FirstRand

corporate governance

report

for the year ended 30 June 2023

contents

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/

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* *Functionality may differ according to device and app version used.*

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All reported data is for the year ended 30 June 2023, unless indicated otherwise.

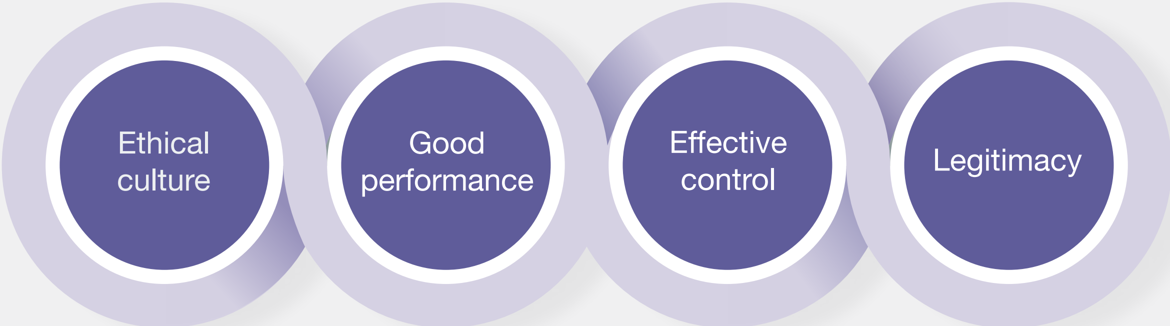
Feedback on this report can be sent to: investor.relations@firstrand.co.za

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 its 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 the *King IV Report on Corporate Governance for South Africa, 2016* (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** (considering the macro environment, key stakeholder needs and the group's business model);
- **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 are 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 is a key framework for the business. The code is aligned to the group's unique and long-standing business philosophy, which is captured in a set of Promises. The philosophy guides how the group's people need to behave to deliver the best outcomes for all stakeholders. The code provides guidance on ethical decision-making and behaviour. It creates a common understanding of how the group expects its people to behave. The code has been created for the group's employees and directors. The group also expects ethical behaviours from suppliers and customers, and is supported by a supplier code of conduct as well as ethics checks for employees, directors, suppliers and customers.

As a financial services group, looking after the financial interests and 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, with a well-established ethics management programme in place.

This programme includes the management of conflicts of interest, standard setting for supplier conduct and governance of the client desirability assessment. The Group Ethics Office is also responsible for the management of the FirstRand ethics line and Leading Light programme, which is an employee reward programme for vigilance in preventing unethical conduct. The scope of the Group Ethics Office has been expanded to include a programme to address human rights and the ethical use of data.

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

Ethics monitoring

Ethics and risk culture are continually assessed through surveys, audits and ongoing employee engagement. During the past year, the perception of the group's ethical conduct was assessed by employees, customers and suppliers through an anonymous survey independently managed by a third party. Insights from the survey inform the improvement of the ethics communication strategy. The Group Ethics Office continually tracks employee engagement with ethics content (including the code, related policies and other relevant content).

Current year focus

- **Promoting awareness** of the code of ethics.
- **Promoting the support** available to employees to foster and entrench sound ethical decision-making.
- **Equipping management** with practical ethics toolkits.
- **Continued to embed** the framework for the ethical use of data, including ensuring executive management oversight of key decisions.
- **Enhanced supplier engagement** focused on the supplier code of conduct and due diligence requirements.
- **Enhancing the human rights framework** and monitoring its implementation.
- **Ongoing measurement** of the ethical fitness of the operating businesses.
- **Expanding the reach of the Leading Light programme.**

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

During the year ended 30 June 2023 the board oversaw the creation of

R195 billion

in economic value for stakeholders.

	2023		2022	
Statement of value added (IFRS)	**R million**	**%**	R million	%
Value added				
Net interest income after impairment	**140 947**	**72.2**	101 887	67.8
Non-operating revenue	**55 465**	**28.4**	49 604	33.0
Non-operating expenses	**(1 261)**	**(0.6)**	(1 215)	(0.8)
Value added by operations	**195 151**	**100.0**	150 276	100.0
To employees				
Salaries, wages and other benefits	**42 336**	**21.7**	36 621	24.4
To providers of funding	**104 569**	**53.6**	60 820	40.5
Dividends to shareholders	**29 110**		18 228	
Interest paid	**75 459**		42 592	
To suppliers	**21 055**	**10.8**	18 790	12.5
To government	**13 987**	**7.2**	14 647	9.7
Normal tax	**11 993**		12 950	
Value-added tax	**1 595**		1 420	
Capital gains tax	**345**		-	
Other	**54**		277	
To communities				
Corporate social investment spend	**268**	**0.1**	221	0.1
To expansion and growth	**12 936**	**6.6**	19 177	12.8
Retained income	**8 375**		15 371	
Depreciation and amortisation	**4 721**		4 827	
Deferred income tax	**(160)**		(1 021)	
Total value added	**195 151**	**100.0**	150 276	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;
- the Banks Act 94 of 1990 (Banks Act);
- FirstRand's memorandum of incorporation (MOI); and
- the Companies Act No. 7 of 2008 (as amended) (Companies Act).

The board confirms that the group complied with the provisions of the Companies Act, Banks 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;
- oversight of 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 that 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

Business unit strategies and governance processes are aligned with group strategy, financial and non-financial risk tolerances and strategic value drivers

First-line controls

Business units ensure that financial and non-financial performance is measured in line with mandates approved by the board

Second-line controls

Specialised risk and governance committees provide independent reports on financial and non-financial risks and performance for board oversight

Third-line controls

End-to-end independent assurance

Stakeholder engagement

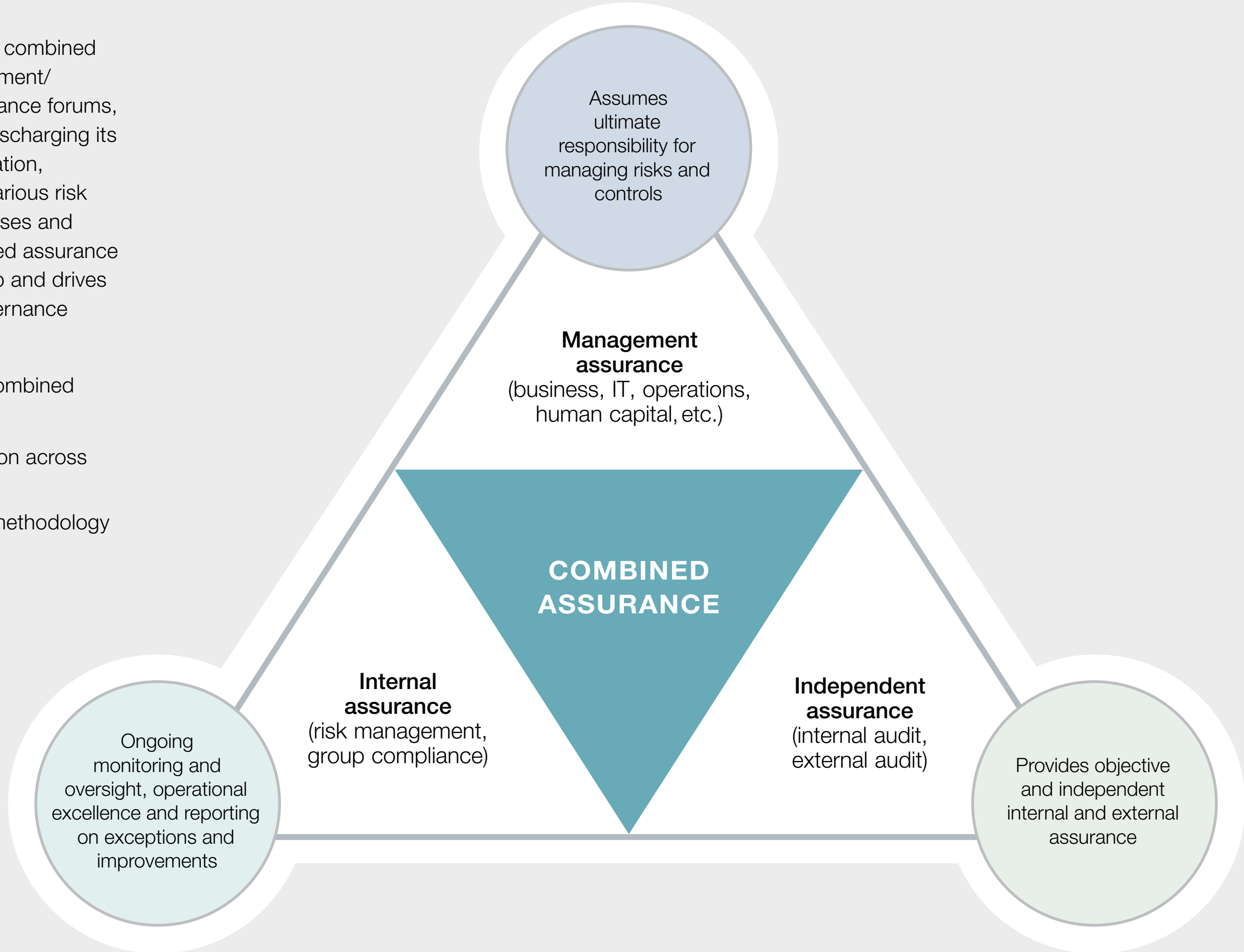
Strategy implementation requires business units to engage and transact with stakeholders

