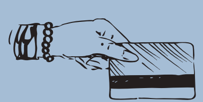
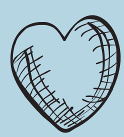
FirstRand

'19

REPORT TO SOCIETY





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REPORT *purpose*

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

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

This report covers the FirstRand group including its subsidiaries. The report links to the *Annual Integrated Report* (www.firstrand.co.za). All reported data is for the year ended 30 June 2019, unless indicated otherwise. Information in the profiled case studies may relate to events and initiatives that occurred after 30 June 2019 but before the issue date of this report.

FOREWORD

As a systemic financial services group, the nature, size and scale of FirstRand's business activities inevitably impact broader society, making us a critical role player in addressing the societal, economic and environmental needs of the countries in which we operate. Creating both financial and societal value is key to our success and long-term sustainability and we define this as our "shared value contract with society".

Alan Pullinger, CEO

FOREWORD

This year, we updated our purpose statement to incorporate a much broader set of stakeholders. It is particularly pleasing to me that this renewed purpose has been enthusiastically embraced across the organisation and will, over time, be fully embedded in our core business strategies.

This year we tussled with climate change risk, the topical and pervasive social, economic and environmental issue of our time. Global awareness and mobilisation around climate change continue to intensify, triggered in part by extreme weather events and civic movements across the world. We are fully cognizant of the role financial institutions need to play to ensure South Africa meets the commitments of the Paris Agreement.

In South Africa, the conversation is, for now, focused on coal and we have taken a pragmatic approach, given that significant coal capacity is required in the medium term. Furthermore, we need a considered response within the context of balancing social, economic and environmental considerations, amplified by South Africa's high rate of unemployment and stubbornly low growth rate. Our lending to the coal industry is non-strategic and we are fully committed to a longer-term thermal coal divestment strategy.

FirstRand cannot solve all the challenges the world is facing. However, we have many tools at our disposal to be a force for good. If we use these wisely and intentionally, creating both social and economic value, I believe we will remain a sustainable, growing business and continue to earn the trust of all our stakeholders.

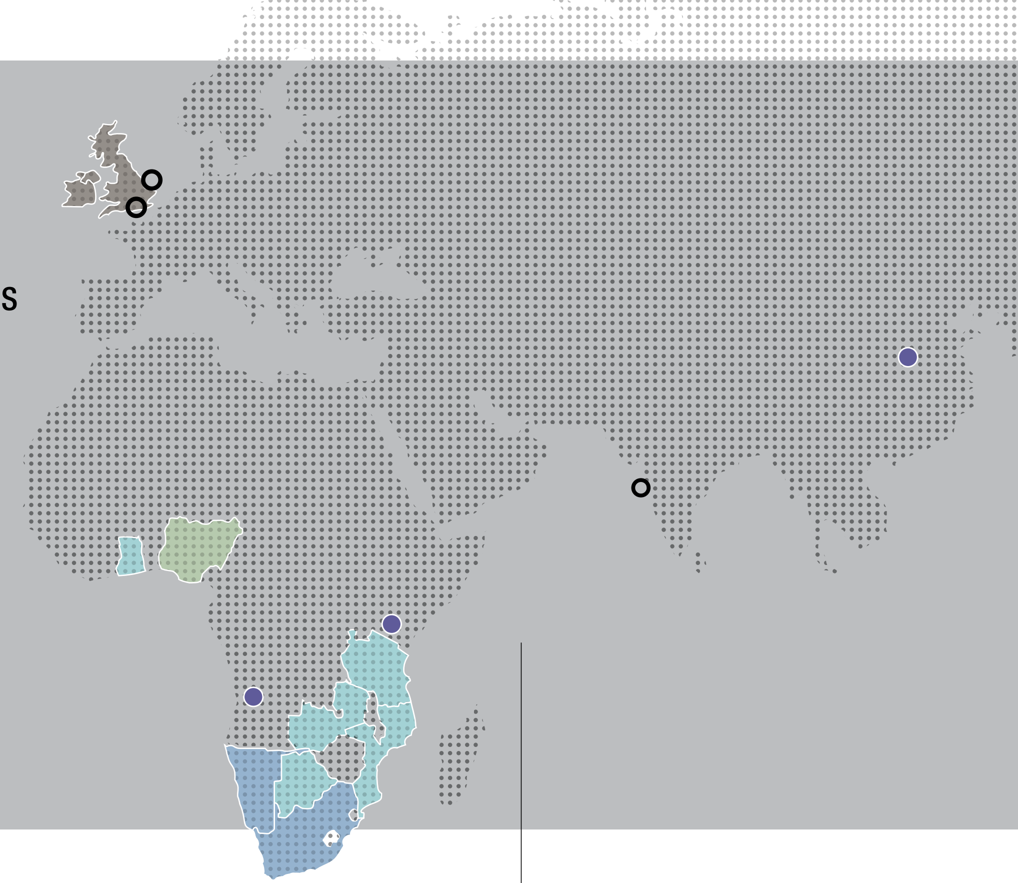
GROUP PROFILE

FirstRand Limited is Africa's largest financial institution by market capitalisation and is listed on the Johannesburg and Namibian stock exchanges.

FirstRand is a portfolio of integrated financial services businesses offering a universal set of transactional, lending, investment and insurance products and services. The group can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel licence and operating platform. A number of leading brands form part of the group, which has a portfolio branding strategy.

WHILST THE GROUP OPERATES PRIMARILY IN SOUTH AFRICA IT ALSO OPERATES IN THE MARKETS SHOWN IN THIS GRAPHIC:

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



Total employees:
48 780

SA employees:
40 233

The group's customer-facing brands comprise:

FNB (retail and commercial bank)

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

RMB (corporate and investment bank)

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. Its strategy leverages a strong origination franchise, a leading market making and distribution offering, a strong private equity track record and a growing transactional platform.

WesBank (instalment and finance provider)

WesBank represents the group's activities in instalment credit, fleet management and insurance in the retail, commercial and corporate segments of South Africa. WesBank has a unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups.

Aldermore (UK specialist lender)

Aldermore represents the group's activities in the UK. It has a clear strategy of offering simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords, vehicle owners and savers.

Ashburton Investments (asset management)

Ashburton Investments represents FirstRand's asset management activities. Ashburton has an active investment management strategy spanning traditional and alternate investments as well as unique on-balance sheet opportunities.

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

MACROECONOMIC CONTEXT

FirstRand's origins are proudly South African, and the development and prosperity of the country are profoundly important to the group.

South Africa remains the group's primary market, representing

80%

of the group's profits and 82% of its 48 780 employees. However, South Africa also remains one of the most unequal societies in the world.

The challenging operating environment of persistently low GDP growth in South Africa, fiscal deterioration coupled with rising government indebtedness, political and policy uncertainty, and increasing cost and scarcity of financial resources, impact the most vulnerable communities.

Unemployment is rising as the economy slows, with youth unemployment at 58.2% in the third quarter of 2019.

Higher unemployment naturally lowers tax receipts, which impacts on government's ability to widen social safety nets. It is almost impossible to secure employment without an education, appropriate skills or competencies. Incomes cannot grow without growth in employment. None of these issues can be tackled without a growing economy.

South Africa ranked 73rd out of 149 countries in the 2019 Social Progress Index, which measures quality of life independently of economic indicators. South Africa's lowest component scores relate to access to advanced education, personal safety, environmental quality, inclusiveness, and health and wellness.

Given this backdrop, financial institutions must seek to play an active role in driving sustainable and inclusive economic activities, and in assisting society to address its biggest challenges.

As financial intermediaries they are able to:

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

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

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

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

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

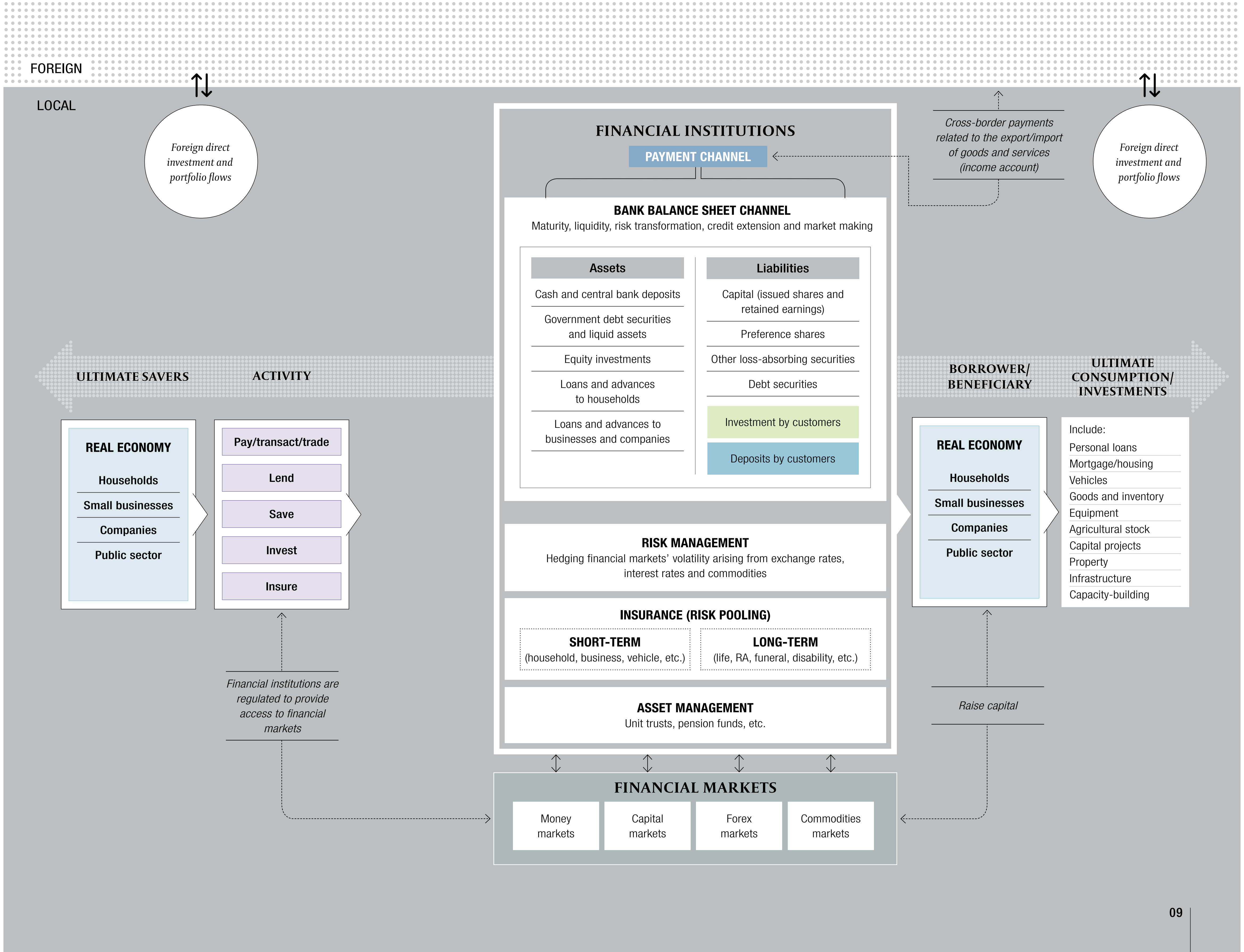
The sole purpose of the financial system is to serve the real economy.

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

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

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

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



FIRSTRAND'S SHARED VALUE CONTRACT WITH SOCIETY

The nature, size and scale of FirstRand's business activities means that it inevitably impacts society in its broadest sense, as a:

- systemic provider of credit;
- keeper of the country's deposits and savings;
- provider of channels for people to access their funds and spend;
- material taxpayer; and
- large employer.

Given this position, FirstRand recognises that it has a responsibility to deliver shared value to multiple stakeholders.

The group is working hard to rigorously measure holistic impact to better understand whether products and services are net positive social contributors or net socially extractive. Its long-term aspiration is to use these insights to drive business strategy as equally as conventional economic factors currently do. The group believes that to earn public trust it must, by design, align business priorities with that of society; this will ensure the group's sustainable growth and relevance in the long term.

The group's total impact on society extends from the corporate social investment spend by its foundations to how it manages its operations and, most importantly, how it deploys its balance sheet and manages its core business activities.

CSI (FOUNDATIONS)

Focus on sustainable development goals that do not completely align with core business activities

- Strategic allocation of limited funds

2019 CSI spend
R428m*

OPERATIONAL FOOTPRINT

Strategic management of resources used in running operations, e.g. energy and water management and procurement

- Medium-scale impact possible
- Impact limited to group's immediate value chain

2019 total procurement of
R14bn

R5bn**
from black-owned companies

CORE BUSINESS ACTIVITIES

Strategically incorporate sustainable development goals that align with core business activities

- High-scale impact possible
- Ability to impact broader ecosystem and society

2019 total assets
R1 669bn

Scalability and impact grow

* *FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust.*

** *Using Codes of Good Practice measurement criteria according to black economic empowerment (BEE) status of suppliers.*

GOVERNANCE STRUCTURES AND PROCESSES

Ultimate oversight of social and environmental risk and performance of the group rests with the board.

The social, ethics and transformation committee supports the board in discharging its duties. Each of the businesses have their own social, ethics and transformation committees, which report to the group committee.

The role of this committee is to assist the board in ensuring responsible business practices within the FirstRand group and monitoring group activities with reference to the Companies Act no 71 of 2008, King IV, the committee terms of reference and other legal requirements, and prevailing codes of best practice for social, transformation and economic development matters.

The business committees are supported by working forums that focus on specific topics.

MAKING PROGRESS

Whilst FirstRand cannot solve all social, economic and environmental challenges, the group has the tools to be a force for good and to catalyse economic growth.

01

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

The National Development Plan (NDP) predicts that investments in small and medium-sized enterprises (SMEs) will generate around 90% of the jobs targeted in the plan. Investment in transformational infrastructure, empowerment transactions, farming ventures led by black people and other similar projects continues to be an important driver of inclusive economic growth and development.

DURING 2019, RMB'S LENDING TO TRANSFORMATIONAL INFRASTRUCTURE WAS APPROXIMATELY

R12.4bn

(2018: R12.7bn).

Transformational infrastructure

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

FINANCING THE TRANSITION TO A LOW-CARBON AND CLIMATE RESILIENT ECONOMY

FirstRand recognises there is an urgent global need to transition to lower-impact energy sources. All stakeholders may be impacted by changing climatic conditions, or by legislative, regulatory or policy changes relating to climate change, such as carbon tax or mitigation policies.

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

CASE STUDY

Renewable energy co-investment platform

Over the past five years, RMB has been at the forefront of funding renewable energy in South Africa. RMB has a R2 billion diversified portfolio of preferred equity, spanning 30 utility-scale wind and solar projects which deliver around 1 400MW across the Northern Cape, Eastern Cape, Western Cape and the Free State.

To prove the original investment case and to continue growing the portfolio, RMB sought to introduce new capital market investors into the funding mix.

As a result, RMB has created a renewable energy investment platform to allow third-party investors to participate in these investments alongside RMB. Currently, 10 – 15% of RMB's preferred equity portfolio has been invested in by capital market investors.

CASE STUDY

iThokazi renewable energy portfolio

RMB conceived the idea to consolidate the renewable energy interests of four BEE businesses (Usizo Engineering, Enzani Molene, Winners Circle and J&J Group) to form one of the country's largest 100% black-owned independent power producers, iThokazi.

RMB facilitated the transaction by providing a R310 million preference share facility to iThokazi, which now owns stakes in a diversified portfolio of two wind farms and six solar plants totalling 300MW of capacity. This provides iThokazi with the scale and critical mass to participate meaningfully in future renewable energy projects, as well as to offer engineering services to the renewable energy sector.

The transaction not only delivers on the Department of Energy's vision for active BEE participation in the local renewables sector, but also allows the shareholders to offer a portion of their future earnings upfront for reinvestment in their engineering and construction businesses.

