledged the efforts made by the remuneration committee (Remco) to deal with a number of significant issues previously raised, and have indicated their support of these efforts.

The vote outcome on remuneration implementation was triggered in the main by two issues.

> Treatment of retirees (*ex gratia* payment for failed 2017 and 2018 long-term incentives (LTIs).

> Lack of support from some shareholders for the Covid-19 award.

The *ex gratia* payment to retirees was a one-off event and Remco continues to strongly believe that it was the right decision. The Covid-19 award will also not be repeated.

During the year, Remco engaged with shareholders on several issues, in line with obligations under the King IV Code and JSE Listings Requirements. These meetings continue to be highly constructive in nature and feedback was taken directly into the committee's deliberations. The committee members aim to ensure that the group's shareholders are fully appraised of remuneration policies and their implementation, as well as to fully understand the concerns of shareholders.

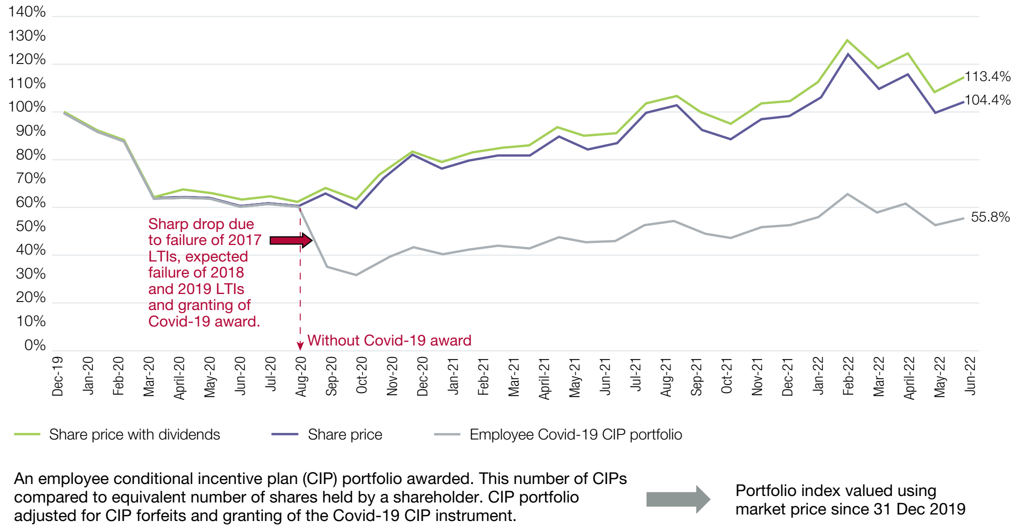
During the year, the following engagements were held:

Date	Engagement
October 2021 (pre-AGM)	The chairman of the board and the chairman of Remco hosted a virtual ESG roadshow with FirstRand's largest international and local shareholders.
31 January 2022	The 2021 non-binding advisory vote did not meet the 75% support threshold. Remco invited shareholders to provide feedback via teleconference.
June – July 2022	A subcommittee of Remco hosted a virtual roadshow for FirstRand's largest international and local shareholders to provide insight into Remco's response to shareholder concerns, and to elicit additional feedback.

It is worth noting that ongoing non-support for the Covid-19 instrument may continue to impact the implementation vote, given that the award vests over three years (to 2023). However, Remco is strongly of the view that the Covid-19 award allocated in 2020 achieved its objectives, as outlined in the table below.

1.	Management retention	Ninety per cent of the 480 award recipients were retained over the past three years.
2.	Management was incentivised to steer the group through the crisis and ensure it was well positioned for a recovery.	The group's earnings have well exceeded those of 2019, one year earlier than expected. All commitments made were achieved.
3.	Shareholders continue to do better than management, maintaining a long track record in this undertaking.	Shareholders recovered 100%, while management received 50%, as illustrated in the graph below.

Impact of Covid-19 on employee CIP (share price linked) portfolio vs equivalent shareholder portfolio (based to 100)



Key shareholder feedback

Shareholder feedback	Remco response
Appropriateness of LTI targets	> The group believes that LTI targets drive shareholder alignment, as vesting conditions reference ROE AND earnings growth over a three-year period. > FirstRand has applied performance targets for both these indicators rather than assigning weightings to each target. This means both conditions must be met simultaneously, as opposed to individual performance conditions being met. > The group has consistently stated its intention to first and foremost protect ROE and will not "chase" growth at the expense of returns. As such ROE minimum targets must be met for any vesting to occur. If the ROE condition is not met earnings growth is not considered. **By way of example, to demonstrate that shareholder alignment is fully anchored to the group's performance conditions: the 2019 award failed due to the average ROE condition not being achieved despite the strong recovery in earnings.**
The executive scorecard needs to be refined for better transparency on pay for performance, with enhanced emphasis on ESG.	The schematic below demonstrates STI determination calibrated to scorecards. Appropriate ESG weightings are incorporated in the executive scorecards on pages 35 to 42 of the remuneration report.
Not all LTIs are subject to performance conditions.	All LTIs issued from 2021 are subject to performance conditions.