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 additional information on the group's combined assurance framework refer to FirstRand's Basel Pillar 3 disclosure for the year ended 30 June 2023, available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/.

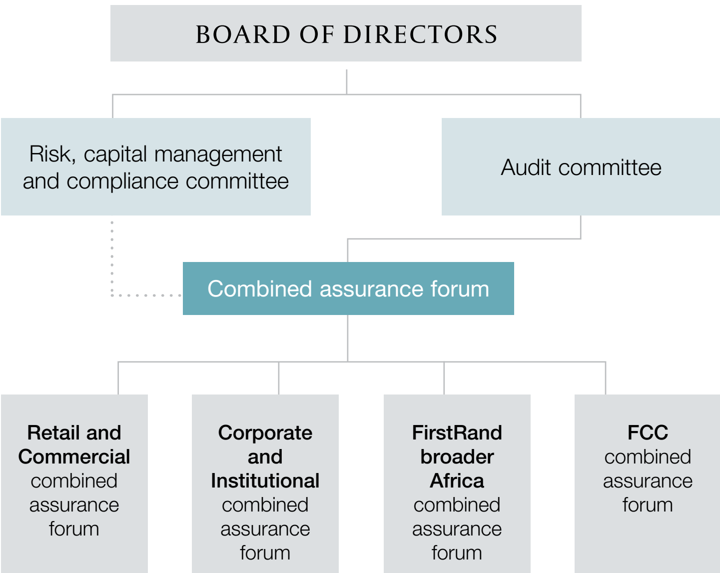
The combined assurance forum meets quarterly to agree on key current and emerging risks. During these meetings, the following views are presented:

- adequacy of the current assurance level per key risk;
- forward-looking risks for the next quarter that will require assurance; and
- identified emerging risks and their potential impact.

The combined assurance forum is chaired by the head of 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 the group 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. GIA provides 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 coordination with other assurance providers is driven through ongoing engagement, planning sessions, combined assurance forums and audit committee discussions.

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 South Africa-based head office team for specialised skills and additional resources. This approach supplements 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. It 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 conformance with the IIA standards. The last assessment was performed by Ernst & Young (EY) in 2020 and included all areas of the group, except Aldermore. Aldermore's latest independent assessment was conducted in September 2023.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 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. In some instances these may not be significant individually, however, when considered holistically they can point to pervasive control weaknesses which warrant management attention.

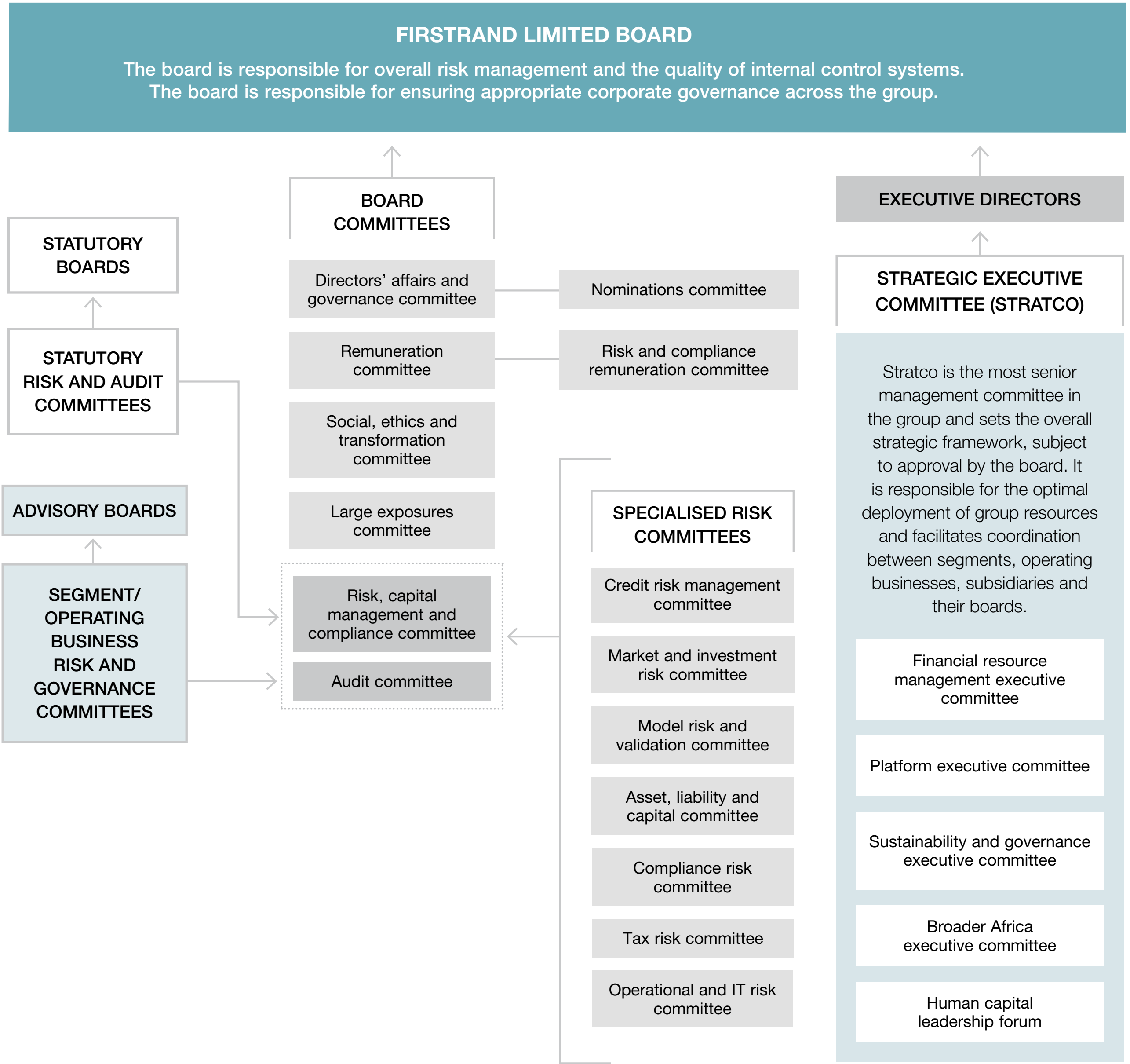
Governance structure

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. They 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 the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.