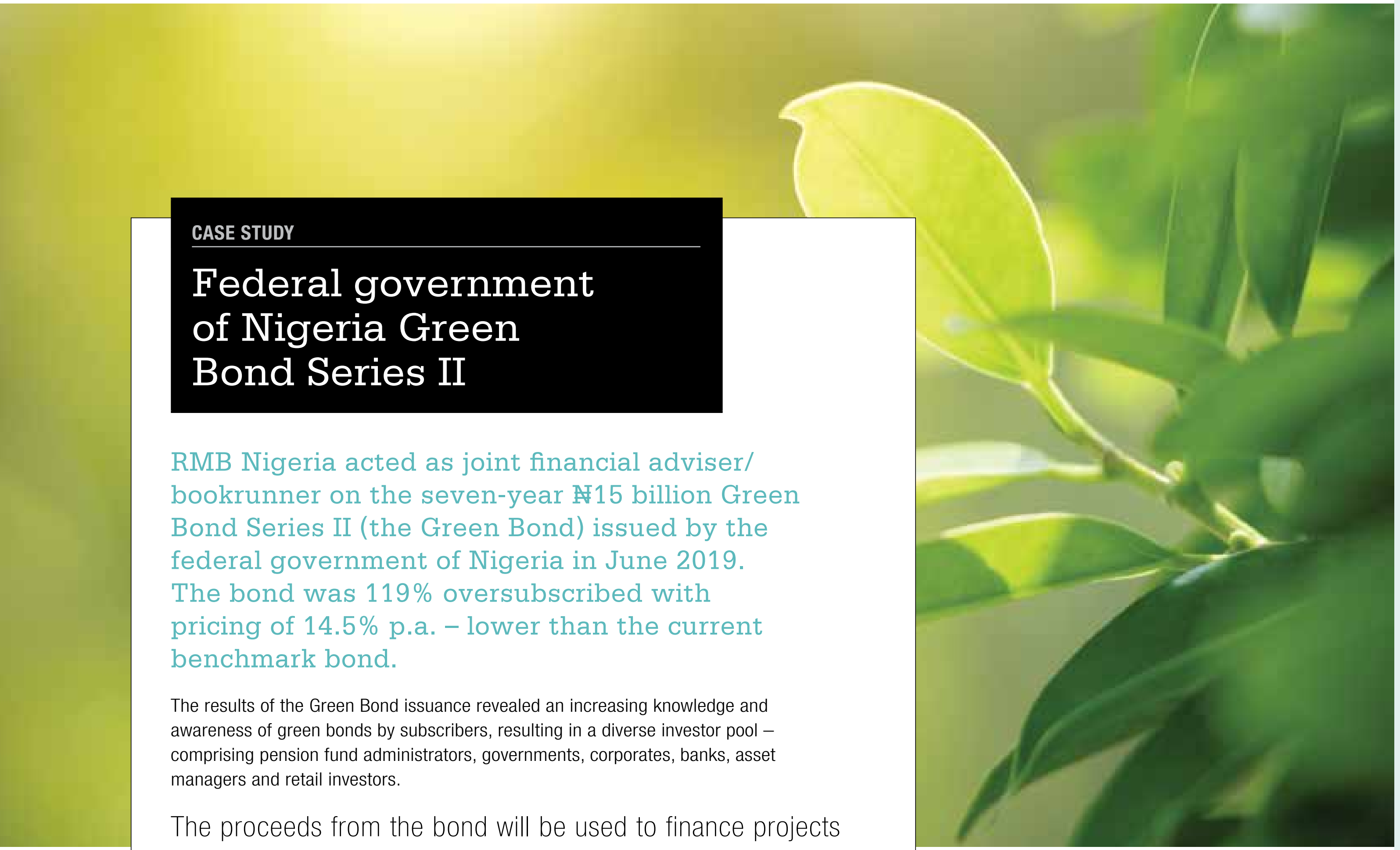
CASE STUDY

FIRST FUND

The Facility for Investment in Renewable Small Transactions (FIRST) is a R1.3 billion fund, established by RMB and KfW Development Bank (KfW) in the second half of 2017, to enable the funding of small renewable energy projects.

RMB contributed senior debt while KfW set up a first-loss debt facility and grant-type funding to fulfil the development finance role. The fund aims to overcome the hurdles that small projects typically face when trying to attract funding. **The core offering focuses on projects that require funding of R50 million or more, but will also consider smaller projects where a different funding response is necessary.**

At the date of writing, Nova Energy (a joint venture between Abland and Terra Firma) has drawn down **R13 million funding for rooftop solar PV projects** at Shoshanguve's South View Shopping Mall and The Reef in Germiston. An additional three projects are in the pipeline and expect to draw down a cumulative **R143 million** before the end of 2019.



CASE STUDY

Federal government of Nigeria Green Bond Series II

RMB Nigeria acted as joint financial adviser/bookrunner on the seven-year ₦15 billion Green Bond Series II (the Green Bond) issued by the federal government of Nigeria in June 2019. The bond was 119% oversubscribed with pricing of 14.5% p.a. – lower than the current benchmark bond.

The results of the Green Bond issuance revealed an increasing knowledge and awareness of green bonds by subscribers, resulting in a diverse investor pool – comprising pension fund administrators, governments, corporates, banks, asset managers and retail investors.

The proceeds from the bond will be used to finance projects covered by the Appropriation Act, a result of Nigeria's commitment to the Paris Agreement on Climate Change.

Project focus areas include:

- off-grid solar
- wind farm energy
- irrigation
- mass transit
- ecological restoration
- afforestation
- reforestation

FNB SMEs

FNB CONTRIBUTES TO ECONOMIC DEVELOPMENT AND EMPLOYMENT BY PROVIDING INNOVATIVE FUNDING SOLUTIONS TO SMEs – THE GROWTH ENGINES OF THE ECONOMY.

FNB HAS EXTENDED
R19bn
(2018: R17 BILLION) IN UNSECURED LIMITS TO SMEs (R38 BILLION INCLUDING SECURED FUNDING) – AN INCREASE OF
12%
FROM THE PREVIOUS YEAR.

Unsecured funding creates greater momentum for inclusive growth because there is no requirement for collateral, which is a major constraint to financing for SMEs that do not have capital to fund their early stage growth.

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

SME DEVELOPMENT

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

CASE STUDY

10Xe mentorship programme

10Xe is an SME mentorship programme designed to support high-growth potential black-owned SMEs that have the capacity for significant job creation.

The programme focuses on specific SME challenges and includes business toolkits, bootcamps, business health assessments, founder coaching, mentoring by seasoned CEOs, and specialist workshops on strategy, human resources and fundraising.

10Xe is a **two-year programme** and FNB sponsors intakes annually. The programme has run for the past four years and has so far resulted in **577 jobs created from 13 businesses.**

Currently 10Xe supports **22 businesses.** To date, the following has been achieved:

- **19** bootcamp events delivered approximately **142 hours** of training **to 354 attendees**
- **47** assessments completed
- **54** specialist workshops – **432 hours**
- **65** hours of specialist coaching

The participating SME sectors cut across healthcare, education, enterprise development and wellness.

CASE STUDY

Vumela

The Vumela Fund (Vumela) was established in 2009 as a vehicle for FirstRand to implement its enterprise and supplier development mandate. Vumela aims to address the gap in the funding landscape and focuses on the provision of growth equity finance to early-stage SMEs. Vumela, which was initially capitalised by FirstRand in 2009, now has a total of R588 million under management and is managed by Edge Growth.

Vumela's assets are spread across three portfolios with different mandates. Vumela 1 is fully deployed with most investments in exit stages. Vumela 2 was matched by National Treasury's Jobs Fund and focuses specifically on funding and growing job-creating enterprises. Vumela 3 is capitalised with R200 million to focus on the provision of supplier development funding across various stages of business growth – including short-term and long-term growth finance, debt and equity.

To date, Vumela has committed **R280 million to 19 SMEs.** A total of **2 882 net new jobs have been created.**

Vumela has invested in several ventures, enabling businesses to reach the stage where they can access additional funding rounds. Some investees are also solving societal problems through disruptive business models, such as Giraffe and Selpal. SweepSouth has grown considerably, recently closing its largest funding round to date. There are also several investments in education which have since been exited.

In addition to the funding, investees are provided with comprehensive business development support through the 10Xe programme to ensure that maximum value is added to their businesses as they scale.

The most recent investment was into a fintech – Profit Share Partners – which serves to fund much-needed short-term purchase order/contract finance for SMEs serving both the private and public sectors.

CASE STUDY

Supporting SMEs in corporate supply chains

RMB's Trade and Working Capital business has an innovative offering, Supply Chain Finance (SCF), that assists corporate clients to pay their suppliers early. This has a knock-on benefit to medium corporates, BEE companies and SMEs that operate in large corporate supply chains.

The SCF structure allows RMB's corporate clients to enhance the cash flow and liquidity requirements of their end suppliers.

These suppliers can access cash when needed by selling their approved customer invoices to RMB, at a discount, for early payment. Instead of waiting for payment on the invoice due date, suppliers can sell invoices to RMB earlier and access their cash sooner. This is particularly beneficial for SMEs that would otherwise need to self-fund the cash flow gap with more expensive facilities. This has lowered the cost of doing business for suppliers, whilst ensuring consistent throughput along the supply chain for clients.

More than **350 suppliers** have been onboarded and, in the past year, an additional **82 500 invoices** (10% more than the prior year) for a total of **R3.9 billion** have been discounted.

CASE STUDY

Ashburton impact investing

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

Ashburton's Credit Enhanced Funds (ACEF) I and II emerged from this partnership. The funds have attracted close to **R1.5 billion of capital since inception in 2014, of which over R1 billion has already been deployed for job creation initiatives.**

The companies that benefited from the debt deployed by the funds have created **10 382 new jobs for previously disadvantaged people, of which 85% were women. About 70% of these jobs were created in underserved provinces such as the Eastern Cape, Limpopo and North West.**

The funds have also delivered financial returns of approximately 10% per annum to the investors (primarily pension funds and other institutional investors) since inception and after fees.

"Every new job created through the ACEF project in the informal sector has a far-reaching effect beyond the creation of a single documented job. Even though this effect cannot be formally recorded as a direct impact of the project, it is important to remain cognizant of this wider, knock-on impact on South African society."

– Independent impact strategy consultant

BEE TRANSACTIONS

A KEY DRIVER OF TRANSFORMATION AND UNLOCKING INCLUSIVE GROWTH IN SOUTH AFRICA HAS BEEN THE TRANSFER OF OWNERSHIP OF CORPORATE ASSETS THROUGH BLACK ECONOMIC EMPOWERMENT (BEE) TRANSACTIONS. RMB IS A MARKET LEADER IN ADVISING, FUNDING AND STRUCTURING SUCH TRANSACTIONS.

DURING 2019
RMB PROVIDED
R8.1bn
(2018: R9.6 BILLION)
OF FINANCING
TO BEE TRANSACTIONS.

Notable new BEE transactions in the 2019 financial year are described below:

Naspers

During the year, RMB acted as BEE adviser to Naspers on MultiChoice's Phuthuma Nathi reinvestment scheme.

In 2006 and 2007, Naspers undertook one of the largest broad-based black economic empowerment transactions (B-BBEE) in South Africa by enabling the acquisition of a 20% interest in MultiChoice South Africa Holdings Proprietary Limited (MCSA), and MultiChoice Group Limited's (MCG) South African operations, by black investors through Phuthuma Nathi.

To underpin MCG and Naspers's commitment to broad, socio-economic transformation and B-BBEE, they agreed in 2018 to implement a new empowerment transaction at MCSA, valued at R2.3 billion. This new transaction was executed by allocating an additional 5% stake in MCSA to Phuthuma Nathi for no consideration, implemented on the unbundling of MCG from Naspers and resulting in the Phuthuma Nathi shareholders' indirect interest in MCSA increasing from 20% to 25%.

Atterbury

RMB was the sole funder and structuring bank for the introduction of Talis Investment Partners (TIP) – an empowerment consortium consisting of Talis, the Atterbury Property Foundation and a black-owned women's group – as a strategic shareholder and business partner in Atterbury's South African business, Atterbury Property Fund (APF). Talis, a diversified black-owned property investment holding company, acted as the lead sponsor of TIP that acquired a 30% shareholding in APF. This transaction is one of the largest private empowerment transactions in the South African property sector to date.

The immediate benefits of introducing black ownership has meant that Atterbury is able to play a meaningful role in transformative and catalytic property developments across South Africa. The transaction is also unique in that future funding has been secured, enabling Talis to co-invest in the roll-out of the significant APF development pipeline.

AGRICULTURE

INVESTMENT IN AGRICULTURE IS IMPORTANT FOR FOOD SECURITY, INDUSTRY TRANSFORMATION AND FOR ENSURING THE SECTOR CONTINUES TO BE AN IMPORTANT CONTRIBUTOR TO SOUTH AFRICA'S ECONOMY.

THE AGRICULTURE INDUSTRY
IN SOUTH AFRICA
EMPLOYS APPROXIMATELY
750 000 PEOPLE
AND
CONTRIBUTES
2.5%
TO GDP.

IN 2019, RMB AND FNB LENT
R2.7bn
(2018: R929 million)
TO BLACK-OWNED
COMPANIES IN THE
AGRICULTURE SECTOR.

RMB

RMB continues to be an active financier of the agriculture industry. In addition to on-balance sheet funding to several large participants in the agriculture sector (with funding peaking at R2.2 billion to black agriculture in 2019, up from R390 million in 2018), RMB has additional off-balance sheet exposure of R7.3 billion (up 9% from 2018) across the grain, sugar and agricultural inputs sector (excluding food processing). Of this 40% was specifically allocated to black agriculture (10% allocated in 2018).

RMB's grain solutions ensure that grain can be stored as cost-effectively as possible, in this way helping to support food security for the South African public. RMB finances predominantly maize, wheat, sunflowers and soya beans, which form part of the staple diet of many South Africans.

RMB is also one of the primary liquidity providers to the grain value chain, with cyclical exposure peaking at R3.4 billion and volumes in excess of 1 million tons during 2019.

CASE STUDY

AFGRI grain silos

During the year RMB acted as AFGRI's financial adviser, structuring bank and funding arranger for the sale of a majority stake in AFGRI's grain storage and handling business to a consortium of local institutional, strategic and state-owned investors, for a total transaction value of R3.3 billion.

Using RMB's project finance and bespoke risk allocation methodology skills, this transaction represents a new infrastructure asset class for investors and long-term transformation in the agricultural sector.

FNB

FNB AGRICULTURE CONTINUES TO SUPPORT TRANSFORMATION OF THE INDUSTRY AND IS COMMITTED TO GROWING A LARGER BASE OF BLACK COMMERCIAL FARMERS.

FNB Agriculture continues to encourage and enable its commercial farmers to proactively engage in transformation initiatives with the aim to empower black farmers, their employees and the communities in which they operate. In addition, negotiations are well advanced between FNB Agriculture and large corporate farmers intending to finance emerging black farmers in their value chains by way of risk share models.

CASE STUDY

Innovative funding solutions for agricultural transformation

FNB Agriculture continues to roll out its alternative funding solutions to transform the sector. Below is an example of the most common BEE structure, which highlights the value contributed and derived by each party.

The bulk of FNB's R538.8 million funding to its agricultural transformation portfolio is deployed through such structures.

EXISTING COMMERCIAL FARMER

BRINGS
- Expertise and skills
- Mentorship
- Offtake
- Transport
- Equipment

GETS
- Expansion opportunity
- Access to discounted capital
- Access to water

FARMWORKERS' TRUST/COMMUNAL PROPERTY ASSOCIATION

BRINGS
- BEE credentials
- Commitment
- Water access
- Discounted capital/grant access

GETS
- Land ownership
- Wealth creation
- Training/mentorship
- Access to offtake, transport and equipment

Establish new operating entity

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

CASE STUDY

Leveraging public-private partnerships to facilitate economic inclusion in agriculture

Proparco

During the year, FNB Agriculture successfully secured a **$50 million (approximately R750 million) funding line** from Proparco, which is partly owned by the French Development Bank, with a mandate to fund commercially viable agriculture projects through intermediaries.