STI determination to scorecards

1 **Step 1 = GATE**

> If annual financial targets and NIACC (measured through the six-year cycle) are not met, there is NO bonus pool or a reduced bonus pool (dependent on extent of targets not met), and therefore NO or a reduced STI.
> In addition, segment pool growth influences STI growth for prescribed officers (POs).

2 Executive directors' and prescribed officers' scorecards

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

3 Remco judgement (increase/decrease) where required

4 Constrained by STI caps (unlikely to get there)

5 STI quantum

Charges implemented during the year

No significant changes were made to the group remuneration policy and practices during the year.

Remco also reviewed several other remuneration features, as explained below.

Benchmarking of executive directors and prescribed officers

During the year, executive directors' and prescribed officers' total remuneration was benchmarked by PwC using JSE-listed banking peers, namely Standard Bank, Absa, Nedbank, Capitec and Investec. This informed Remco's review of executive remuneration outcomes.

Other independent consultants were also engaged during the year, as detailed on page 11 of the remuneration report, to benchmark other jurisdictions and roles.

Minimum shareholding requirement

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

Given the failure of the 2017 and 2018 LTI vestings, this policy was revised in 2021. The shareholding requirements are set relative to guaranteed pay and are outlined in detail on page 24 of the remuneration report. The effective date is September 2022 or five years from the date on which the relevant executive was appointed, whichever is the later. The Aldermore CEO has an effective date seven years from joining to comply with the minimum shareholding requirement.

Fair and responsible remuneration

Remco is cognizant of the criticality of fair and responsible remuneration. Its approach is explained in detail in the *Policy* and *Implementation* sections of this report, including the rectification of any pay gaps emanating from arbitrary criteria such as gender or race.

Future focus areas

Remco seeks to ensure all remuneration practices are aligned with the strategic objectives of the group. The following remain important focus areas:

> Regular engagement with shareholders on remuneration matters.
> Continued refinement of executive scorecards to remain aligned to changes in the market, including ESG outcomes.
> Consideration of including ESG deliverables in LTIs as the current position includes ESG KPIs only in STI.
> Ongoing research and evaluation of remuneration best practices.
> Ensuring appropriate remuneration mix across all staff levels.
> Ensuring that FirstRand's fair and responsible pay practices appropriately evolve to remain relevant to both business requirements and market changes.

In conclusion

FirstRand employees delivered a highly positive outcome for shareholders in a challenging operating environment. This performance naturally reflects in the growth of short-term incentive awards to employees, and the group continues to demonstrate that employees are appropriately rewarded for delivering to shareholders. To this end, Remco believes that the remuneration policy has achieved its stated objectives.

Remco will continue to work with stakeholders to ensure remuneration practices deliver sustainable and appropriate outcomes.

LOUIS VON ZEUNER ~ Chairman

The full remuneration report is available on the group's website at: https: www.firstrand.co.za/investors/annual-reporting/.

Governance outcome	**trust and legitimacy through stakeholder engagement**

stakeholder engagement

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that incorporates the legitimate needs, interests and expectations of material stakeholders.	The FirstRand group is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, regulators, civil society and communities – play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and allocated to the appropriate central functions or business units. The group's governance structures ensure that material stakeholder concerns are escalated to appropriate committees to be addressed.

Stakeholder	Channels used to manage relationship	Key focus areas
Government and regulators	> interviews and meetings; > reports and presentations; > conferences and round table discussions; and > general correspondence.	> succession planning; > regulatory compliance; > economic development; > vulnerable customers; > using complaints data to improve customer outcomes; > process to close client accounts; > economic capital; > environmental risk; > IT risk and governance; and > transformation.
Investors and analysts	> investor presentations; > financial and integrated reporting; > roadshows and shareholder, debt holder and sell-side analyst meetings; > website; and > Stock Exchange News Services.	> governance topics covering climate change, executive remuneration and transformation; > deployment and management of financial resources, including capital, funding, liquidity and risk capacity; > strategy and growth opportunities; and > sustainability bond framework and issuance.
Employees	> webinars; > internal newsletters and interactive videos; > information sessions; > training and development; > website and intranet; > performance reviews; > functions and awards; and > employee wellness.	> blended working arrangements; > group performance and business news; > industry trends and strategy implementation; > training; > compliance and ethics matters; > professional development programmes; and > awards and recognition initiatives.
Customers	> digital channels, website and advertising; > customer surveys; > branches/front office and call centres; and > relationship managers.	> customer service; > innovation and new products; > financial inclusion and wellness; > climate change solutions; > small business development; and > customer education.
Suppliers	> service level agreements; and > relationship with applicable business unit.	> code of conduct; > business continuity and opportunity; and > B-BEEE and transformation.
Communities	> sponsorships; > FirstRand foundations; > FirstRand Volunteers; and > website.	> job opportunities (FirstJob); > youth development programmes; > corporate social investment opportunities; > scholarships and bursaries; and > education and skills development.
Civil society	> *ad hoc* engagement; and > FirstRand foundations.	> climate change and just transition; and > sponsorship.

stakehold

Non-financial reporting policies

The board's responsibilities include oversight of financial and non-financial value drivers against agreed performance measures and targets, including environmental, social and governance issues.