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 2023, 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: 57
Independent non-executive chairman
Appointed chairman: April 2018

BSc, MSc

Executive directors

Alan Patrick Pullinger: 57
Chief executive officer
Appointed: October 2015
Appointed chief executive officer: April 2018

MCom, CA(SA), CFA

Mary Vilakazi: 46
Chief operating officer
Appointed: July 2018

BCom (Hons), CA(SA)

Hetash Surendrakumar (Harry) Kellan: 51
Financial director
Appointed: January 2014

BCom (Hons), CA(SA)

Independent non-executive directors

Grant Glenn Gelink: 73
Independent non-executive director
Appointed: January 2013

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

Tamara Carol Isaacs: 46
Independent non-executive director
Appointed: June 2023

CA(SA)

Russell Mark Loubser: 73
Independent non-executive director
Appointed: September 2014

BCom (Hons), MCom, CA(SA)

Independent non-executive directors

Premilla Devi (Shireen) Naidoo: 61
Independent non-executive director
Appointed: April 2022

BSc

Zelda Roscherr: 56
Independent non-executive director
Appointed: April 2020

BSc, BCom (Hons), MSc

Sibusiso Patrick Sibisi: 68
Independent non-executive director
Appointed: April 2021

BSc, PhD

Independent non-executive directors

Louis Leon von Zeuner: 62
Independent non-executive director
Appointed: February 2019

BEcon, CD(SA)

Tom Winterboer: 67
Independent non-executive director
Appointed: April 2018

BCom (Hons), CA(SA), AEP

Non-executive director

Johan Petrus Burger: 64
Non-executive director
Appointed non-executive director: September 2018

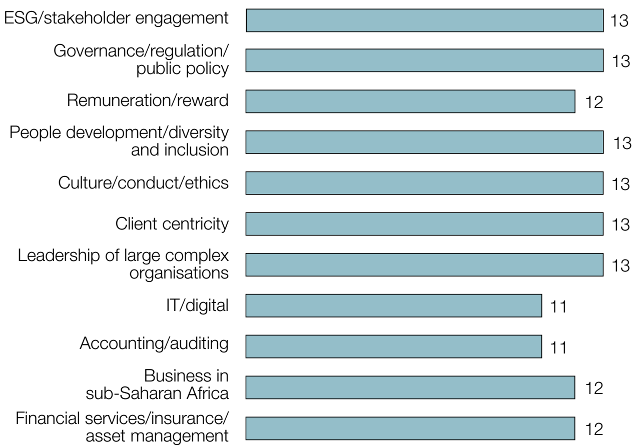
BCom (Hons), CA(SA)

Board changes

Changes to the directorate are outlined below.

		Effective date
Resignation		
TS Mashego	Independent non-executive director	2 December 2022
Appointment		
TC Isaacs	Independent non-executive director	22 June 2023

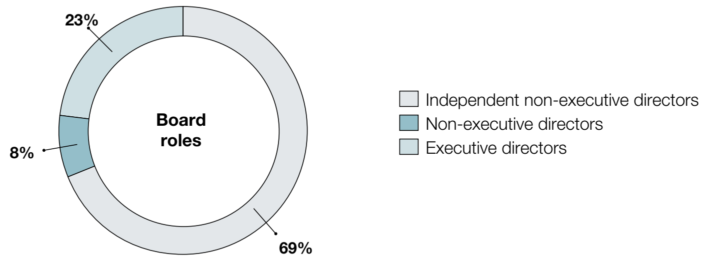
Board skills and experience

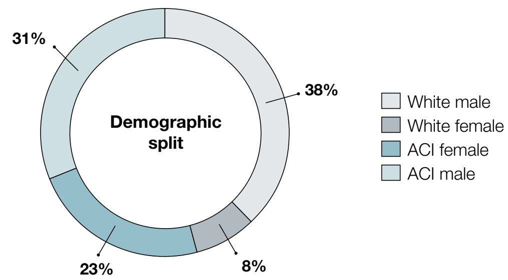


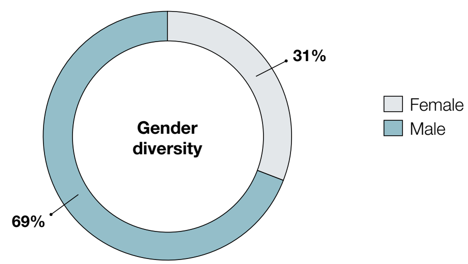
Board diversity

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 diversity policy that considers a broad range of diversity attributes, such as age, nationality, culture, race, gender, independence, industry knowledge, skills and expertise. The board seeks to increase its female representation and improve race diversity, and the policy sets out voluntary targets (30% for female representation and 50% for race diversity). Of the thirteen board members, 31% are women and 54% are African, Coloured and Indian (ACI).

Board composition







Independence

FirstRand is guided by the criteria set out in the King IV principles, the Companies Act, Banks 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 unduly influence 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 of more than nine years. Taking into consideration the provisions of the King IV code and the critical transition to the first audit rotation 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 Grant to continue to serve as an independent non-executive director until the 2024 annual general meeting (AGM). Following a rigorous annual review, the board concluded that Grant 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 interests 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 single director has unfettered powers of decision-making.

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.

Sibusiso Sibisi, 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. Sibusiso also ensures that the independent members of the board demonstrate impartiality and leadership.

Conflicts of interest

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

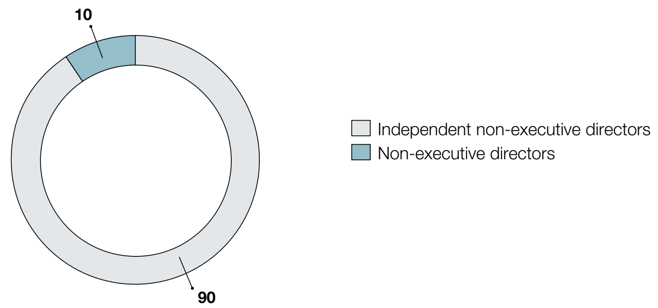
Dealings in securities

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. 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.

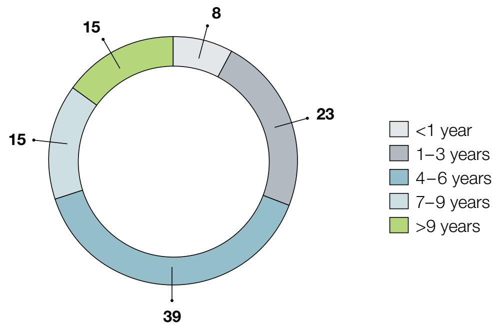
In addition, this trading restriction applies during embargo periods during which certain nominated employees are prohibited from trading in designated securities due to price- sensitive information that they have or may be privy to by virtue of their positions.

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

Board independence – non-executive directors
(%)



Tenure
(%)



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. 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 2022 and a strategic conference. They also attend scheduled training programmes to ensure continued professional development.

Board appointment process

The board has a policy detailing the procedures for nominations, elections and appointments to the board. 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 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 a change is made to the composition of the board.

The nominations committee considers diversity when proposing suitable candidates for board election. This is in addition to considering the board's skillset and 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.

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	4/4	1/1	2/2	4/4
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
TC Isaacs**	–	–	–	–
T Winterboer	4/4	1/1	2/2	4/4
Non-executive directors				
JP Burger	4/4	1/1	2/2	4/4
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

* *Resigned 2 December 2022.*

** *Appointed 22 June 2023.*

Induction and ongoing board development programmes

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 at the group's expense in support of their duties.

Professional development training and regular briefings are provided to board members. During the year the following major training topics were covered:

- cyber risk awareness;
- digitisation/tokenisation of currencies;
- combined assurance in a digital era;
- climate risk;
- environmental, social and governance (ESG) reporting;
- delivering on the group's purpose of shared prosperity;
- diversity, equity and inclusion to create diverse, equitable and inclusive workspaces;
- operational resilience;
- tax update;
- mirroring global anti-trust enforcement trends in Africa; and
- the impact of current and future use of artificial intelligence (AI).