The Proparco funding line is for qualifying transformation initiatives in the agricultural value chain and provides credit at a reduced rate. The funding has a strong impact emphasis with a focus on job creation for women and youth.

Khula credit guarantee

FNB Agriculture negotiated a **R60 million credit indemnity facility from Khula** at a portfolio level. This indemnity facility will allow the funding of deserving transactions where there are robust business cases, but a lack of collateral. FNB Agriculture has, to date, deployed R21 million to two projects, and an additional R48 million will be deployed to small-scale sorghum farmers and a community in Mpumalanga farming macadamias. Negotiations with Khula to increase the facility to R250 million are under way.

Small Enterprise Finance Agency

A funding line of **R100 million from the Small Enterprise Finance Agency** (SEFA) has been extended to FNB Agriculture on a deal-by-deal basis for qualifying BEE projects. The funding line is made available to FNB at reduced interest rates over a 15-year period. The reduced cost of funding allows FNB Agriculture to pass the benefit to the project beneficiaries, thereby reducing the cost of credit.

To date, **R99 million** has been deployed to 14 projects countrywide.

By funding these initiatives, more jobs are created in the agricultural sector, improving the livelihood of black emerging farmers and communities in the surrounding areas. A specific job creation criterion is linked to the funding project.

To date, an estimated
153 jobs
have been created for men

132 jobs
for women and youth

an additional
50 seasonal jobs

CASE STUDY

FNB enterprise development grants

FNB Business has deployed R13.5 million by way of enterprise development grants to two agricultural projects in the Western Cape.

The funding was deployed as non-recoverable grants to increase economic participation by black farmers who obtained ownership through shares in commercial agriculture projects.

The flagship project allowed farmworkers to acquire a **30% shareholding** in a commercial agricultural project. Additional funding was deployed to complete a **10km water pipeline to secure 350 hectares of water rights** to the farm.

The development will include:

> **40 hectares of cherries**
> **50 hectares of tomatoes**
> **40 hectares of table grapes**

The project has already created

> **50 permanent jobs**
> **30 seasonal jobs**

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

> **405 permanent employment** opportunities
> an additional **285 off-farm employment opportunities**

It is estimated that the project will create

> **R50 million in turnover by year 10** with profits before tax of **R10 million**

CASE STUDY

FNB Botswana agriculture

The agricultural sector contributes 2% to Botswana's GDP. FNB Botswana (FNBB) recognises the importance of this sector in the economy. Over the past four years, it has increased its focus on supporting the sector, in particular by building a specific skills set.

FNBB has developed sector-specific solutions. For example:

> **FNBB takes cattle as security,** allowing farmers with no property to access funding.

> Over the past few years farmers have experienced late payments from offtakers (buyers). **FNBB has assisted farmers with bridging facilities pending payments,** allowing businesses to continue to operate.

> **FNBB has aligned with a government initiative, the Integrated Support Programme for Arable Agriculture Development (ISPAAD).** The programme was introduced in 2008 to address challenges in the arable subsector, such as poor technology adoption and low productivity. Farmers receive inputs such as fertilisers, seeds and herbicides for free. Suppliers who provide these inputs then claim from the government. FNBB finances the input suppliers so they can secure stock and supply farmers without being out of pocket before they are paid by the government.

> **FNBB has introduced agricultural insurance** offering livestock, crop and farm insurances tailored to Botswanan farmers and the adversities they face, e.g. natural disasters, pests and cattle diseases.

> The Botswana Meat Commission (BMC) has a strategy that encourages farmers to provide them with ready-for-slaughter cattle. **FNBB provides funding to farmers, which enables them to buy cattle and feed** in order to supply the BMC.

> Botswana produces only 20% of milk consumed locally, while the rest is imported from South Africa. There is huge potential to grow the local sector, and over the past four years **FNBB has financed 90% of the dairy farmers in partnership with Clover Botswana.** FNBB is looking to do more to grow the local sector by offering financial support to start-ups.

> **FNBB has included a slot at its annual budget review for the agricultural industry.** Challenges and potential growth are discussed with panellists. Farmers and other relevant stakeholders, such as government, are invited to take part in the discussions. These engagements have helped connect farmers with other stakeholders.

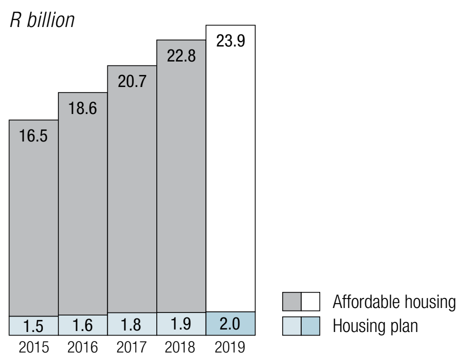
AFFORDABLE HOUSING

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

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

The group's affordable housing book has grown to

R25.9 billion
representing
103 186 customers



The greatest inhibitors to home ownership for low-income individuals are the lack of affordable housing units and constrained affordability. The housing backlog in South Africa stands at 3 million housing units.

FNB works with several stakeholders, including government and housing developers, to increase the supply of affordable housing stock. Some of the projects that FNB has supported include:

> **Transaction support centre (TSC):**
Properties in the low end of the market, particularly social housing units, tend to trade informally and below their true value. The TSC is a not-for-profit organisation that helps customers obtain their title deeds, assists with deceased estates and helps to regularise informal transactions where the owner is not the documented beneficiary. The TSC, with the help of FNB, has set up a pilot site in Khayelitsha, Cape Town to find scalable solutions to be used nationwide. To date, the TSC has processed 319 cases, of which 221 are related to title deed issues. FNB has processed 20 of these cases for home finance, of which five have been approved. FNB believes that these figures will grow with the imminent expansion of the TSC to Gauteng and KZN.

> **Unlocking inner-city housing stock:**
South African inner cities have numerous run-down buildings which present an opportunity to assist with housing backlogs. FNB has partnered with several housing developers to advance sustainable methods of intervening and stabilising dysfunctional sectional title buildings in the inner city of Johannesburg.

The aim is to address the demand for quality low-income housing. Developers of 24 identified buildings have been appointed and are on site, and it is anticipated that these buildings will deliver more than 1 800 housing units, priced between R350 000 and R550 000, that will be available for occupation within the next 12 months. FNB intends to finance up to 40% of the available stock to the value of R305 million.

> **Alternative building technologies**
FNB continues to support the development of alternative building technologies. FNB actively seeks credible companies that meet regulatory standards and approves them for end-user finance. FNB has to date approved five alternative building technology providers for end-user finance. These technologies can shorten the construction period by as much as three times that of conventional methods, and include construction materials that are sustainable, environmentally friendly and cost-effective (up to 30%, compared to conventional methods). To date, FNB has financed 20 alternative building technologies properties at a value of R7 million.

Finance Linked Individual Subsidy Programme (FLISP)

FLISP is a government subsidy aimed at customers who fall within what is termed the "gap housing market" (those who earn too much to qualify for social housing and too little to afford a privately developed house). This subsidy can be used to augment a home loan, or to reduce it. FNB has embedded FLISP qualifying criteria into its business to enable affordability and improve customer experience. FNB has over 30% share of FLISP business and has paid out approximately 3 000 subsidies to date.

PRIVATE EQUITY

RMB Private Equity (RMBPE) is **committed to supporting transformation within the South African mid-market landscape** through **three focus areas:**

1. **the seeding and funding (as a limited partner) of black fund managers**
2. **facilitating the scaling of black industrialists**
3. **shifting the focus to delivering 51% black ownership**

Since inception, **RMBPE has deployed R4.4 billion of capital through these focus areas** and, as a result, has meaningfully increased black ownership in its portfolio companies.

The seeding and funding (as a limited partner) of black fund managers

RMBPE actively seeks to develop relationships with black fund managers with the aim of not only providing seed capital as their primary funders (limited partner), but also introducing them to the broader FirstRand group, and ensuring that there is skills transfer. This provides black fund manager with a foundation to grow their business and develop a track record through which they can establish themselves as on-balance sheet investors or third-party funds.

Examples of these current and historical partners include Pan-African Private Equity, Bopa Moruo, Sigma Capital, Agile Capital, the Tiso Group, Kagiso Trust Investment, Yard Capital, Sphere Private Equity and Safika Investments.

Facilitating the scaling of black industrialists

RMBPE has proud associations with the following black-owned and -controlled businesses: Pan-African Capital Holdings, New GX and Mineworkers Investment Company (MIC). By partnering with RMBPE, these businesses gain access to funding and prospective deals originated by RMBPE. The additional capital provides them with the ability to pursue larger investment opportunities which previously would have been declined due to funding constraints. To date, RMBPE has provided R1.2 billion of funding to these businesses.

Shifting the focus to delivering 51% black ownership

RMBPE is actively pursuing opportunities to deliver black ownership to new deals and anticipates an increased number of deals and percentage of rands invested (percentage of deployed capital) over the next five years.

UK BUSINESSES

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

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

CASE STUDY

Aldermore – assisting first-time home buyers

Aldermore uses its innovative approach to assist first-time home buyers to enter the property market by allowing greater flexibility for borrowers looking to maximise affordability with a loan-to-income capital increase from 4.5 to 5.5 all the way up to 95% loan-to-value ratio.

First-time home buyers account for nearly £640 million of Aldermore's mortgage book, up from £575 million in 2018.

CASE STUDY

MotoNovo Finance – car finance for young people

Two years ago, MotoNovo Finance introduced **alternate credit scoring for people under 21 years of age,** who typically have little credit history and personal funds. The credit scoring uses an assessment of risk profile, employment and deposit amount, and has **empowered many young drivers to purchase their first car. This segment represents just under 5% of MotoNovo's in-force exposures.**

02

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

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

EVOLUTION OF eWALLET

FNB provides access to financial services for the unbanked through **digital innovation. Its flagship eWallet** offering is an extension of the bank's digitisation strategy, providing a secure and efficient payment solution to the unbanked segments of the population.

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

It also supports informal employment within the economy, enabling payments from employer to employee, or payment for goods and services rendered.

6.4 million active users benefit from eWallet, representing a **5% increase** from the previous year. During the 2019 financial year, these customers sent money through **46.1 million transactions, up 19%** from the previous year. The value of these transactions was **R25.9 billion.**

eWALLET

FNB introduced the eWallet remittance offering in 2009. Since then, the service has been widely used by FNB banked customers to send money to anyone with a valid South African cell phone number. Although eWallet recipients can be banked and unbanked individuals, this service has been instrumental in ensuring that unbanked people have access to cash at their point of need.
It was recognised that the needs of eWallet recipients were greater than just merely receiving money and being able to withdraw it. Therefore, the product was further developed to enable the purchase of goods at selected stores, cashing out of funds at till points and the purchase of prepaid services.

eWALLET EXTRA

FNB identified that a segment of the country's population was still under-served by financial institutions. Looking to solve these needs through innovative solutions, coupled with key learnings from eWalllet, FNB launched eWallet eXtra, in August 2018. At zero monthly account fees, the product enabled recipients to receive and send money, make and receive EFT payments, and deposit cash directly into the account. eWallet eXtra offered accessibility and ease of account opening as key differentiators to other traditional accounts. Anyone aged 16 years or older with access to a cell phone can open an eWallet eXtra account by entering their name, surname and valid South African ID number after dialling *120*277#.
Much like eWallet, the reception of eWallet eXtra has been encouraging.
As at the end of June 2019, it had an account base of 233 000 and a transactional volume of 3.8 million amounting to R1.5 billion.

EASY ZERO

In September 2019, eWallet eXtra was renamed to Easy Zero as the market segment did not recognise eWallet eXtra as an account and did not adapt well to a purely digital offering. To make it more accessible to the relevant market segment, a Visa branded card is being introduced, and the sales environment is being extended to branch. The should ensure that the customer can opt between a digital or a more personal experience when desired. This product offers the functionality that is required by those "thinly served" individuals who often receive low or irregular income, but still wish to save and have access to basic banking transaction without having to worry about transaction fees, monthly account fees or rogue debit orders.
To date there are more than 300 000 Easy Zero customers.

CASE STUDY

Cash Plus with FNB Rest of Africa: providing financial inclusion

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

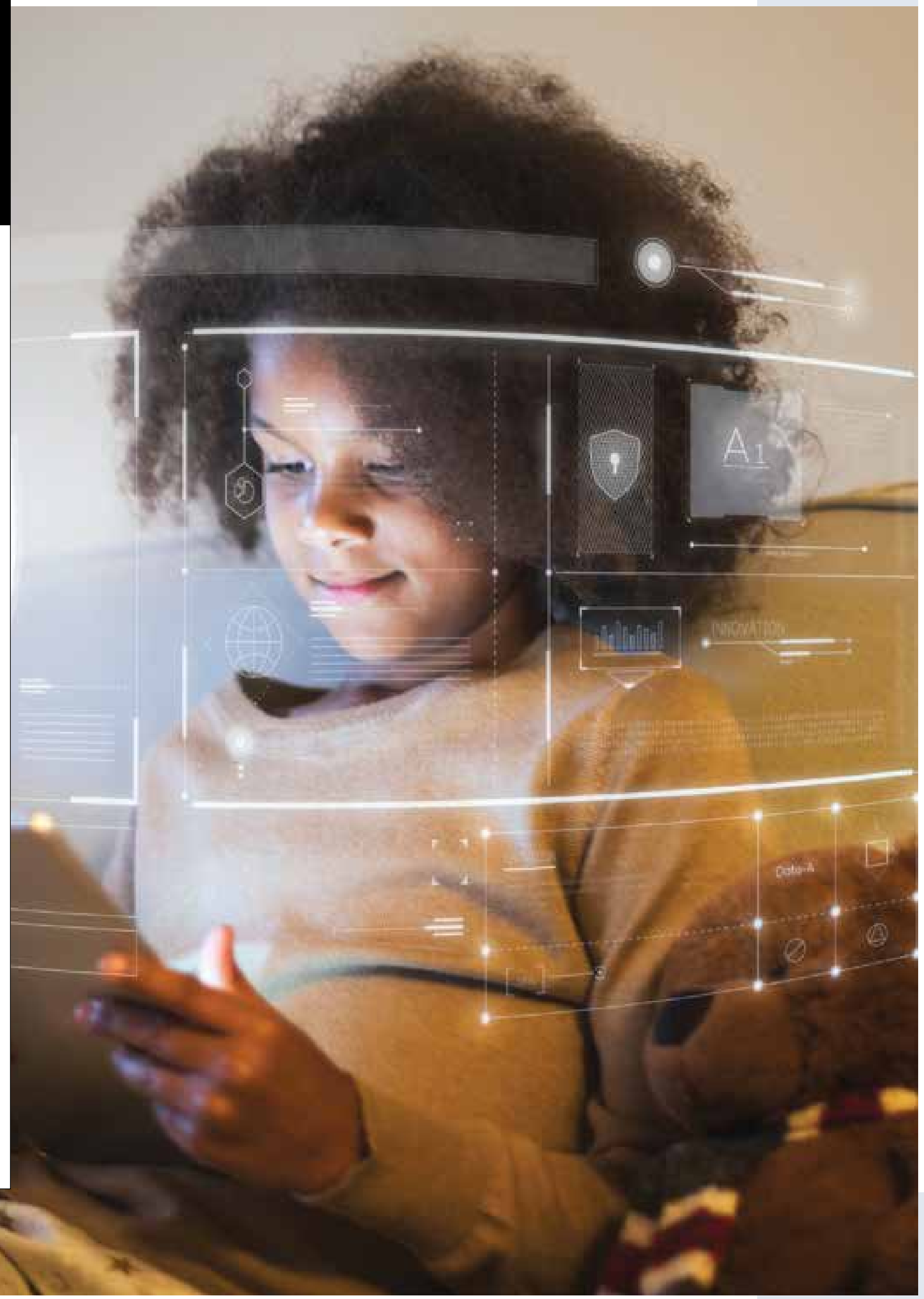
One of the main reasons for this largely unbanked population is the poor infrastructure and the inaccessibility of traditional bank branches and ATMs for people living in rural areas. As a result, customers spend significant time and expense travelling to be serviced by FNB in urban areas.