FirstRand's non-financial reporting policies are guided by:

- the United Nations Principles for Responsible Banking;
- the United Nations Principles for Responsible Investing;
- the TCFD;
- the Equator Principles;
- the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol;
- the Carbon Disclosure Project;
- King IV;
- BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry's B-BBEE Codes of Good Practice; and
- ESG rating agencies and proxy voters.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Materiality is defined as disclosures reflecting significant economic, environmental and social impacts, or those that would substantially influence the ability of stakeholders to make informed decisions about the company's performance. Data measurement techniques are replicable and measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

Independent assurance report on selected non-financial information to the directors of FirstRand Limited

Group Internal Audit (GIA) has undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand group's annual integrated report for the year ended 30 June 2022.

Environmental, social and governance (ESG) reporting aims to:

> improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
> promote a more cohesive approach to corporate reporting that draws on different reporting standards and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
> enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
> support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

FirstRand applies its own ESG performance reporting criteria which is derived from the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, Black Economic Empowerment (BEE) transformation requirements set out by the Financial Sector Charter and the Department of Trade, Industry and Competition's Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice, and the King IV code of corporate governance.

Directors' responsibility

The directors are responsible for:

> the selection, preparation and presentation of the sustainability information included in the integrated report;
> the identification of stakeholders and stakeholder requirements; and
> establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

Internal audit responsibility

GIA's responsibility is to express an assurance opinion on the selected non-financial information based on the procedures performed. It has conducted its engagement by applying guidance from the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information and King IV Requirements

Its procedures selected were based on GIA's judgement, including the risks of material misstatement of the selected sustainability information.

GIA was not responsible for preparing any part of the report and confirms that it is not aware of any issue that could impair its objectivity in relation to this assurance engagement.

Management has employed the services of external assurance providers specialising in different sustainability elements to ensure the necessary technical and process competencies for the evaluation of the sustainability information.

GIA's scope was limited to the following:

1. In respect of the group's objective of driving strategic change through systemic social investing as evidenced by the group's corporate social investment (CSI) contributions to the FirstRand Foundation, the FirstRand Empowerment Fund and the FirstRand Staff Assistance Trust, GIA verified and reviewed the accurate transfer and aggregation of information from supporting records to the group's annual integrated report.

2. GIA considered internal controls relevant to FirstRand's preparation of the report. It believes that the evidence it has obtained is sufficient and appropriate to provide a basis for its conclusion.

3. GIA has ensured that the outcomes reported by the external assurance service providers were accurately incorporated in the group's annual integrated report, as applicable.

Results of GIA work performed

Based on the results of the work performed on the selected non-financial information as presented in the group's annual integrated report for the year ended 30 June 2022, GIA confirms that nothing has come to its attention that causes it to believe that the identified sustainability and governance related information selected for its review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

As part of ongoing refinement of the annual integrated report, management has identified areas for enhanced aggregation and disclosure of sustainability information in future reporting periods. GIA concurs with management's assessment and will assess the refinements in future reviews of the annual integrated report.

Results of work performed by other assurance providers

The work performed by the external assurance providers employed by management to conduct verification assessments on selected non-financial data, which forms the basis of disclosures made in the group's annual integrated report, is reflected below:

The Mosela Rating Agency performed a Department of Trade, Industry and Competition scorecard review that covered the following:

> In respect of the group's objective of providing capital for inclusive economic development it reviewed:
- lending to affordable housing;
- spend on consumer financial education;
- deepening access to financial services through electronic channels;
- transformational infrastructure;
- lending to black business growth financing (BBGF), BEE transactions and black agriculture;
- spending on enterprise development; and
- BEE procurement.

> In respect of the group's objective of creating an environment that maximises the potential of the group's people it reviewed:
- SA workforce diversity;
- middle and junior management diversity;
- senior management diversity;
- top management diversity;
- workforce gender; and
- skills development spend.

The following work was independently assured by IBIS Environmental Social Governance Consulting Africa (Pty) Ltd (IBIS). The IBIS assurance report will be included in the 2022 report to society when issued.

> In respect of the group's objective of doing business ethically, responsibly and sustainably:
- Direct carbon footprint: selected non-financial aspects in the 2022 suite of reports. FirstRand Bank Limited's carbon footprint data for the South African operations has been prepared in accordance with the WBCSD/WRI Greenhouse Gas Reporting Guidelines.
- Equator Principles transactions funded and advised: selected non-financial aspects in the 2022 suite of reports.

A VAN DER COLFF ~ Chief Audit Executive

12 October 2022