Succession plan

The directors' affairs and governance committee is responsible for ensuring that board continuity is maintained. It does this through proactive succession planning that takes into account changes to board capability requirements aligned with the group's strategic focus areas. 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 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 offices 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 ends following the 2023 AGM. Grant Gelink's tenure has been extended by two years until 2024 as explained on page 16.

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 AGM. The group's overboarded policy ensures that the board members have the time and capacity to carry out their duties as board members.

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

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 individual members and the company secretary. An independence assessment of directors who have long tenure was also conducted as part of the evaluation.

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.

The directors' affairs and governance committee reviewed the evaluation and identified no material concerns in respect of the areas assessed. Therefore no remedial actions were required.

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

The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently and 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.

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 practices, 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 that 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 in place;
- 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 six 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 20 to 37.

large exposures committee

RUSSELL LOUBSER
Chair

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 the Regulations relating to Banks. 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* (chair)
LL von Zeuner*
TS Mashego* (resigned 2 December 2022)
JP Burger**
CEO#
COO#
Financial director#
CRO
Head: Wholesale Credit
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.*

91%	9	✓
Attendance	**Meetings held during the year**	**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
- rating agencies

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. This includes single counterparty exposures and key country and sovereign risk limits.
- 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 Regulations relating to Banks.
- Be responsible for the delegation of mandates, in respect of the approval of non-large exposure group and individual facilities, to the FirstRand wholesale and commercial credit approval committee.

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 and delegated mandates are concerned; and
- extensions of credit, specifically large exposures and related-party transactions, are made on an arm's length basis.

2023 *key focus areas*

- Considered appropriateness of credit risk appetite and provided input on credit origination strategies against developing macroeconomic events.
- Monitored economic developments specifically related to large exposures or high-concentration sectors and jurisdictions, and responded appropriately in credit decision-making.

Future *focus areas*

- Review and enhance the group's wholesale credit decision-making process.
- Continue to monitor changes in the operating environment, including sovereign risk, and assess the impact thereof on credit origination strategies and the in-force credit portfolio.
- Assess the impact of changes to the regulatory environment on economic conditions and credit decision-making.
- Continue to oversee compliance with relevant regulatory requirements for large exposures.

directors' affairs and governance committee

SIBUSISO PATRICK SIBISI
Chair

The directors' affairs and governance committee (DAG) oversees continual refinements of 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) (resigned 2 December 2022)
SP Sibisi* (chair) (appointed 2 December 2022)
WR Jardine*
JP Burger**
GG Gelink*
RM Loubser*
Z Roscherr*
LL von Zeuner*
T Winterboer*
PD Naidoo*
TC Isaacs* (appointed 22 June 2023)

Nominations committee membership
TS Mashego* (chair) (resigned 2 December 2022)
SP Sibisi* (chair) (appointed 2 December 2022)
WR Jardine*
JP Burger**

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

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

COMMITTEE SKILLS AND EXPERIENCE:

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

The nominations committee is a subcommittee of the DAG, comprising non-executive directors with a majority of independent non-executive 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:

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

2023 *key focus areas*

- Approved the board nomination policy, board diversity policy and conflict of interest policy in terms of the JSE Listings Requirements.
- Approved the specialist consultant appointment process.
- 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 which included the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments (including action plans).
- Approved key governance documents, including the prescribed officer definition, external communication and disclosure policy, board committee charters and the board training curriculum.
- Considered and approved the annual review of non-executive directors' fees.
- Managed individual directors' assessments 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 2023 focus areas, where appropriate, and will continue to proactively review these.

- There will be continued focus on board succession planning, taking diversity, skills, independence and tenure into account.
- Executive succession planning will continue to be a priority for the committee.
- The committee will review and approve the board training programme to appropriately take the changing operating and regulatory environment into account.
- The committee will continue to review the appropriateness of governance structures in the group and its subsidiaries.
- Board effectiveness will remain a key consideration.
- The annual review process of the board and committee charters as well as other governance documents will be monitored.

risk, capital management and compliance committee

RUSSELL LOUBSER
Chair

The risk, capital management and compliance committee (RCCC) provides independent oversight of the group's risk, capital management and compliance activities. This includes ensuring that 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* (chair)
- GG Gelink*
- 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 or 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.** Two additional framework approval committee meetings were held during the year under review.	**The committee is satisfied** that the group has adequate resources, systems and skills to ensure the ongoing effective management of risk, capital management and compliance.

COMMITTEE SKILLS AND EXPERIENCE:

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

Key stakeholders

- regulators
- investors
- rating agencies

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' terms of reference and memberships.
- Monitor the management and containment of risk exposures within the group's risk/return-, risk appetite- and risk management frameworks.
- 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 that it complies with applicable laws, rules, codes and standards.
- Approve regulatory capital models and risk and capital targets, limits and thresholds.
- Monitor capital adequacy and ensure that a sound capital management process exists.
- Report on the committee's assessment of the adequacy and effectiveness of risk management, the group's ICAAP, the recovery and resolution plan, and compliance processes.
- Governance and oversight of technology and information risk (including the recommended King IV practices) are executed through the operational and IT risk committee (an RCCC subcommittee), a task previously fulfilled by the IT risk and governance committee.

The Basel Pillar 3 disclosure for the year ended 30 June 2023 is available at https://www.firstrand.co.za/investors/integrated-reporting-hub/risk-disclosures/ and sets out the specific risk, capital and compliance management actions undertaken during the year.

2023 *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 setting (quantitative and qualitative statements).
- Considered the impact of emerging risks, the external market, industry events and the macro environment on the group's risk profile, as well as the appropriateness of management actions to manage the additional risk.
- Reviewed the group's risk profile related to all principal risk types.
- Considered the operational control environment, the appropriateness of management actions and assurance provided by the second line of defence.
- Considered the group's credit risk profile and year-end provisioning, and approved the credit risk appetite parameters as recommended by the credit risk management committee.
- Tracked progress made regarding 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 compliance risk management.
- Monitored progress against the group's climate roadmap.
- Monitored the group's approach to climate risk, including physical and transition risk in the underlying portfolios.
- Approved climate-related disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- Approved the group's ICAAP (including stress testing results), and the recovery and resolution plan. This included a review of the assumptions underlying the ICAAP and stress testing process, as well as management plans to address additional risks arising from risk scenarios and further ICAAP refinements that were identified.
- Monitored the group's management of IT, information and cybersecurity risk, including policies and response to incidents.

Future *focus areas*

The committee will build on the 2023 focus areas and will continue to proactively review and monitor these. The following areas will be points of focus in the next financial year:

- emerging risks and assessing how these evolve and translate into principal risks;
- sovereign risk and how it manifests in other risk types;
- litigation and regulatory enforcement matters;
- earnings volatility and risk view of the balance sheet;
- cybersecurity and business resilience;
- IT and data risks resulting from migration of activities onto data and digital platforms;
- climate change, and broader environmental and social risks as well as their impacts on credit and other risk types;
- transition risk (including project and change management risks);
- third-party and vendor risk;
- the macroeconomic outlook and scenarios and their impact on the group's risk profile, as well as the impact of global events on the group's portfolios and business operations;
- regulatory changes emanating from Basel III reforms and their impact on credit-, market and other risks;
- ongoing discussions with regulators in broader Africa regarding the localisation of key IT systems;
- compliance and assurance activities relating to financial crime and market/business conduct; and
- active credit portfolio management and the group's response to operational risk events.

audit committee

GRANT GELINK
Chair

The audit committee assists 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 and section 64 of the Banks Act.

Membership
GG Gelink* (chair)
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.

Standing invitations
CEO
COO
Financial director
CRO
Chief Audit Executive
Head: Group Finance
Subcommittee chairs and other specialist consultants
External auditors

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

Key stakeholders

regulators | investors | rating agencies

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 lead audit 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 by internal audit, external audit, compliance, risk, and other internal control functions.
- 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.
- Assess reports received 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.