FNB aimed to close the gap between the branch and the customer through its agency and merchant strategy in Zambia, Botswana, eSwatini, Lesotho, Ghana and Namibia.

From the first pilot launched in Zambia in early 2017, Cash Plus has proved to be a success in growing FNB's businesses.

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

Customer and merchant transactions are completed easily, securely and in real time via the FNB app or FNB mobile banking (USSD). FNB currently provides cash-in services, cash-out services and buy airtime and electricity services. FNB is working on expanding these capabilities, as well as extending the servicing abilities and ecosystem of the platform to provide an enhanced experience for both the customer and the merchant.



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

Benefits to CLIENTS

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

Benefits to MERCHANTS

- FNB recognises that the merchants are SMEs with growth potential.
Cash Plus could potentially increase the number of walk-in customers for approved FNB merchants.
- Cash Plus allows cash to be recycled in the market by reducing the amount of cash that merchants need to constantly reconcile, secure and bank, saving them time and money.
- Merchants have an additional revenue stream by way of FNB commissions for the transactions they perform for FNB clients.

Benefits to FNB

- Cash Plus drives profit growth as it is fast and easy to set up, thus minimising the capital expenditure of expansion.
- Cash Plus has helped grow FNB's transactional customer base while still saving on operational costs.
- Existing customers also benefit from the convenience and access that the Cash Plus service offers and has enabled the seamless migration of these clients to a cheaper, more effective transactional channel.

HIGHLIGHTS AT SEPTEMBER 2019

- **498** active merchants.
- **50 500** customers who used the channel.
- **R100m** of customer turnover.
- **Almost 700 000** customer requests serviced since inception.

CASE STUDY

FNB launches two groundbreaking offerings to help SMEs in South Africa

In November 2019, **FNB Business launched new products and solutions that it believes will help increase the level of SME activity and create a culture of entrepreneurship in the country.**

First Business Zero

Launched in November 2019, First Business Zero is a digital on-platform business bank account. The offering is designed specifically for sole proprietor businesses with an annual turnover of up to R5 million. The account can be opened on the FNB app within a few minutes by using FNB's "Selfie" process to prove identity and verify the user.

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

Businesses will also have access to certain free FNB value-added services, including Instant Accounting, Invoicing, Cash Flow and Payroll software.

FNB's continued digitisation of the commercial banking experience, at scale, has resulted in improved efficiencies and a lower cost of banking. This benefit of scale is passed on to the customer through more affordable banking solutions like these.

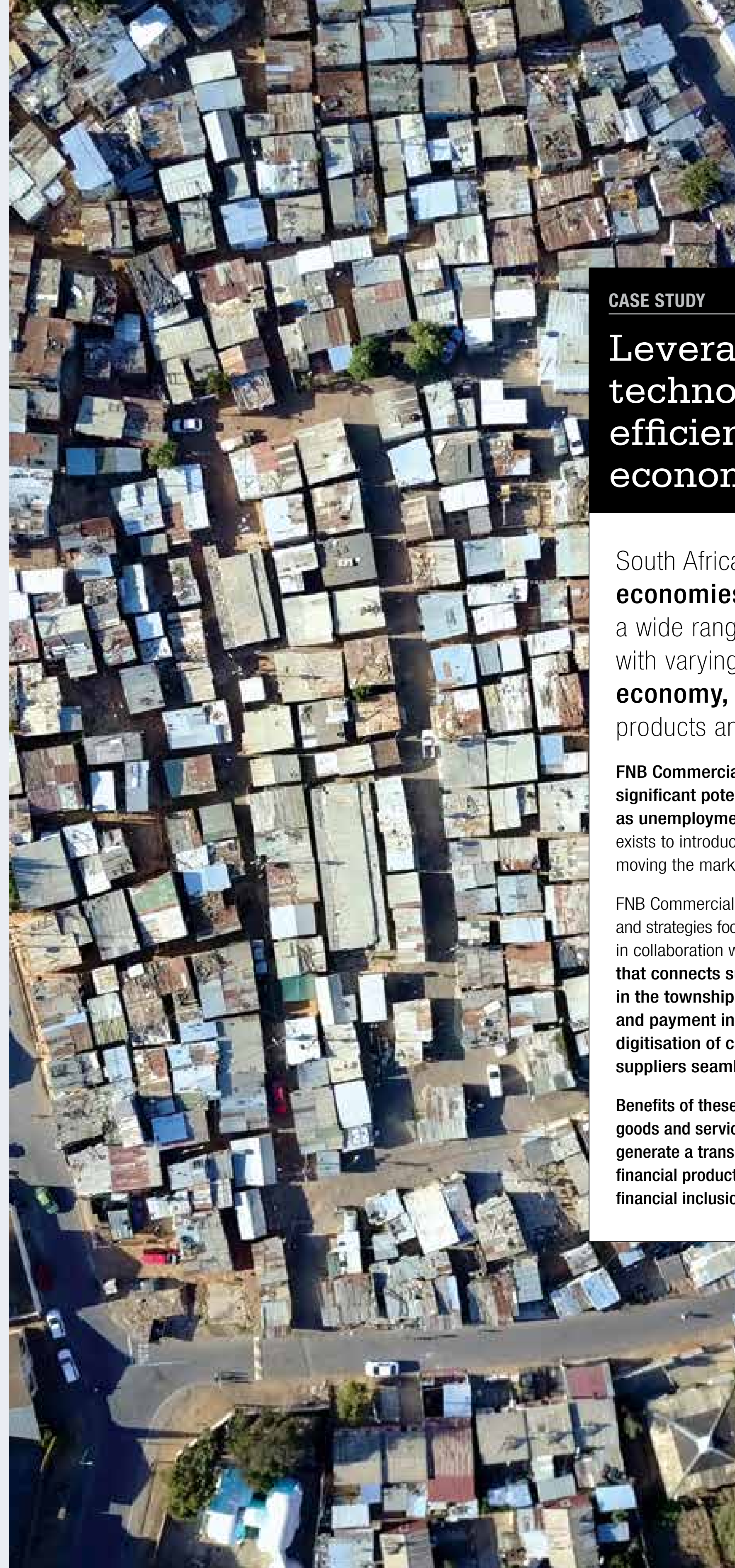
Fundaba

Fundaba is a free interactive e-learning education platform that has been developed inside the FNB banking app for convenient access and scalability. It is a first-of-its-kind offering in South Africa and comprises multimedia content such as videos, podcasts, quizzes, templates and tools for all FNB customers interested in learning about entrepreneurship and running a business. FNB's strategy is to help develop SMEs by supporting entrepreneurs as they build their businesses, and a key part of this journey is access to skills and key learnings.

FNB conducted extensive research and worked with hundreds of local business owners and mentors to provide users with critical knowledge and practical help, from incubating a business idea to starting, running and growing a business. SMEs can also actively share and provide feedback on various educational chapters to constantly increase the effectiveness and relevance of the content.

The name Fundaba was created by combining the South African words "fundi" (colloquially, "expert") and "indaba" (discussion) as they best describe the aspirations of the product and the impact that FNB hopes to achieve through its use.

The Fundaba educational programme consists of 12 modules spread across four life cycle stages of a business (incubate, start, run and grow) and follows a case study of a South African entrepreneur as he builds his first business. All audio and video content is available in five local languages, namely IsiZulu, isiXhosa, Sesotho, English and Afrikaans.



CASE STUDY

Leveraging innovative technology to create efficiencies in the unseen economy

South Africa's economy is characterised by **dual economies.** The **formal economy** leverages a wide range of financial services and products with varying levels of sophistication. The **informal economy,** however, has limited access to these products and services.

FNB Commercial acknowledges that this "unseen" economy has significant potential to address many of South Africa's challenges such as unemployment, empowerment and economic growth. The opportunity exists to introduce appropriate and affordable financial products and services, moving the market from unseen towards formalisation.

FNB Commercial has commenced with significant investment into ventures and strategies focusing on addressing the "unseen" economy. In February 2019, in collaboration with a fintech business, **FNB endorsed Selpal, a platform that connects suppliers and fast-moving consumer goods (FMCG) SMEs in the townships. The solution addresses communication, transparency and payment inefficiencies across the supply chain and incorporates the digitisation of cash, digital ordering and payment of goods from suppliers seamlessly and cost-effectively.**

Benefits of these improved efficiencies include SME access to quality goods and services at decreased costs. Using this technology, SMEs will generate a transactional history which in turn will give them access to other financial products within the bank, further encouraging and promoting financial inclusion.

PHYSICAL NETWORK STILL KEY TO CUSTOMER SERVICE

As transactional activity moves to digital and electronic channels, branches increasingly fulfil sales functionality, e.g. 75% of funeral policies are sold in branches.

FNB continues to invest in growth nodes and is increasing its footprint in traditionally unbanked areas to maximise access. Seven additional community branches are planned for 2020. They will be placed in the following rural areas or townships:

- Seshego, Limpopo
- Zebediela, Limpopo
- Tembisa, Gauteng
- Mount Fletcher, Eastern Cape
- Alexandra, Gauteng
- Schoemansdal, Mpumalanga
- Kwa-Guqa, Mpumalanga

Community banking initiatives include mobile containers which offer an innovative way to deliver a full suite of banking facilities to rural communities at low cost.

ATMs

FNB aims to empower its customers with mobile and electronic solutions. With more than 5 709 electronic devices nationwide, FNB's ATM network offers a range of financial services that are traditionally found in-branch, but with added convenience and lower costs. This functionality is especially important for community banking and in rural communities.

In the event of a branch closure, electronic devices with limited services remain to ensure access to banking services are not compromised.

FNB has placed **self-service devices (SSDs), i.e. ATMs and ADTs, at approximately 150 strategic sites in communities that do not have branch representation.** These SSDs assist clients with access to cash, and assist retailers to better manage their cash flow. SSDs also support South African Social Security Agency (SASSA) pay-out days.

CASE STUDY

Mthatha – a new and improved branch for the community

FNB recently revamped the Mthatha branch,its largest branch in the Eastern Cape with approximately 500 daily visitors.

The new branch design blends self-service points and face-to-face interactions. The branch also has a designated digital banking area where customers can bank with the assistance of a bank consultant.

The remodelled branch also serves as a distribution point of SASSA grants for people in Mthatha and surrounding villages and is one of the biggest grant pay points in the region. The branch processes approximately 16 000 transactions on ATM and ADT devices on pension day alone, double the transaction volume of a normal day. Some people travel more than 70km to the branch and could arrive as early as 4am. As part of FNB's winter drive, grant recipients were served a hot meal.

03

TREATING CUSTOMERS FAIRLY

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

TREATING CUSTOMERS FAIRLY

The group aims to offer fair value to customers. Its products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

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

1 CULTURE AND GOVERNANCE

The board of directors and senior executives are held accountable for ensuring that the group "does the right thing". The culture of doing the right thing is embedded in the organisation through ongoing discussions, at all levels of the organisation, which focus on applying TCF principles throughout the product and financial service life cycle. The group has implemented appropriate internal policies and standards pertaining to fair market conduct, remuneration, transformation and new product approval.

Robust governance forums have been implemented, where TCF principles are considered for application in day-to-day business decision-making.

The group:

- communicates its TCF values internally through formal online training for employees at all levels;
- chooses its partners carefully, taking care to avoid any conflicts of interest; and
- has implemented internal control room governance to proactively detect and mitigate the risks of insider trading.

2 PRODUCT DESIGN

Customer centricity is at the core of the group's business model; products and services consider the needs of intended target markets. Products and services are distributed through the most suitable channels, informed by extensive customer research. Constant innovation ensures that products drive financial access and inclusion, great customer experience and value for money.

Key persons are being identified within the group who will – in future – be held accountable for reviewing and signing assurances that new financial products and services meet TCF standards, prior to these being offered to customers.

Product reviews have focused on:

- dormant accounts
- unfair product terms and conditions
- portability and ease of switching
- fees, advice fees and penalty fees
- remuneration
- savings and investment product features for low-income clients

3 CLEAR DISCLOSURE

The group invests significantly in consumer education initiatives.

There are dedicated teams who review business documents to ensure that information provided is clear, simple and easy to understand.

Ongoing quality assurance measures have been implemented to independently evaluate whether or not the group is providing correct and appropriate product information to customers.

Staff retraining is provided or telesale scripts revisited where process gaps are identified.

The group uses complaints data to enhance disclosure.

4 SUITABLE ADVICE

The group has outcomes-based remuneration governance frameworks and committees that review staff remuneration and reward programmes to ensure that TCF and market conduct outcomes are considered within remuneration models. Staff are trained to assess and provide products which meet the needs of the customer and offer appropriate benefits at the right price. The quality of advice provided is evaluated by independent quality assurance teams. FAIS product-specific training modules ensure staff are aware of product features, benefits and pricing and can easily explain these to customers. Continuous professional development programmes, which ensure ongoing learning and upskilling, have been implemented in 2019 and impacted staff are required to undertake such programmes on an annual basis.

5 SERVICE LEVELS AND PRODUCT PERFORMANCE

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

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

6 NO BARRIERS TO CLAIM OR COMPLAIN

Customers are informed of the varied channels they may use to submit claims or complaints.

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

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

Financial literacy: education spend and programmes

ANNUAL SPEND ON CONSUMER FINANCIAL EDUCATION

Year	Spend
2015	R21 million
2016	R22 million
2017	R28 million
2018	R36 million
2019	**R37 million**

A 2018 report by the Human Sciences Research Council shows that the financial literacy of South Africans continues to remain low. "Financial literacy is a complex multidimensional concept that comprises a combination of knowledge, attitudes and capabilities,"[1] the authors state. New and innovative approaches to financial education are needed to address this challenge.