2023 *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.
- 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) in place, 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 Regulations relating to Banks (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 internal and external audit work plans.
- The committee received regular feedback regarding the progress of the intended transition of EY to replace Deloitte as one of the joint auditors of the group for the 30 June 2024 financial year audit. The appointment of EY will be tabled for approval at the shareholder meeting in November 2023.
- 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 the JSE proactive monitoring of the financial statements report for the 2022 calendar year and additional reports issued from the JSE applicable for the 2023 financial year.
- The committee reviewed the financial statements disclosure impact of IFRS 17 and approved the group's materiality framework.

Future *focus areas*

The committee will build on the 2023 focus areas and will continue to proactively review and monitor these. The following areas will be points of focus in the next year:

- Oversee the opening balance and first-year audit of EY as joint auditors for the financial year ending 30 June 2024 and the transition process with KPMG as joint auditors for the financial year ending 30 June 2026.
- Review and monitor the finalisation of the adoption of IFRS 17, which will replace IFRS 4, including the impact of required restatements and disclosure in the financial statements.
- Monitor the implementation of the amended JSE Listings Requirements.

A detailed audit committee report is also included on pages B11 to B16 of the group's annual financial statements for the year ended 30 June 2023, available at https://www.firstrand.co.za/investors/integrated-reporting-hub/financial-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 terms of reference, and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters.

Membership
Z Roscherr* (chair)
PD Naidoo* (effective 3 October 2022)
TS Mashego* (resigned 2 December 2022)
JP Burger**
SP Sibisi*

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

94%	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 in accordance with the committee terms of reference, relevant legislation, regulations and governance practices during the past financial year.

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

COMMITTEE SKILLS AND EXPERIENCE:

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

Key stakeholders

regulators | customers | investors | employees | society

Setcom's main purpose

Responsible and 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. 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 initiatives and reporting relating to:
  - the group's ethical culture, risk culture, social impact and conduct risk programmes;
  - the group's ESG policies and frameworks;
  - the group's approach to delivering on its purpose of shared prosperity;
  - transformation;
  - diversity, equity and inclusion implementation;
  - skills development;
  - employee well-being and working conditions;
  - corporate social investment; and
  - the group's engagement with key stakeholders.
- The committee assists the board in monitoring the agreed upon performance measures and outcomes of responsible corporate citizenship.

Setcom oversees the group's approach to climate change policy

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 group's roadmap;
- the transparency of disclosure through its climate reporting; and
- key reputational risk matters which may follow from the group's activities in climate-sensitive sectors.

The group's climate policies are available on the FirstRand website at https://www.firstrand.co.za/investors/esg-resource-hub/policies-and-practices/.

2023 *key focus areas*

Ethical conduct

FirstRand conduct programmes

FirstRand has established frameworks, policies and procedures, including the code of ethics, to govern conduct.

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

Business conduct

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

- the group's commitment to respecting human rights, including the management of modern slavery and human trafficking risks;
- supplier conduct and engagement to support positive customer and societal outcomes;
- the implementation of the group's ethical use of data framework;
- conflicts of interest reporting;
- enhancements in the detection and mitigation of bribery and corruption risk;
- the management of client desirability matters, including customer termination processes;
- the effective management of the ethics line programme and analysis of emerging trends;
- the treatment of vulnerable customers; and
- the effectiveness of the Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud, corruption and other forms of unethical conduct.

Market conduct

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

- the group market conduct strategy, which aims to ensure good and fair outcomes for customers in all jurisdictions;
- ethical considerations and principles in the development of the group's digitisation journey, as the committee remains committed to sound conduct and vigilance on topics of digitisation, the deployment of artificial intelligence and machine learning, and their associated social impact;
- management's efforts to address service and customer complaints, including internal review and mediation processes to ensure proactive engagement with, and resolution of, customer complaints;
- 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 (FSCA) following a number of market conduct supervisory engagements; and
- the group's approach to the financial well-being of vulnerable clients and staff impacted by adverse economic conditions.

Environmental (climate) and social risk

The committee enhanced its focus on climate change matters and received regular feedback on environmental, social and climate risks. The following items were discussed, noted and/or approved by the committee during the year:

- the group's updated climate policy;
- the updated energy and fossil fuel financing policy;
- the updated environmental sustainability policy;
- the group's operational greenhouse gas emissions and associated reduction targets; and
- climate disclosure.

Corporate social investment

- The committee received updates from the Social Investing team on the group's progress on corporate social investment activities, undertaken through the FirstRand Foundation, the FirstRand Staff Assistance Trust and FirstRand Volunteers.

People

The committee reviewed updates pertaining to:

- human capital governance;
- management practices enabling employment equity;
- pay parity;
- workforce transformation;
- talent and succession planning processes;
- health and safety reviews;
- risk culture; and
- employee well-being.

Future *focus areas*

The committee will build on the 2023 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. The committee will focus on:

- pay parity;
- employee engagement;
- the group's transformation strategy;
- external insights into the industry and the group's own ethical environment;
- protocols to mitigate potential reputational and unethical conduct introduced by the group's suppliers;
- environmental and climate change and the integration of nature and biodiversity management throughout the group's value chain;
- oversight of organisational engagement with respect to environmental, social and governance matters;
- ensuring that the framework for the ethical use of data and AI is appropriately embedded across the group;
- enhancement of stakeholder engagement monitoring processes;
- market conduct across all jurisdictions, with a focus on consumer duty, digital assets and other emerging legislative developments; and
- proactive engagement on issues to ensure ethical conduct and support sustainable business activities across the group given the uncertain social and economic environment.

More information can be found in the group's report to society at https://www.firstrand.co.za/investors/integrated-reporting-hub/societal/.

remuneration committee

LOUIS VON ZEUNER
Chair

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 JSE Listing Requirements, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines, section 30(4) of the Companies Act disclosure requirements, and the recommended practices of King IV, where appropriate.

Membership

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

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

The full remuneration report was published on 14 September 2023. Only the chair's letter has been included in this corporate governance report. The full report is available on the group's website at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/.

100%	5	✓
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 AND EXPERIENCE:

- Remuneration and reward
- Governance
- Banking and financial services

Key stakeholders

- regulators
- investors
- employees

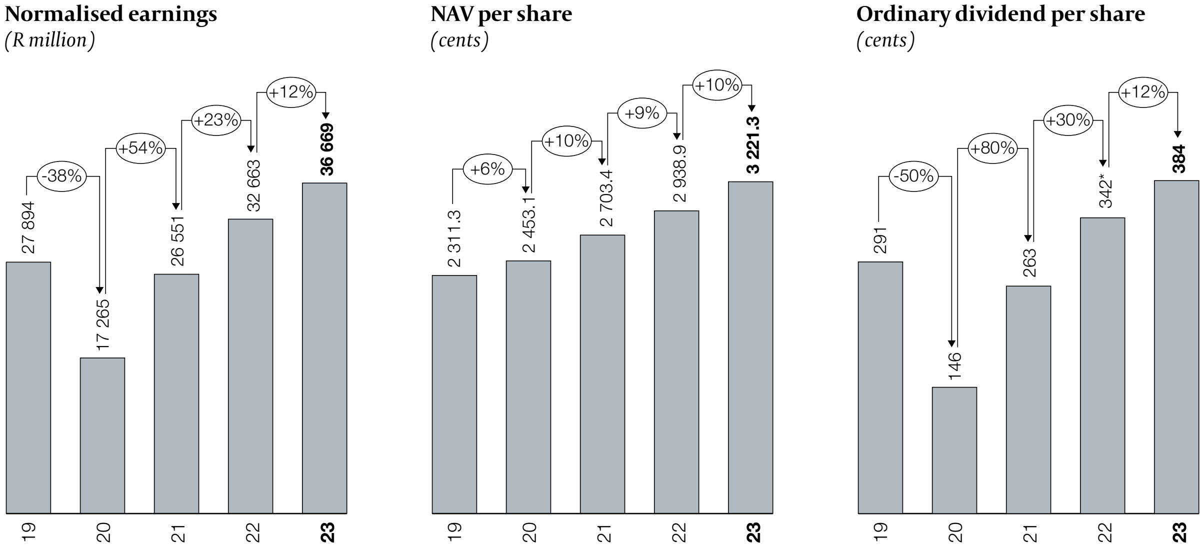
Letter from the chair of the remuneration committee to stakeholders

In the year under review, FirstRand delivered normalised earnings growth of 12%. This was driven by good topline growth, reflecting continued momentum in new business origination in all large lending portfolios, ongoing growth from the deposit franchise and the performance of the group's transactional franchise (measured by customer growth and volumes).

FirstRand delivered a normalised return on equity (ROE) of 21.2% (2022: 20.6%), which is at the top end of the target range of 18% to 22%, and produced R12.0 billion of economic profit (2022: R10.1 billion), or net income after cost of capital (NIACC), which is its key performance measure.

Notwithstanding the record dividend payout for the year ended 30 June 2022, the group grew net asset value (NAV) 10% year-on-year, with 50% of NAV accretion generated from the capital allocated to the UK operations.

Given the high return profile, the group remained capital generative, with the Common Equity Tier 1 (CET1) ratio at 13.2% (2022: 13.9%). The board declared an annual dividend of 384 cents per share.



* *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 variable remuneration can only be determined after the cost of equity in generating earnings has been recovered.

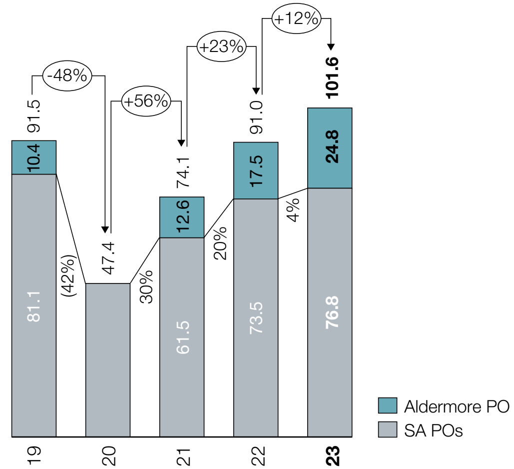
The 2023 short-term incentive (STI) pool increased 10% compared to the prior year. This outcome was driven by:

- The 12% increase in normalised earnings.
- Positive NIACC of R12.0 billion in the current year compared to R10.1 billion in the prior year – up 19%.
- An improvement in ROE from 20.6 % to 21.2%.

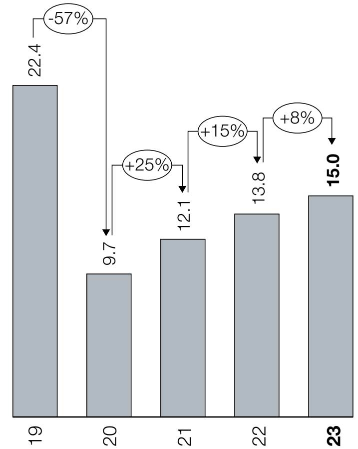
The overall increase in the South African executive directors and prescribed officers' STIs is 4%. This is a result of the downward impact on the CEO and CFO's STI resulting from the operational event at MotoNovo, and the appointment of Emrie Brown as CEO of RMB and the resultant mix change compared to the previous CEO's remuneration. Including the Aldermore CEO's STI increase, overall executive and prescribed officers' STI grew 12%. The increase was driven largely by the growth in the Aldermore CEO's STI, converted into Rands. The absolute growth in pound terms of the UK CEO's STI was driven by regulatory changes and is upacked in detail on page 59.

The executive scorecards are covered on pages 41 to 48, and the remuneration outcomes on pages 49 to 60.

Executive STI
(R million)



CEO STI
(R million)



Stakeholder engagement

The remuneration policy and implementation reports for the year to June 2022 were tabled at FirstRand's annual general meeting (AGM) in December 2022 for separate non-binding advisory votes by shareholders. Both votes received support from shareholders, passing remuneration policy and implementation report.

For vote	Remuneration policy	Implementation report
2022*	93.09%	93.44%
2021	74.11%	48.75%
2020	69.59%	41.32%

* *The results met the 75% threshold set by the JSE Listings Requirements.*

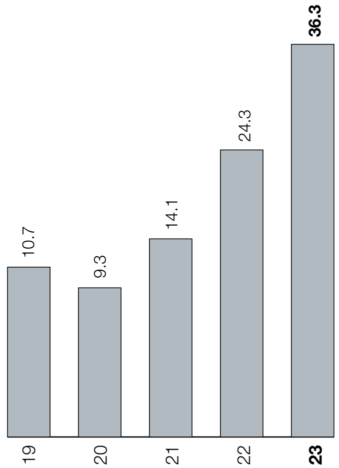
Remco believes the constructive shareholder engagement programme (described in the table below) and its response to many of the shareholder concerns contributed to this outcome. The following engagements were held:

Date	Engagement
July 2023	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.

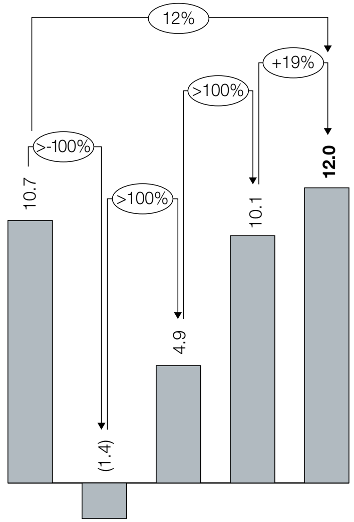
Key shareholder feedback

Shareholder feedback	Remco response
Does Remco consider the inclusion of climate and environmental, social and governance (ESG) deliverables in long-term incentive (LTI) conditions	Remco believes the current incorporation of climate considerations into STI and LTI is appropriate, i.e.: • climate is elevated to the strategic category of the executives' STI scorecard, given the importance and urgency of climate action. This change was made in the current year; and • Remco can downwardly adjust the LTI outcome by up to 20% for materially negative outcomes within managerial control, including if the group has not made sufficient progress against its climate roadmap. Remco will monitor international and local developments to ensure the approach remains appropriate and drives the right outcomes. Social and governance KPIs were also elevated to the strategic and risk and control scorecard categories, respectively.
LTI targets are not sufficiently challenging	Remco believes the structure of the LTI award conditions remains appropriate. FirstRand's LTI vesting conditions reference group performance targets of ROE AND earnings growth over a three-year vesting period. The two metrics drive shareholder returns, specifically: • ROE targets are set with reference to cost of equity. This means that the awards drive delivery of NIACC, reflecting economic value added for shareholders. • Strong earnings growth delivery supports capital levels, NAV and dividend growth. FirstRand applies both performance targets and does not assign weightings to each target. The AND acts as a gate or a constraint to LTI vesting: • If the minimum target of either metric is not met, this acts as a gate and leads to zero vesting. • If both targets are met, the vesting outcome will be set at the lower vesting level of the two (constraint). FirstRand's track record of shareholder value creation is demonstrated as follows: • FirstRand has delivered cumulative NIACC of R36.3 billion over five years, which is a significant outperformance. • FirstRand has paid cumulative dividends of R41 billion since April 2021 (30% of June 2020 NAV). Remco considered shareholder feedback when setting the on-target (100%) vesting level conditions for the 2023 LTI awards, being: • ROE minimum requirement: ≥21%, below 20% no vesting can occur. • 3-year earnings growth CAGR of 10.2% based on current outlook of real GDP plus consumer price index (CPI) plus 4%. No vesting can occur if the 3-year earnings growth CAGR is below real GDP plus CPI, which is 6.2% (based on the current forecast).

Cumulative NIACC over five years
(June 2019 – June 2023)
(R billion)



NIACC
(R billion)



Other remuneration items for the year

Vesting of Covid-19 third tranche

As a result of the Covid-19 crisis and its economic impact, three years of LTIs (2017, 2018 and 2019) did not vest. The failed LTIs affected more than 4 000 employees. This meant FirstRand became an outlier in the market, given that other banks' retention instruments are not allocated to such a large employee cohort and faced retention risk.