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

FNB

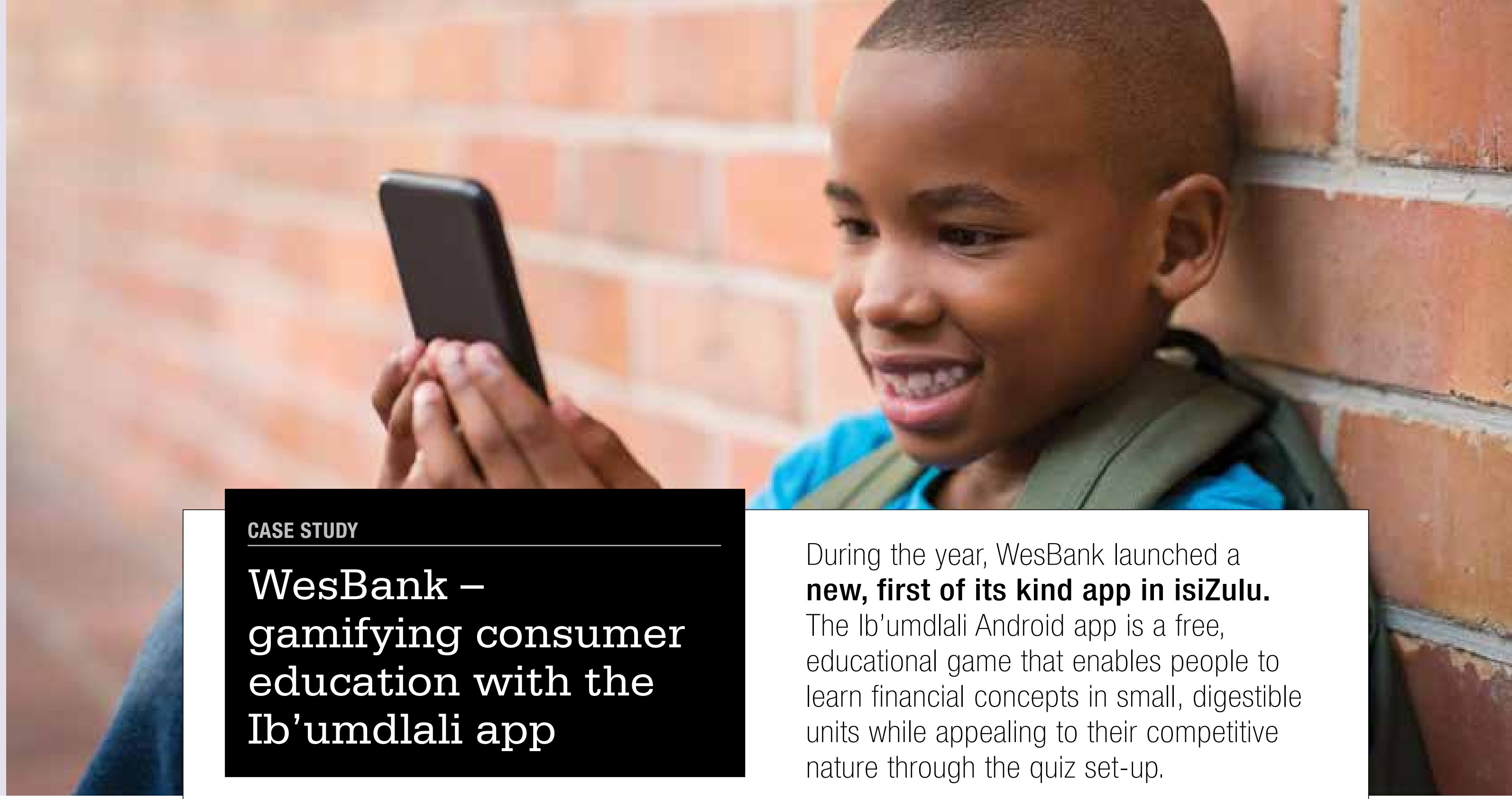
FNB has developed content that focuses on **financial literacy, savings, credit and debt management** and the benefits of digital banking channels. The content has been integrated across all channels: **face-to-face workshops; the new, ten-week-long #HelpYourself television series; radio reach; and digital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

During 2019

- 103 445 **workshop** participants reached
- 4.7 million viewers reached through **TV**
- 3.3 million reached by **radio**
- 10 546 unique **page views** through online traffic

To measure the effectiveness of the radio, television and face-to-face workshops, FNB has introduced a competition, using USSD, that requires participants to answer various questions related to content covered. This data provides additional insights into participants' understanding and knowledge retention. The purpose is to better understand how USSD can be used as a monitoring and evaluation tool going forward. Based on a sample of 6 300 participants, 53% engaged on the USSD platform and completed the assessment questions.

1 Roberts, B., Struwig, J., Gordon, S. & Radebe, T. (2018). *Financial Literacy in South Africa: Results from the 2017/18 South African Social Attitudes Survey round.* Report prepared by the Human Sciences Research Council on behalf of the Financial Sector Conduct Authority, Pretoria: Financial Sector Conduct Authority.



CASE STUDY

WesBank – gamifying consumer education with the Ib'umdlali app

During the year, WesBank launched a **new, first of its kind app in isiZulu.** The Ib'umdlali Android app is a free, educational game that enables people to learn financial concepts in small, digestible units while appealing to their competitive nature through the quiz set-up.

Questions answered incorrectly are clarified with correct answers at the end of each game. The questions are structured so that the person encounters the same concepts or facts in multiple ways in order to increase retention. Players test their knowledge against that of others. Winners score points that help them climb the leader boards, backed by an algorithmic rating system that measures how well they are learning in relation to one another. The incentives encourage people to keep playing, and the more a person plays, the more they learn.

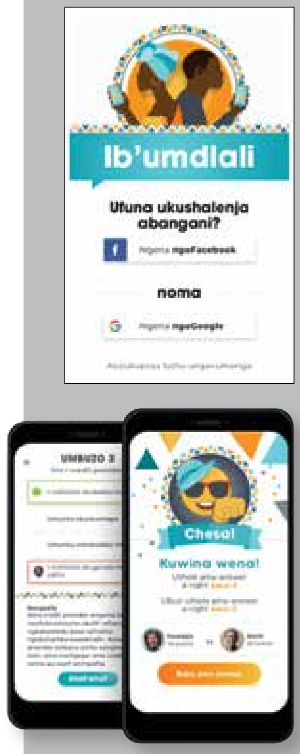
The app was launched in isiZulu, as it is the home language of 30% of South Africans and the most universally spoken African language. The app was subsequently made available in English.

The initiative has proven to be a success, given that 60% of users do not have tertiary education. The users are mostly between 25 and 34 years of age and 55% female.

The content is also continuously replayed at taxi ranks, encouraging participation.

The app has won the following awards:

> Gold Assegai Award for UX Interface and Navigation Design
> Bronze Assegai awards for App and Innovation.



App highlights

> Google Play store's **number 1 top free education game after only six weeks**
> Over **13 000 downloads** in six weeks and more than **500 000 games played**
> **Finalist in two categories** for the MTN Business App of the Year Awards 2019
  – Best Educational Solution
  – Best Gaming Solution
> **4.69** out of 5 stars in-app rating
> Clear proof of learning through user stats.

Interesting facts about the app

> Ib'umdlali means **"be the player"** in isiZulu;
> there are **eight** categories covering **191 financial concepts;**
> there are **2 400** questions and explanations;
> there are **8 400** multiple choice answers;
> **470** hours were spent translating the content from English to isiZulu; and
> **2 141 756** questions have been answered.

Search for Ib'umdlali in the Google Play store.

CASE STUDY

WesBank #AdultingStartsNow

In 2019, WesBank connected with millennials on the negative sentiment sparked by conversations around young professionals and debt.

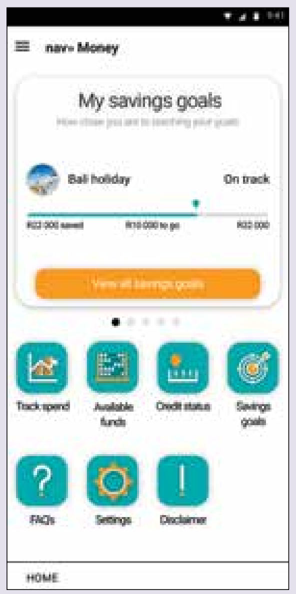
Using the theme #AdultingStartsNow, the recently launched campaign is about **honest, and sometimes tough conversations on the realities of vehicle finance.** WesBank is invested in educating young professionals on responsible debt.

WesBank's campaign includes a mix of content, including topical, diverse podcast conversation pieces, an eBook called Adulting 101 – a Practical Car Buying Guide for Young Professionals, and meaningful engagement with attendees at the 2019 STEM conference.

FNB nav»

FNB nav>> continues to provide helpful solutions to customers for navigating their finances and life.

FNB nav» leverages capabilities across the group's various transact, credit, invest and insure platforms to collaboratively deliver helpful solutions.



NAV» MONEY

NAV» Money is one of several FNB nav» functions, and enables customers to improve their financial health.

Since inception in May 2018:

350 000+ unique users

24 600 users improved their credit health

- Users are **15%** more likely to improve their credit status.
- Users are **25%** more likely to honour their debit orders.

32 500 users started or increased savings

- Users are **41%** more likely to start saving or increase savings, with the major categories including saving for a home, car, travel and emergencies.

Achieved **R100 million** in committed savings in July 2019.

CASE STUDY

DirectAxis's Pulse

Pulse is a **free and secure financial wellness tool** that allows consumers to check their credit ratings and learn how to improve them. It offers useful tips and insights, at no cost, to all South African citizens. In 2019, **90% of Pulse users surveyed found Pulse useful.**

CASE STUDY

DirectAxis consumer education

In addition to an interactive, educational mobi site, with a quiz component to test the visitor's financial literacy, during the year DirectAxis embarked on consumer education **radio campaigns in English, Afrikaans, seSotho, isiXhosa and isiZulu over three months on 12 radio stations** with a collective reach of **1.5 million listeners.** DirectAxis's social media campaigns drove the most traffic to the mobi site, with more than **69 000 clicks** from the campaign adverts.

DirectAxis spent an additional 14% over its allocated spend on consumer education to offer the Get Financially Fit workshops to 1 257 adolescent peer educators.

Comments from attendees

The facilitator was really helpful. I wish I had attended this course before I started my first job."

"Thank you so much for changing my life. I see things differently now and hope I can manage my finances better going forward."

04

ADDRESSING TRANSFORMATION AND EMPLOYMENT EQUITY

South Africa has emerged from a difficult and hurtful past of racial and economic apartheid. The government has instituted reforms to address some of these past inequalities, through broad-based black economic empowerment (B-BBEE) legislation and scorecards.

FirstRand is proud to have achieved a Level 1 BEE rating under the Financial Sector Code scorecard for the 2019 and 2018 financial years. Notwithstanding this achievement, the group acknowledges that true transformation is much broader than scorecards and that it still has more to do.

Awards

1 BUSINESS REPORT, INTELLIDEX, EMPOWERDEX: JSE MOST EMPOWERED COMPANIES 2019

- FirstRand Limited won the **most empowered** financial services company award
- FirstRand Limited came **4th overall,** out of 100 JSE-listed companies

2 2019 OLIVER TOP EMPOWERMENT AWARDS

- FirstRand Limited won the **Transformation Champion** award

Black ownership

FirstRand has transferred significant ownership of the company to black partners. Direct black ownership, measured per the **Financial Sector Charter (FSC) principles as at June 2019, is 31.06% of which black female ownership is 15.08%.**

Preferential procurement (B-BBEE)

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

Over the last five years, the FirstRand procurement team focused on the transformation of the group's supply chain, with specific focus on:

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

Preferential procurement spend

Year	SME*	Black-owned	Black women-owned
2015 – R'm	2 664	1 779	845
2016 – R'm	3 113	3 006	1 660
2017 – R'm	3 169	2 848	1 491
2018 – R'm	3 371	3 703	2 307
2019 – R'm	**3 929**	**5 146**	**2 888**
% change	17%	39%	25%

* *SME suppliers consist of EME suppliers with turnover of up to R10 million and QSE suppliers with a turnover between R10 million and R50 million.*

SMEs

As a vehicle to create jobs, **FirstRand is committed to supporting SME suppliers.** For example:

> In the 2019 financial year 29% of total procurement spend was with SME suppliers, a 17% increase from 2018.
> From 2015, spend with SME suppliers increased by 50%.
> Furthermore, exempt micro enterprise (EME) suppliers also received preferential payment terms to assist them with their working capital management.
> Black-owned SME suppliers can also participate in the group's supplier development programme where they are upskilled to enable them to increase their service offering and quality of service to the group and wider community.

INCLUSIVENESS

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

> In the 2019 financial year 37% of the group's total spend was with black-owned suppliers whilst black women-owned suppliers received 21% of the spend.
> Spend with black-owned suppliers increased 39% year on year and spend with black women-owned suppliers increased 25%.

The group supported designated group suppliers, as defined in the Codes of Good Practice (CoGP), with 7% of procurement spend allocated to this group in the 2019 financial year.

Black intermediate professional service providers received 40% of the group's professional services spend in the same period.

DURING 2019, THE GROUP SPENT
R360 million
(2018: R221 MILLION)
ON SUPPLIER DEVELOPMENT.

SUPPLIER DEVELOPMENT PROGRAMME

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

CASE STUDY

FNB supplier development programme

In 2018, ten high-potential black-owned suppliers generating up to R50 million annual turnover each, were strategically selected to participate in a 12-month FNB development programme.

At the end of June 2019, over **600 hours** of **mentorship support, 14 specialist projects** and **504 hours of bootcamps** were delivered to this group.

The SMEs generated an average revenue growth of 40% by the end of June 2019, when compared to the beginning of the programme. During 2019, approximately R50 million was procured from this SME cohort.

The 2019 programme offers additional support, including specialised legal services and grant funding. It focuses on specific commodity groups that require strategic transformation across the finance industry, such as external debt collectors and valuation services.

THE GROUP'S TOTAL WORKFORCE IS

48 780

(2018: 46 284)

AND OVERALL FEMALE REPRESENTATION IS **59%**

(2018: 60%).

Employment equity

South Africa remains the group's primary market, with 40 233 employees (2018: 37 958) representing 82% of its workforce. African, Coloured and Indian employees make up 79% of the South African workforce (2018: 77%).

The group's 2016 – 2019 employment equity (EE) plan came to an end on 30 June 2019. Key achievements included the appointment of women and black women in key Stratco roles. The group has also met most of its numerical goals, except for African males at senior levels. The focus of the current EE plan (2019 – 2022) is to enable a culture of diversity and inclusion. To this end, the plan's initiatives continue to be focused on addressing promotion, succession planning, gender inclusive leadership and performance management.

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

SA WORKFORCE

	Headcount	ACI male %	ACI female %	White and foreign national %
2019	40 233	30	49	21
2018	37 958	29	49	22
2017	38 237	28	48	24
2016	37 137	28	47	25
2015	34 086	27	46	27

JUNIOR AND MIDDLE MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2019	26 390	30	45	25
2018	24 829	29	44	27
2017	24 348	28	43	29
2016	23 505	27	42	31
2015	22 500	26	42	32

SENIOR MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2019	1 991	25	17	58
2018	1 795	24	15	61
2017	1 658	22	13	65
2016	1 522	21	12	67
2015	1 565	20	12	68

TOP MANAGEMENT

	Headcount	ACI male %	ACI female %	White and foreign national %
2019	12*	17	17	67
2018	60	17	18	65
2017	65	18	15	67
2016	60	20	13	67
2015	57	21	12	67

ACI male % | ACI female % | White and foreign national %

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

Women empowerment

Research by Citigroup estimates that significant reductions in gender inequality **can add approximately 6%** to GDP in advanced economies over the course of one to two decades. This is testament to the substantial economic contribution women can make.

The group has several programmes to empower women, through the group's core products and services and within its own employee base.

CASE STUDY

FNB Women in Business

FNB's Women in Business strategy has two focus areas: the **growth of women in the workplace,** which human capital is actively driving and measuring, and the **support and growth of women in business.**

FNB currently has an average leading market share of 34% of female-headed business banking (source: Genex 2018 survey results).

IFC FUNDING FOR WOMEN-LED BUSINESSES

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

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

As at 30 June 2019:

Number of women-led businesses*	20 014	2018: 20 526
Asset base	R8.8bn	2018: R8.8bn

* *Excluding related parties.*

FUTURE WOMEN BUSINESS LEADERS

FNB recognises that supporting future female leaders begins at school with choosing the appropriate matric subjects, which influences tertiary education decisions and future careers. As such, **FNB conducts Discover Your Career workshops for Grade 8 – 12 girls at public schools to help them with their matric subject and career choices.** During the year, 104 girl learners participated in these workshops, with an average increase of 100% in confidence (to 96%) regarding Grade 10 – 12 subject choice, and an average increase in confidence of 143% (to 90%) regarding career choice.

CASE STUDY

RMB Athena's Wonderwomen on the Rise

Following the success of the Young Women's Career Day in 2018, Athena hosted another Wonderwomen on the Rise career fair on 11 October 2019 (International Day of the Girl Child).

RMB hosted 70 Grade 11 girls and seven teachers from previously disadvantaged schools around the greater Johannesburg area. The girls were equipped with tools to help them navigate career choices, deal with everyday stress and bursary applications to further their studies.

This year RMB partnered with Despina Senatore, who previously worked in financial services and has written a book specifically to guide South African high school girls through career choices. Exposure to role models was an important theme of the day, based on the premise "if I can see her, I can be her". Guest speaker, Phuti Mahanyele-Dabengwa, shared her inspirational story with the learners, after which RMB'ers shared their stories. RMB plans to continue and build this initiative annually.

CASE STUDY

RMB Lotus programme

RMB's Lotus programme was developed four years ago, with the aim of encouraging female employees to grow as natural leaders through networking and development opportunities. This seven-month programme is designed to enable women to claim their personal power and find the courage to change direction if they need to.

The programme is currently open to RMB, FCC, Ashburton, FNB Botswana and FNB Namibia female employees, and will be extended to WesBank next year.

The programme has grown to a cohort of 100 women across South Africa, Namibia and Botswana.

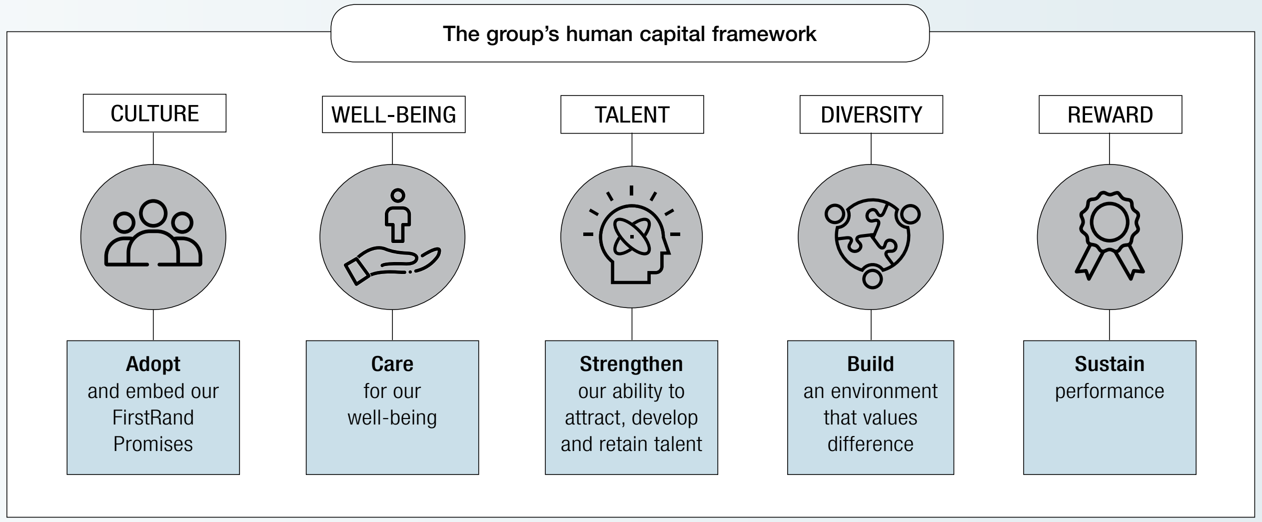
05

PROVIDING AN ENABLING ENVIRONMENT FOR EMPLOYEES

The group relies on every one of its employees to deliver on its strategy, and acknowledges that its employees are its most important resource.

FirstRand and its operating franchises continue to aspire to be an organisation where exceptional talent can thrive. The group's unique culture is enabled by the FirstRand philosophy.

The group's strategic intent is for employees to experience an innovative environment that encourages diversity of thought and contribution, and in which individuals' well-being is cared for. FirstRand encourages teams to grow and enables mobility across the group.



FirstRand Promises – relaunch of the FirstRand philosophy

The group has seen a great deal of strategic and structural change over the past two years. The evolution of the operating model from a siloed structure to a segment structure, and the delivery of a platform business and integrated financial services, have required a significant shift in behaviour, particularly towards greater collaboration. This in turn has required high levels of trust and maturity, particularly as individuals have given up profit pools, teams and, in some cases, entire business units.

As a result of all this change, the group has been very focused on retaining talent and reinforcing values and culture. As part of this process, the group relaunched the FirstRand philosophy.

The principles of the philosophy were created by the group's founders, entrepreneurs who understood the value of treating their employees like owners so that every employee, regardless of their position, is fully empowered to make a real contribution to the group's success. This was the underpin to the group's owner-manager culture, which required commitment and accountability and has been the cornerstone to FirstRand's sustained outperformance.

The FirstRand philosophy guides how the group's people need to behave to deliver the best results for customers, society, shareholders and each other. The new iteration is captured in a set of promises.

be deeply invested.

Care for the business as if it were your own.

Take initiative and be a leader in your own right. Put your time, passion and energy into serving our customers' needs, knowing that you are empowered, entrusted and accountable.

value our **differences.**

Continue to build an ***environment that values differences,*** an environment where everyone's views and contributions can be heard and seen. Stay focused on the talent and ability of those around you, and not only their similarity to you. Be ***inclusive, gracious, decent and humble.*** Listen, reflect and only then respond.

build **trust,** not territory.

Create a culture of sharing.
Work together and build trust into all your relationships. We are team players who act for the long-term interests of the group, not self-interest or the short term. Everyone is encouraged to contribute outside their area of expertise, so we can **unlock our collective wisdom** and achieve the very best results.

have COURAGE.

Nothing limits our imagination like fear.

We've built a **culture of bravery** by speaking our minds and encouraging others to do the same. We enable bravery with a tolerance for failure, resilience, the courage to speak up and express and share opinions, and a spirit that is adventurous and ambitious.

Question **behaviours that are inconsistent with our beliefs.**

Fight for ***ethical conduct*** and ***transparency,*** both inside and outside FirstRand. Champion honourable behaviour and excellent service and treat your customers, colleagues and partners fairly, to build value for our communities and shareholders.

stay curious.

Think differently.

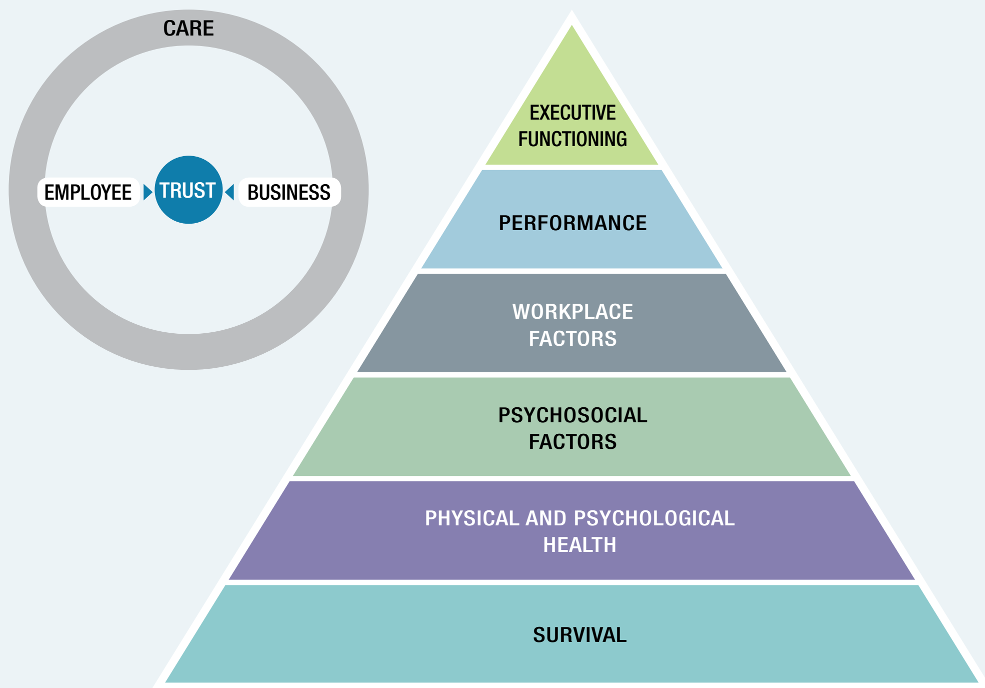
Believe in insight, creativity and its power to unlock value. Encourage curiosity, avoid intellectual laziness and make an effort to question the status quo, even when it is uncomfortable.

Employee well-being

"Unwellness" at work is a global epidemic costing the world's economy 10% to 15% in output and adding to the burden of healthcare systems around the world. The employee health risks that most impact employee performance include mental health, musculoskeletal disorders and lifestyle diseases such as diabetes, hypertension (high blood pressure), high cholesterol, obesity, and HIV and Aids.

FirstRand has an employee well-being strategy that delivers holistic and meaningful interventions that enable a caring culture. The intention behind creating a caring culture is to establish an environment where the health and well-being of employees are top of mind; where employees can engage in meaningful work and can see their contribution to the overall success of the business.

FirstRand's wellness strategy considers the South African context and is based on a hierarchy of factors that affect one's ability to perform at work, from fundamental survival factors such as personal safety, medical care and education, to executive functioning factors, which include flexibility, problem-solving, adaptability, creativity and innovation.



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

On-site well-being centres

There are currently **four well-being centres** at various group campuses, and **seven on-site gyms.** The well-being centres provide convenient and affordable access to **doctors, physiotherapists, psychologists, dieticians, reflexologists and nurses.** They also provide **free on-site counselling** for all employees and remote counselling to family members who are financially dependent on employees.

The on-site gyms provide a substantially reduced membership fee to all employees, who have access to all on-site gyms when travelling.

Support from healthcare professionals

The Managerial and Human Capital Support Centre (MHSC) has been established to provide guidance to human capital and line management on dealing with heath-related matters at work. The purpose of the MHSC is to assist management in optimising employees' work experience and retaining employees.

MHSC acts as a secure support hub for guidance on various matters, such as:

- meaningful communication
- sickness absence management
- disability management
- possible early interventions and referrals
- training and strategic analytics
- appropriate referrals to relevant FirstRand service providers

In-team support for employees

In 2018, the FirstRand Well-being Ambassador programme was introduced. **The Well-being ambassadors were nominated based on their ability to advocate for behaviour change,** and play a critical role in supporting the successful implementation of well-being initiatives in the business.

CASE STUDY

WesBank – Productive Me in action

The WesBank corporate credit team has introduced **mobile working structures that enable staff to work from home** at least twice a week.

Piloted in March 2019, it proved successful across all staff levels. WesBank is now looking to scale the initiative across various teams.

> "Working from home gives me more flexibility and makes my day more manageable. The commute is less and reduces stress levels, which means I am able to focus better. This mobility plan has also improved my work-life balance, which is important for me as a mother because I can spend more quality time with my kids."
> – *WesBank employee and working mother*

> "It works for the team as well as the business. Contrary to what one would think, it has increased productivity, which is the real benefit for the business."
> – *WesBank corporate CFO*

CASE STUDY

BankCity revitalisation project creates benefits for employees and the inner city

Located in Newtown, BankCity is one of FNB's major headquarters, with **nearly 12 000 employees** occupying **181 000m².**

FNB believes its buildings should provide spaces that inspire its employees and add value to the surrounding communities. The new BankCity project demonstrates that FNB is committed to being present in the Johannesburg inner city and to being instrumental in the realisation of its full potential.

In September 2019, FNB unveiled the first phase of its BankCity revitalisation project in Johannesburg's inner city. The vision is to create a space that uplifts the environment and encourages employees to spend time outside.

The revamped precinct includes 34 retail tenants offering a diverse range of eateries, shopping and lifestyle options for employees as well as all residents of and visitors to the inner city.

The first phase of the BankCity upgrade created 150 local jobs. Nearly all of the businesses contracted to provide materials and construction services for the upgrade were Gauteng based.

FNB has provided additional security in the precinct to combat crime and help make the inner city a safer place to work and live.

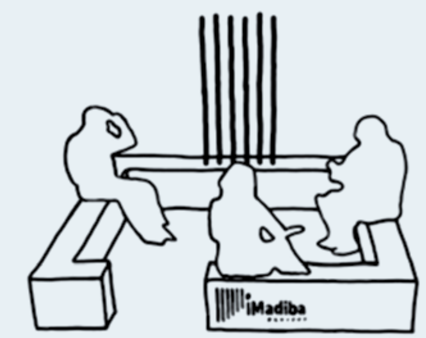
Mobile exhibition of FNB's 180-year history

To commemorate FNB's 180-year existence, a mobile installation was launched at BankCity in January 2019. The installation showcases the journey of FNB and banking in South Africa, highlighting its connection with South African history and the people of the country. The objective is to enable employees to reflect on the past so that they can meaningfully and proudly contribute to FNB's future.

The mobile installation travelled to Grahamstown, Cape Town and Durban before returning to BankCity's upgraded Fraser Street precinct to become a permanent fixture. The installation can also be experienced in virtual reality (VR). The VR experience will be roadshowed early next year to reach as many FNB employees and customers as possible.

iMadiba installation

In the revitalised BankCity precinct, FNB unveiled an iMadiba micromuseum. This project, built in partnership with the Nelson Mandela Foundation, is an interactive, participative art installation or micromuseum, based on the actual dimensions of the Robben Island cell where the late president Nelson Mandela spent most of his 27 years of incarceration. This installation honours Madiba's legacy, encourages personal reflection and invites conversation in safe spaces. iMadiba plans to install many micromuseums around South Africa and the world, linking them in a geo-specific app, to create the world's largest museum.



Leading Light programme

Given the activities of a financial services business, the risk of theft, fraud and corruption is unfortunately high. FirstRand relies on its employees to be alert to any potential incidents and to take appropriate action so that its customers, business and reputation are safeguarded against losses.

The Leading Light programme started off as the Vow of Vigilance competition. **It was initiated and sponsored by FirstRand founder and then chairman, Laurie Dippenaar.** When the programme began in 2001, FirstRand was the first bank internationally to reward employees in this manner.

The Vow of Vigilance became Leading Light in 2012 with several changes including adding categories and prize money. **The programme incentivises employees to report unethical practices.** The programme is managed by FirstRand's ethics office and has helped to substantially decrease losses.

The Leading Light awards serve to recognise and reward those employees who have been vigilant, and through either blowing the whistle or suggesting an innovation, have saved FirstRand from incurring losses.

Data collected from detection of theft, fraud, corruption and other unethical practices is used to train and inform employees of fraudster *modus operandi*, improve bank systems and protect customers.

DURING THE 2019 FINANCIAL YEAR

attempted theft, fraud, corruption and other unethical activities worth

R351 million

were reported to Leading Light through 1 056 entries, saving

R346 million.

R1.7 million

was awarded to employees as part of the incentivisation programme.