In response, Remco introduced a one-off retention instrument in 2020 for employees considered critical to the ongoing sustainability of the business. To compensate shareholders for the vesting certainty, the value of this instrument was struck at half of the original grant value of the 2018 and 2019 awards, and appropriately did not consider the 2017 award failure. Although the value was struck with reference to two years' vesting, the settlement was extended over three years to enhance the retention objective of the instrument. The award vested in three equal tranches (September 2021, 2022 and 2023). There is no additional cost to shareholders, as the instrument is funded by failed award and the share price exposure is hedged.

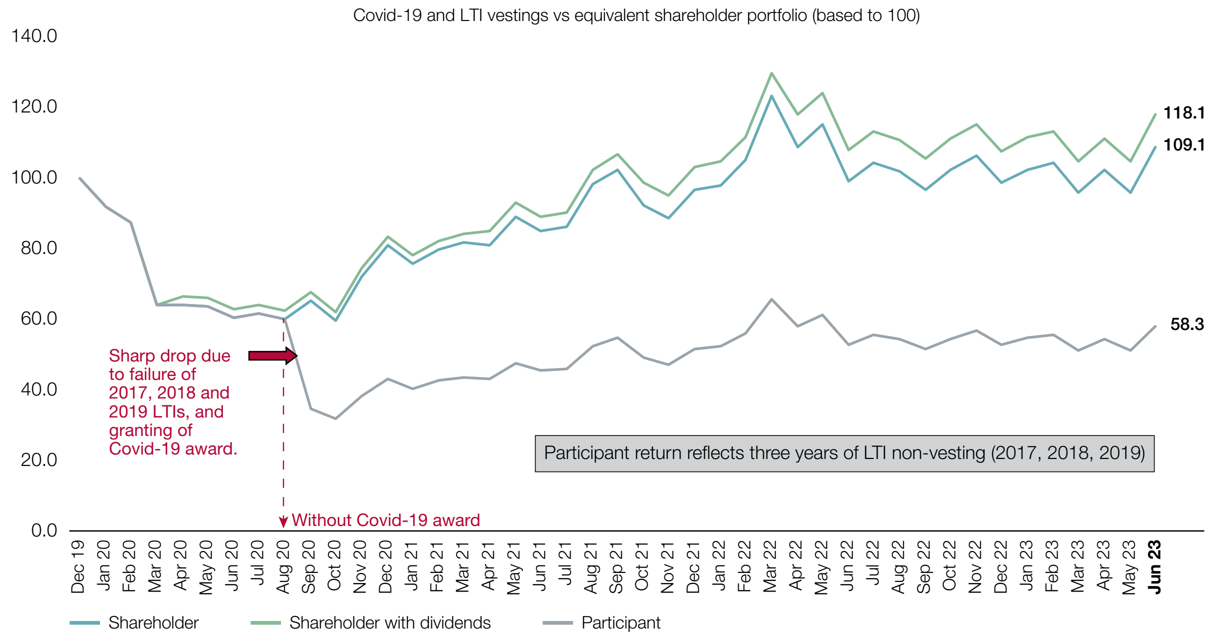
The simultaneous vesting in 2023 of this third and final tranche, as well as the 2020 LTI, is a result of Remco extending the retention period of the Covid-19 award over three years. For executive directors and prescribed officers, the full value of the tranche will be clawed back if the performance conditions to June 2024 are not met. If the employee leaves the group within 12 months of a particular tranche vesting, the full value of the vested tranche is clawed back. This applies to all participants, and results in potential clawback until September 2024, effectively ensuring a four-year retention period.

For the simultaneous vesting to occur, exceptional shareholder value would be created. This has been the case, as demonstrated by the graph below. In addition, even with the simultaneous vesting and the 2020 LTI vesting at 120% shareholders continue to do better than management.

Graded vesting at 120% for LTI awards issued in 2020

Although the compound annual growth in earnings achieved to June 2023 meets the super stretch vesting target (at 150%), this was constrained by the ROE target only meeting the stretch target (120%). Thus vesting was constrained to the lower outcome.

Shareholder vs participant view



A participant (employee) LTI portfolio was awarded in line with allocation principles and pool growth.

This number of LTI award units compared to the equivalent number of shares held by a shareholder. The LTI portfolio was adjusted for LTI forfeits and granting of the Covid-19 LTI instrument. The portfolio index was valued using the market price since 31 December 2019.

Changes implemented during the year

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

Future focus areas

Remco seeks to ensure that 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 respond to changes in the markets.
- Ongoing research and evaluation of remuneration best practices.
- Compliance with the new Companies Act requirements on executive remuneration, once promulgated.
- Ensure the appropriate remuneration mix across all staff levels.
- Ensure that FirstRand's fair and responsible pay practices evolve appropriately 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 value 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 that remuneration practices deliver sustainable and appropriate outcomes.

LOUIS VON ZEUNER
Chair

Governance outcome:

climate oversight

In line with the TCFD recommendations, FirstRand's board and board subcommittees **provide robust and regular oversight of climate-related risks and opportunities.**

The board has put the necessary policies, systems and processes in place to enable delivery of the group's climate roadmap and ensure that the corresponding performance is reflected in external reporting. Management of climate-related risks and opportunities resides with FirstRand's sustainability and governance committee, a subcommittee of FirstRand's strategic executive committee. Climate change considerations have also been incorporated into existing executive and management committee structures.

The following table outlines the group's climate governance and management committees and their meeting frequency and responsibilities, as well as focus areas of the various stakeholders. This disclosure is aligned with TCFD recommendations.

	Committee and meeting frequency	Responsibility	2023 focus areas
BOARD-LEVEL OVERSIGHT	**FirstRand board** ***Quarterly***	Ultimate accountability for climate risk-related matters.	• Received feedback and board training on climate strategy and opportunities, risk management, governance, metrics and targets, and emerging legislation.
	RCCC ***Quarterly***	Provides oversight of the group's climate risk profile and monitors: • climate risk exposure against risk appetite; • progress against the climate risk roadmap; • the embedment of the climate risk framework; and • climate stress testing.	• Approved the climate risk framework and updated the climate risk appetite statement. • Assessed the quarterly climate risk profile and metric exposure against risk appetite. • Reviewed and challenged climate risk stress testing scenarios and outcomes. • Reviewed and approved climate-related public disclosure. • Received updates on progress against the climate risk roadmap.
	Setcom ***Quarterly***	Provides oversight of the group's climate strategy with regard to impact on the environment and societal stakeholders. Approves policies on climate change, the environment, nature and biodiversity.	• Reviewed and approved the updated climate change, sensitive industry financing and environmental policies. • Received reports on strategic and emerging climate and environmental risk and progress against policies.
	Risk subcommittees ***Quarterly***	The subcommittees of RCCC are responsible for oversight of the impact of climate change on other risk types. This includes credit, funding and liquidity, operational, market, investment and model risks as well as the group's capital position.	The **asset, liability and capital committee (ALCCO)** monitored the impact of climate risk and strategies on: • the group's balance sheet (assets, liabilities and capital position); • the climate balance sheet; and • climate risk stress testing. ALCCO is responsible for governance relating to the group's sustainability bond framework to ensure consistency of approach and oversight. The **credit risk management committee** tracked the development of climate risk metrics in credit assessment and financed emissions against climate commitments. The **operational and IT risk committee** monitored the consequence of the group's own operations on climate as well as the group's resilience against adverse climate events. The **market and investment risk committee** monitored climate risk sensitive exposures in market and investment risk. The **model risk and validation committee** initiated model risk oversight of climate risk models through the advanced analytics technical committee.