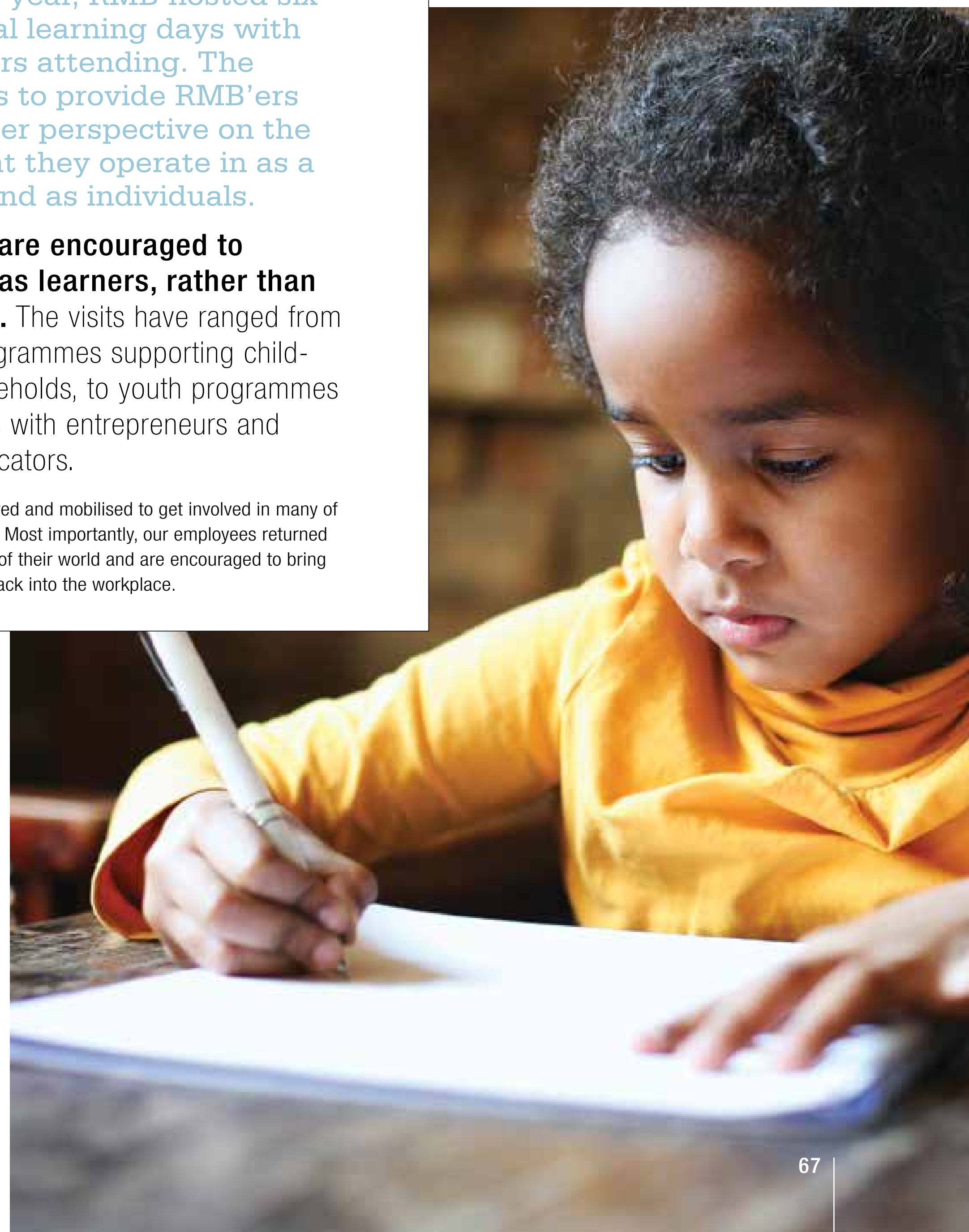
CASE STUDY

RMB's experiential learning days

During the year, RMB hosted six experiential learning days with 100 RMB'ers attending. The objective is to provide RMB'ers with a wider perspective on the society that they operate in as a business and as individuals.

Employees are encouraged to participate as learners, rather than solutionists. The visits have ranged from outreach programmes supporting child-headed households, to youth programmes and meetings with entrepreneurs and alternate educators.

RMB'ers were inspired and mobilised to get involved in many of these organisations. Most importantly, our employees returned with a broader lens of their world and are encouraged to bring the lessons learnt back into the workplace.



Youth employment

The youth unemployment rate in South Africa is 58.2%, negatively impacting lifelong earnings, economic growth and social cohesion, juxtaposed with an increasing pension and healthcare funding gap.

CASE STUDY

DirectAxis and Harambee

DirectAxis has collaborated with Harambee Youth Empowerment Accelerator over the past ten years, enabling DirectAxis to give young South Africans the opportunity to gain and develop vital skills.

As a financial institution, DirectAxis requires a specific employee skill set including good numeracy and literacy skills, and financial knowledge. DirectAxis was one of the founding businesses that collaborated with Harambee to co-create a sustainable model that assesses potential matriculated or graduated candidates; teaches them about potential employers' minimum expectations, such as punctuality and presentation; and bridges the skills gap for specific careers by providing workplace readiness skills. Harambee ensures that candidates meet DirectAxis's basic requirements by tailoring training to suit its business needs.

Through this innovative partnership, DirectAxis has been able to give over 400 first-time job seekers valuable in-house work experience to improve their employability.

CASE STUDY

Botswana First Spark Career Accelerator programme

In October 2019, RMB Botswana launched its **First Spark Career Accelerator** programme for graduates. The first cohort consists of ten graduates from marginalised backgrounds, who have exceptional academic records and graduated within the last two years. The programme also sought graduates who are deeply invested in addressing social issues and demonstrated active participation in solving the needs of their communities.

This high-development-focused programme will **develop skills and competencies, and provide experience through 12 months' tenure.** The graduates will be hosted within the credit, human capital, investment banking division (IBD), finance, risk and business intelligence teams. The programme includes access to mentorship, training and development and referral for future employment.

On completion of the programme, graduates will return to the labour market; however, RMB Botswana will assist these graduates in finding permanent employment, either in the bank or externally.

CASE STUDY

FirstJob work experience initiative

Recognising the need for work experience amongst youth, FirstRand launched the FirstJob programme in 2018, initially committing to creating work experience for 1 425 unemployed youth. By the end of June 2019, this number was exceeded, with 1 547 work experiences created.

Due to the large numbers recruited into the programme, participant intake took place on a staggered basis, ensuring capacity to support them throughout their work experience. More than **R122 million has been invested** in the FirstJob programme to date.

The foundational principles of the FirstJob programme are:

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

To support a meaningful work experience and ensure employability, participants were placed on either a **learnership or in the graduate programme.**

A leading business school partnered with FirstRand for the graduate programme. The ten skills the World Economic Forum identified as necessary for the fourth industrial revolution were incorporated, with six modules spread over a ten-month period and a total of 20 days of class offered.

Strategies are in place to ensure that, at the end of the one-year programme, the youths are considered for positions within the FirstRand group, or are exposed to external job opportunities. At the end of August 2019, 251 youths were either permanently employed or had a contract of more than three months. Most of these absorptions were into the FirstRand group. This is expected to increase as FirstJob has become a pipeline for entry-level positions at FirstRand.

As an extension of the youth initiative, in April 2019, FirstJob commenced the Partner programme pilot with FirstRand Foundation (FRF) partners. Currently 160 unemployed youth are seconded to FRF partners for meaningful work experience. This initiative reaches all provinces except the Northern Cape, including remote areas such as Matatiele and Hamburg in the Eastern Cape. The roles span many industries and include positions such as eco-rangers; music and dance interns; accounting, project management and various administration roles; agricultural interns; and early childhood development roles.

The Partner programme adds capacity to these partners and provides support in their day-to-day management. FirstRand ensures the youths' performance and progress are monitored and that they receive individualised monthly coaching sessions with an assigned learner support coach.

Some success was seen on the pilot Partner programme. Examples include an intern who started his own small business and another supporting farmers to create business plans. These individuals received funding from the National Youth Development Agency to further their initiatives.

Some feedback received from partners:

"The interns have added some amazing capacity to our programme and have enabled us to initiate an in-school programme. We now offer syllabus-focused workshops at six local schools once a month, adding a further 800 learners to our beneficiary community – one of the major highlights of the year."

"The process has had a positive impact, with a number of current interns already being identified for long-term employment."

Going forward

The FirstJob programme plans to create at least **1 050 new work experiences during the 2020 financial year.** In addition to the learnerships and the graduate programme, FirstJob has launched a specialist graduate programme where graduates are placed on learnerships covering scarce and critical skills. FirstJob will keep track of FirstJob alumni to understand the impact FirstJob has made. The pilot Partner programme will be expanded by approximately 100 learners.

06

A CSI STRATEGY DESIGNED TO CONTRIBUTE TO UPLIFTMENT

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

The group is acutely aware that an economy cannot hope to grow without an educated workforce. In response, the foundations focus on systemic education initiatives, allocating R338 million in 2019 (2018: R243 million).

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

The FirstRand social investing structures

THE FOUNDATIONS – THE BASICS

	FirstRand Foundation (including fund and trust)	**FirstRand Empowerment Foundation**	**FirstRand Staff Assistance Trust**
Established	1998*	2005	2005
Type	Independent corporate foundation	Independent BEE ownership trust	Independent staff assistance trust
Number of trustees	11 (7 independent)	8 (6 independent)	6 (1 independent)
Funding based on**	1% net profit after tax of FirstRand Limited, excluding Aldermore and Rest of Africa	Dividends from endowment	Dividends from endowment
Value of endowment at 30 June 2019	Not applicable	Approximately R7 billion	Approximately R1 billion
Registered PBO	Yes	Yes	No

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

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

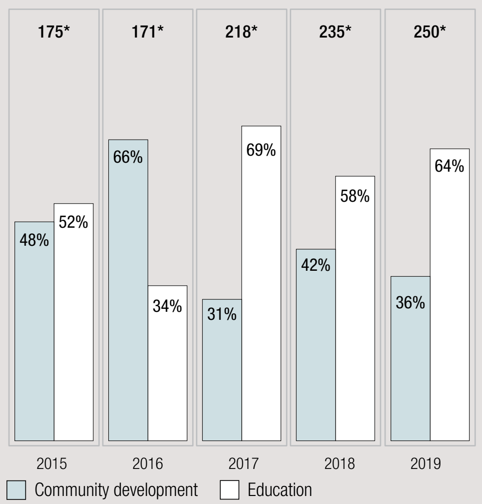
Establishment of the FirstRand Foundation

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

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

Currently the FirstRand Foundation strategy is to be the foremost corporate social investor and knowledge collaborator committed to contributing to the development of a better South Africa through mainstreaming disability, capacity building, leveraging partnerships and knowledge sharing.

FirstRand Foundation CSI spend (R million)



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

Community development consists of investment in:

> the creative economy;
> the green economy;
> food security and agriculture livelihoods;
> FirstRand volunteers programme;
> mainstreaming disability; and
> thought leadership.

Establishment of the FirstRand Empowerment Foundation

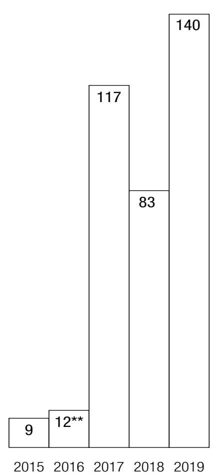
The FirstRand Empowerment Foundation was established in 2005 as part of the FirstRand B-BBEE transaction. The parties to the foundation are FirstRand Limited, FirstRand Bank Limited, Kagiso Charitable Trust, the WDB Trust, WDB Investment Holdings Proprietary Limited, the Mineworkers Investment Trust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

The founding objective was to facilitate the transformation of FirstRand through the acquisition by the BEE beneficiaries of a meaningful equity interest in the group.

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

The B-BBEE transaction vested in 2005, and following its vesting, FREF has a significant unencumbered endowment of FirstRand, MMI and Discovery shares. The dividend income on these shares is used to address poverty, unemployment and inequality through systemic social investments in the education sector. Specifically, FREF's mandate is to provide, promote and fund educational development in relation to disadvantaged South Africans, particularly in, but not limited to, the financial services industry.

FirstRand Empowerment Foundation CSI spend* (education)
(R million)



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

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

Establishment of the FirstRand Staff Assistance Trust

The FirstRand Staff Assistance Trust is constituted as a perpetual trust registered with the Master of the High Court and the South African Revenue Service, and is governed by a trust deed.

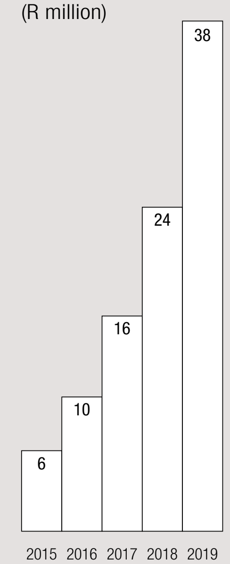
The trust's mandate is to assist black employees earning a salary below a certain level, as well as their immediate families, with their educational, healthcare and other needs. The trust offers bursaries to assist employees' children from Grades R to 12, and qualifying expenses include school fees, transport, books and uniforms.

For the 2019 school cycle, the trust assisted 6 205 employees with their children's school expenses, to the value of R46.5 million. This represents a fulfilment rate of 96% of total staff applications.

School cycle assistance

School cycle	2017	2018	2019
Number of employees assisted	3 662	5 431	6 205
Value of assistance (R million)	23.6	37.9	46.5
Fulfilment rate (%)	97	94	96

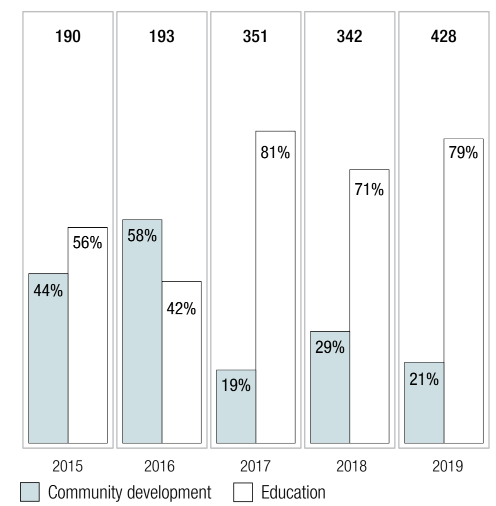
FirstRand Staff Assistance Trust CSI spend (education)*
(R million)



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

Total CSI spend

FirstRand Foundation + FirstRand Empowerment Foundation + FirstRand Staff Assistance Trust
(R million)



CASE STUDY

Nal'ibali

Nal'ibali (isiXhosa for "here's the story") is a **national reading-for-enjoyment campaign to spark children's potential through storytelling and reading.** The campaign was established in 2011 and is built on the logic that a well-established culture of reading can be a game changer for education in South Africa. Literacy skills are a strong predictor of future academic success in all subjects – and children who regularly read and hear engaging stories, in languages they understand, are well equipped and motivated to learn to read and write.

Nal'ibali runs public campaigns in mass media, trains volunteers (usually from underprivileged communities) to run reading clubs and be role models for change, establishes reading clubs for children (inside and outside of school spaces) and ensures that quality and contextual reading material is accessible to young readers.

FREF has contributed to the ongoing growth of the Nal'ibali campaign and has invested R30 million in the programme over a two-year period (2017 – 2019). This funding was for core operating costs and made up about 25% of the organisational budget.

FREF supports other work in the literacy space that complements the Nal'ibali campaign. Most notably, it is supporting the **development of an online reading and writer platform that aims to increase access to contextual reading content, in indigenous languages, for South African youth.** This all forms part of a broad-scale systemic intervention designed to improve literacy and education at a national level.

Nal'ibali in numbers

NUMBER OF CHILDREN REGISTERED WITH NAL'IBALI READING CLUBS IN 2019:

115 000

NUMBER OF PEOPLE REACHED THROUGH EVENTS IN 2019: APPROXIMATELY

1.7 million

("events" refers to sessions held at schools and community centres, where Nal'ibali can communicate directly, and in person, with parents, caregivers and educators).

NUMBER OF PEOPLE TRAINED BY NAL'IBALI:

28 000

since campaign inception.

A person is considered "trained" if they have completed one or more of the three Nal'ibali reading courses and is able to run a reading club.

ACTIVE READING CLUBS IN 2019:

3 600

An active reading club is a reading club that is registered with Nal'ibali and meets on a regular basis, the minimum being once a month.

Almost all the clubs are targeted at children from underprivileged homes, with approximately 48% of the reading clubs in rural areas.

FREQUENCY OF READING CLUBS:

42%

meet once a week

29%

meet two to three times a week

18%

meet five times or more per week

CASE STUDY

Masilimeni programme

The Masilimeni programme, conceptualised in 2014, aims to achieve inclusive food sovereignty by ensuring that a third of fresh food consumed by targeted communities is produced by small-scale farmers by 2030 (in line with a key National Development Plan agricultural milestone).

FirstRand has committed R100 million over the 2015 – 2020 period to the programme, to strategically build resilient microfarmer networks. The programme currently has ten partners that were approved for multi-year funding (2015 – 2019).