	Committee and meeting frequency	Responsibility	2023 focus areas
EXECUTIVE MANAGEMENT OVERSIGHT	**Sustainability and governance executive committee** ***Seven meetings were held during the year under review***	Defines and approves group climate change strategy and policies, and oversees the strategic response of business to climate change. Approves external environmental, social and governance reporting. Climate strategy is executed at segment/operating business level through appropriate management structures and working groups.	• Reviewed and approved climate change, and energy and fossil fuel financing policies, as well as the climate risk appetite statement. • Approved sensitive industry exposures. • Monitored progress against the climate roadmap. • Received reports on strategic and emerging climate and ESG risks. • Received reports on business progress and emerging legislation.
	Financial resource management executive committee ***Nine meetings were held during the year under review***	Manages resource allocation, pricing, funding and asset categorisation principles for climate-related risks and opportunities.	• Approved and managed the climate balance sheet, incorporated climate considerations into funding and transfer pricing strategies, and initiated negative climate pricing considerations.
OTHER MANAGEMENT STRUCTURES	**Climate risk committee** ***Quarterly***	Monitors: • embedment of climate risk management framework; and • group's consolidated climate risk profile against risk appetite. Tracks group and segments/operating business's climate programmes and progress against the climate roadmap.	• Recommended the climate risk framework for approval to RCCC. • Provided quarterly reports on the group's climate risk profile to RCCC. • Reviewed the updated climate risk appetite and climate-related external disclosure. • Challenged and recommended climate scenario analysis stress testing processes and results to ALCCO for approval. • Reviewed and approved climate-related measurement methodologies, metrics and revised emission baselines. • Monitored progress against climate roadmap, climate-related commitments and updates to the climate programme.
	ERM and segment risk functions	Provide a centralised platform for the identification, monitoring and management of climate risk. Climate risk specialists provide technical input and advice on risk quantification matters, climate risk policy, transaction due diligence and group-wide training. Implementation of the climate strategy is owned and driven by each segment/operating business through management structures and working groups.	• Established the climate risk profile report and monitoring of exposures against appetite. • Established a platform for the aggregation of own emissions data across the group. • Refined the financed emissions measurement methodology. • Conducted group-wide basic awareness training and developed climate risk training for risk managers. • Initiated the programme to implement the BCBS239 principles of risk data aggregation and risk reporting for climate risk. • Participated in local and global industry forums to ensure that new research is considered and incorporated into the group's climate change programme. • Monitored progress against development finance institutions' requirements and targets. • Embedded enhanced due diligence processes for relevant credit transactions.

Delivery against climate risk and opportunity management objectives has been incorporated into the performance scorecards for executive directors and prescribed officers, key environmental and social risk teams, and teams focused on sustainable finance. A detailed analysis of climate rating calibration included in performance scorecards can be found in the group's remuneration report at https://www.firstrand.co.za/investors/integrated-reporting-hub/governance/.

The following table outlines the relevant climate experience of independent non-executive board members.

Director	Experience
William Rodger (Roger) Jardine *Chairman*	Roger Jardine holds a BSc in physics and an MSc in radiological physics. He was the director-general of the Department of Arts, Culture, Science and Technology (1995 – 1999) with oversight of the budget of South Africa's science councils. He has also served as chairman of the Council for Scientific and Industrial Research (CSIR) and the Nuclear Energy Corporation of South Africa. Roger's science background, combined with extensive corporate leadership experience, informs his commitment to addressing the environmental impact and economics of this challenge.
Premilla Devi (Shireen) Naidoo *Independent non-executive director* Member of Setcom	Shireen Naidoo holds a BSc in chemistry and maths from the University of South Africa. She has more than 30 years' extensive international and multi-sector experience in the fields of health, safety, environment and sustainability. Shireen spent the greater part of her career at KPMG where she was a partner in the climate change and sustainability team, which she was instrumental in setting up. Her experience covers sustainability reporting and assurance, and health, safety and environment (HSE) management systems and HSE due diligence.
Sibusiso Patrick Sibisi *Independent non-executive director* Member of Setcom and RCCC	Dr Sibusiso Sibisi holds a BSc in physics from London University's Imperial College (1978) and a PhD in mathematics from Cambridge University (1983). He has more than 35 years' experience in information technology, risk management, strategy, sustainability and technology innovation and is passionate about socio-economic development. Sibusiso was the president and CEO of the CSIR from 2002 until he stepped down in 2016. During his tenure he oversaw various climate-related research projects and initiatives. Dr Sibisi was also instrumental in the oversight of climate modelling for a large insurance company in South Africa.

Governance outcome:

trust and legitimacy through 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.

FirstRand is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, regulators and broader society – 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. Internal and external stakeholder engagement ensures that the group is aware of and responds appropriately to material issues.

Governance and management of stakeholder relationships

The board, through Setcom, has ultimate responsibility for stakeholder engagement. The management of stakeholders is proactive and decentralised, given FirstRand's multi-branding approach. However, the group's governance structures are designed to ensure that material stakeholder concerns are escalated to group committees to be addressed.

To ensure that group representatives have an appropriate mandate for engagement, and that potential risks are managed, guidelines and policies are in place to govern engagement with specific stakeholders.

Stakeholder	Key focus areas for stakeholders	FirstRand mechanisms employed
Regulators (e.g. SARB, PA, FSCA, UK Prudential Regulatory Authority)	• succession planning; • regulatory compliance; • vulnerable customers; • using complaints data to improve customer outcomes; • process to close client accounts; • economic capital; • environmental risk; • IT risk and governance; and • transformation (including employment equity, board composition and procurement).	• reports, presentations and general correspondence; and • regular prudential and on-site meetings.
Government departments (e.g. National Treasury (NT), Department of Employment and Labour (DoEL))	NT: • economic development; • financial sector policy; • debt management and asset and liability management; SARB Financial Market Department (FMD): • market functioning; • financial stability; and DoEL: • employment equity.	NT: • active engagement through forums; • provide research; • provide financial market feedback; SARB FMD: • provide input to the Financial Markets Liaison group; and DoEL: • annual submission of employment equity report form EEA2 (DoEL).
Revenue authorities	• tax reporting and compliance; • base erosion and profit shifting (BEPS); and • anti-money laundering.	• tax returns to local revenue authorities; • country-by-country reporting in accordance with BEPS recommendations; and • the Banking Association of South Africa (BASA) tax committee.
Investor community	• strategy, growth opportunities and financial performance; • deployment and management of financial resources; • balance sheet strength (asset quality, capital and liquidity position); • macros and operating environment; and • governance topics (e.g. climate change, executive remuneration and transformation).	• investor presentations; • financial and integrated reporting; • meetings with equity and debt holders (including development finance institutions) and sell-side analysts; • website; • Stock Exchange News Services (SENS) announcements; and • investor conferences (local and international).

Stakeholder	Key focus areas for stakeholders	FirstRand mechanisms employed
Employees	• business philosophy (FirstRand Promises) and code of ethics; • blended working arrangements; • business performance; • industry trends and strategy implementation; • professional development programmes and training; • compliance and ethics matters; • individual performance management; • awards and recognition initiatives; and • employee well-being.	• webinars; • internal newsletters and interactive videos; • information sessions; • training and development; • website and intranet; • performance reviews; • functions and awards; and • in-person engagement between teams and leadership.
Customers	• customer service; • solutions that meet customer needs; • access to credit at competitive pricing; • ease of transacting/fulfilment (digitisation); • money management and customer education; • alternative energy solutions (retail and commercial); and • climate change solutions (corporate and institutional).	• digital channels (app, online and mobile, i.e. USSD); • customer surveys; • branches/front office and call centres; and • relationship managers.

Suppliers	• sustainability of relationship:
	  – training;
	  – business continuity;
	  – broad-based black economic empowerment and transformation; and
	  – vendor risk management and compliance.
		• enterprise-wide procurement platform and practices;
		• supplier code of conduct; and
		• service-level agreements.

Broader society	• job creation;
	• youth development;
	• community development (e.g. sports, arts and disaster relief);
	• combating gender-based violence;
	• education and skills development;
	• early childhood development; and
	• climate change and just transition.
		• corporate social investment strategy (executed through FirstRand foundations):
		  – scholarships and bursaries;
		  – sponsorships;
		  – FirstJob;
		  – FNB Care programme; and
		• FirstRand Youth Development programme.

FirstRand

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