Programme partners

ORGANISATION	AREA OF OPERATION
Siyavuna Abalimi	KZN South Coast
Thanda After-school Education	KZN South Coast
Soil for Life	Cape Town
Africa Co-operative Action Trust (ACAT)	KZN Midlands
Christian Social Services	East London
East Cape Agricultural Research Project	Grahamstown
Lima Rural Development Foundation	KZN Midlands, Mpumalanga, Limpopo
HPSA	Nkandla
Siyazisiza Trust	KZN – Nkandla, Richards Bay, eMpangeni
Vastfontein Community Transformation	Pretoria North, North West

FirstRand has contributed **R18 million** to the programme this year, and **R72 million in total since its inception in 2014.**

2019 programme statistics

METRIC	NUMBER
Microfarmers who have requisite microfarming expertise	7 196
Microfarmers who have requisite microfarming expertise linked to a functional network	4 782
Agri-hubs established by the programme	88
Microfarmers who identify themselves as having a disability	238

> Demographic distribution of microfarmers in terms of population group: coloured 3%, black 97%

> Demographic distribution of microfarmers in terms of gender: female 69%, male 31%.

Programme impact since inception in 2014

Farmers reported:

- **average monthly income** of R300 – R2 000;
- **valuable knowledge gained** through training and mentorship that has improved farming outcomes;
- **improved offtake** i.e. farmers were linked to the market by the partner organisations;
- **ability to contribute to local job creation** by hiring unemployed people on a short-term basis (most of these farmers are in rural areas characterised by high unemployment and poverty);
- **increased knowledge of responsible financial behaviour** e.g. ACAT's (one of Masilimeni's partners) microfarmers have R2.7 million in their savings account; and
- **improved nutrition** due to access to healthy organic fruits and vegetables.

Home ownership enabled by income generated from farming activities

Mr Ncanywa struggled to support his family on his meagre earnings from vegetable and livestock sales. Things turned around when he contacted the East Cape Agricultural Research Project, a Masilimeni partner, that was facilitating the land reform programme set out by the government's Land Redistribution for Agricultural Development policy.

"The land ownership facilitation process **benefited 40 people** and I was one of them. I was one of the first to relocate to Masizakhe Farm, just outside Grahamstown. I built a four-bedroom house from the income I generated from my farming activities," *Mr Ncanywa says.*

FirstRand Volunteers

The FirstRand Volunteers programme was launched in 2003 to facilitate and support employee community involvement. The programme provides employees from FNB, RMB, WesBank, Ashburton Investments and FCC with the opportunity to make a real difference by matching employees' time and monetary donations to their chosen organisation or school.

SINCE 2003 THE PROGRAMME HAS DONATED OVER
R80 million
to organisations and schools across the country.

FOR THE YEAR TO JUNE 2019, EMPLOYEES ACROSS THE GROUP DONATED JUST OVER
R9 million
in both time and money to partner organisations and schools.

Volunteer initiatives and activities in the past year have focused on education, support for people with disabilities, community care and orphaned and vulnerable children.

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

In 2019, 1 955 employees donated 9 616 hours of their time to their chosen organisations and schools.

In 2019, employees across the divisions of the group registered and supported 59 schools, 40 ECD centres and 125 non-profit organisations across all nine provinces. In 2019, over 45% of employee support was for schools, early childhood development and non-profit organisations in the education sector. The balance of support was across multiple sectors, such as animal welfare, community care, people with disabilities and youth development.

CASE STUDY

School education drive

The annual school education drive provided employees with financial support for under-resourced ECD centres, primary schools and high schools in their communities. Teams from 76 FirstRand business units qualified for the grant to support their chosen school (76 schools in total), resulting in a cumulative **R1.2 million donation to uplift the education sector.**

Volunteer teams assisted their chosen schools with the purchase of school clothing, library books, stationery, sports equipment, educational toys for ECD centres, female hygiene products, office furniture, school toilet repairs, new equipment for cooking (school feeding schemes) and the revamp of playgrounds.

"Never underestimate the difference you and your staff members are making to the enrichment of children's lives and their development. It's especially gratifying to know that you share our commitment to helping children in need." *Anita Jacobs, Touch of Care*

CASE STUDY

Unsung Heroes

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

SINCE 2017, THE PROGRAMME HAS DONATED OVER
R2.1 million
to 55 organisations and schools. All applications are reviewed and approved by a FirstRand CSI panel including Group Internal Audit.

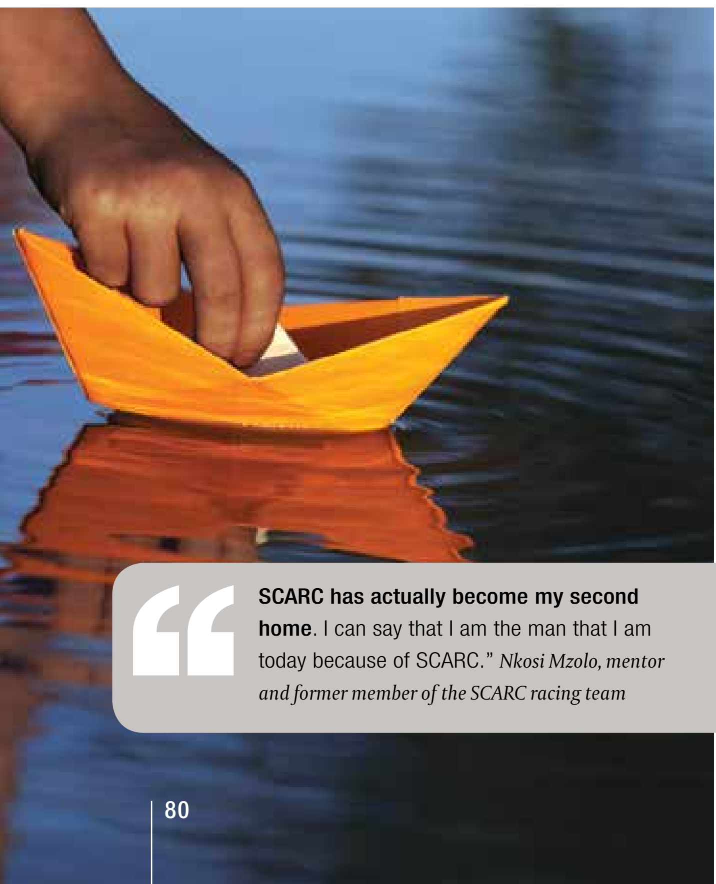
Employees use the grant funds for various projects, such as the purchase of white boards, school clothing, books and computers, to paying tertiary education registration fees for matriculants, and the installation of off-grid solar and water systems.

"**Hamu High School will no longer have to worry about a shortage of water on their premises!** This is really a turning point for the school and the entire community. On behalf of Hamu High School I say thank you FNB for your support." *Mr PN Mthethwa, principal, Hamu High School*

SOCIAL IMPACT THROUGH SPONSORSHIP

Four years ago, the budget allocated to building the FirstRand brand was redirected at sponsoring activities and events that fund or support specific youth development programmes, particularly in disadvantaged communities.

The group felt that if communities saw FirstRand as part of the success of its youth, it would be a powerful win-win outcome.



SCARC has actually become my second home. I can say that I am the man that I am today because of SCARC." *Nkosi Mzolo, mentor and former member of the SCARC racing team*

Soweto Canoe and Recreation Club

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

FirstRand directly sponsors the club's racing team, with the team's FirstRand-branded minibus, canoes and gear a regular sighting at big events. The racing team is the club's crowning glory. However, making the cut requires not only talent, but also hard work, commitment and discipline – all important skills for navigating life in general.

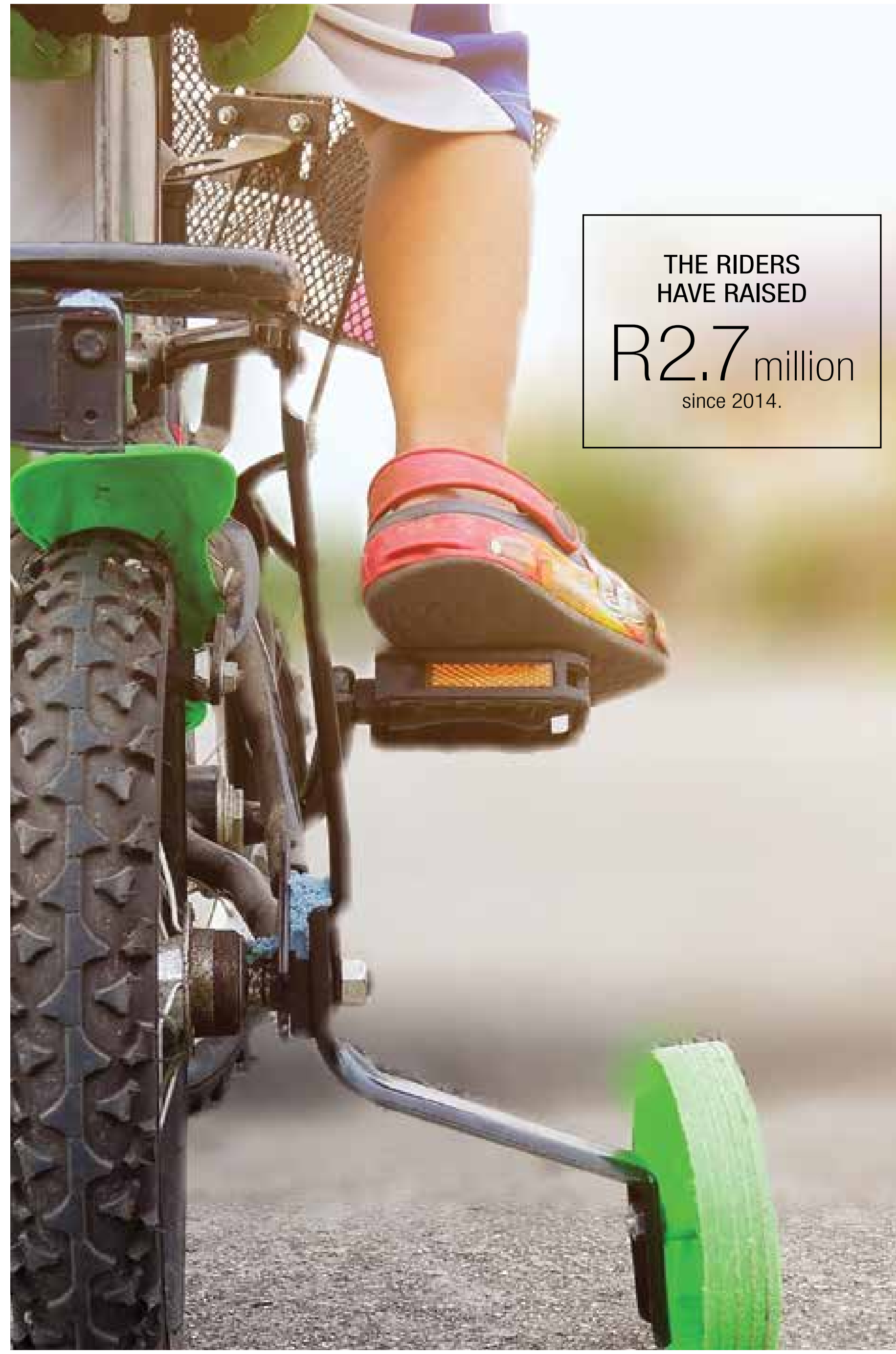
The SCARC team participated in the 2019 South African Schools Canoeing Championships and the 2019 International Junior Olympic Hopefuls Regatta in Slovakia.

SCARC faced a challenge during the long school holidays, with members often alone at home without adult supervision. FirstRand proposed a solution of facilitating special Youth Development Camps (camps) to reinforce the objectives of SCARC in a fun and secure environment.

The first camp took place in December 2015 with the initial focus on physical activity and canoe training. The camps have become an intricate part of the SCARC annual programme, with two camps each year: one during the June holidays and the second during the December holidays. The camps host approximately 50 children aged between eight and 19 years old, with female participation increasing (currently at 40%). The focus of the camps has evolved to a blend of physical activities and life skills training including anger management, drug and alcohol abuse, team work and sex education.

FirstRand sponsors the camps' running costs and FirstRand employees participate with career guidance and motivational sessions.

Parents and guardians are now invited to the camp to share in their children's learning experience. Parent participation is key to ensuring that learnings become an intricate part of family life. A future focus is to increase family involvement in the camps.



THE RIDERS HAVE RAISED
R2.7 million
since 2014.

TransAfrica Cycling Adventure

Since 2014, FirstRand has sponsored the TransAfrica Cycling Adventure which covers more than 1 000km, from the Western Cape to KwaZulu-Natal. To participate, the riders have to raise funds in support of the Ingane Yami Children's Village, which places orphaned and vulnerable children with foster mothers.

The village currently houses 18 children and five foster mothers, with the capacity to increase to 150 children and 25 foster mothers. The village includes school buildings, providing the children with a safe learning space for Grade R to Grade 5 classes.

Initially, all costs associated with the race would have been deducted from funds raised by each rider, but in 2016, FirstRand stepped in to cover these costs. This means that every rand raised by the riders goes towards supporting the children's village.

The funds raised by the FirstRand riders were allocated to building costs and the village's running expenses. From 2016, these funds have been placed in an education fund to assist with the ongoing education costs of the current and future children of the village.

FirstRand has pledged to sponsor the TransAfrica Cycling Adventure again in 2020.

Para athletics – Daniel du Plessis

Daniel du Plessis is a double amputee who joined the FirstRand Quants graduate programme in 2018. The group was inspired by his determination to become a Paralympian and decided to sponsor his dream to represent South Africa at the 2020 Paralympics. He achieved the first major milestone in his journey to attaining his dream when he represented South Africa at the World Para Athletics Championships in Dubai this year – only 18 months after he took up blade running in February 2018. He competed in both the 100m and 400m events and finished in the fourth place in the latter.

For Daniel this was more than just a medal: **he believes that mainstreaming disability not only creates awareness, but also gives the broader disabled community the necessary push to face its own challenges.** "Often you'll find amputees hiding their artificial limbs under a pair of long trousers because their disability makes them feel weak – and for me this was the case as well. But when you run as an athlete, you exchange the trousers for tights. You expose the 'weakness' and then you run with it. It is strength made perfect in weakness, and indeed a message the world needs to hear."

FirstRand is excited to continue this partnership with Daniel and see him go from strength to strength as he continues to inspire others.

Instagram: dan_du_plesier

CASE STUDY

FNB sponsorships

FNB is passionate about the unifying power of sport. It believes in supporting youth sport development from school level through to university and, in the case of the rugby continuum, all the way to the Springbok national team. Through its sponsorship, FNB gives young people a platform to showcase their talent, and empowers and advocates a healthy lifestyle for all ages and competencies across a range of sporting disciplines.

The following are examples of FNB's sport sponsorship programmes:

FNB Football First – Since 2011, FNB has sponsored a grassroots football programme. As part of the programme, FNB sponsors the development of coaches in Mthatha, George, Pietermaritzburg, Kimberley and Thohoyandou. These coaches then host three coaching sessions a week for 44 weeks for U/13 and U/15 girls and boys, and the costs are covered by FNB. The coaches go on to host regional football festivals from which regional teams are selected to participate in the annual First Festival in Johannesburg. Often, football scouts are invited to attend these First Festivals and to date five players who went through the FNB Football First programme have gone on to become professional soccer players.

FNB Classic Clashes – FNB sponsors netball and rugby derby events between rival sporting schools. The objective is to bring communities together through sport and to profile these sports at a school level. FNB Classic Clashes reach out nationwide, including to rural areas where school rugby has become one of the main attractions. FNB has sponsored the Classic Clashes since 2001 and in 2019, 21 Netball Clashes and 44 Rugby Clashes took place.

FNB Varsity Cup and Shield – FNB's sponsorship of the FNB Varsity Cup started in 2008 with the objective of nurturing young talent and widening the talent pool of South African rugby. In 2010, the FNB Varsity Shield was established as a second tier of the tournament, with the purpose of including more universities and aiding in the development of rugby at these universities. FNB's sponsorship of the FNB Varsity Cup and Shield has been heralded as the most innovative change in South African sport in recent years. It has led to the discovery of more talent and continues to brighten Monday evenings around the country.

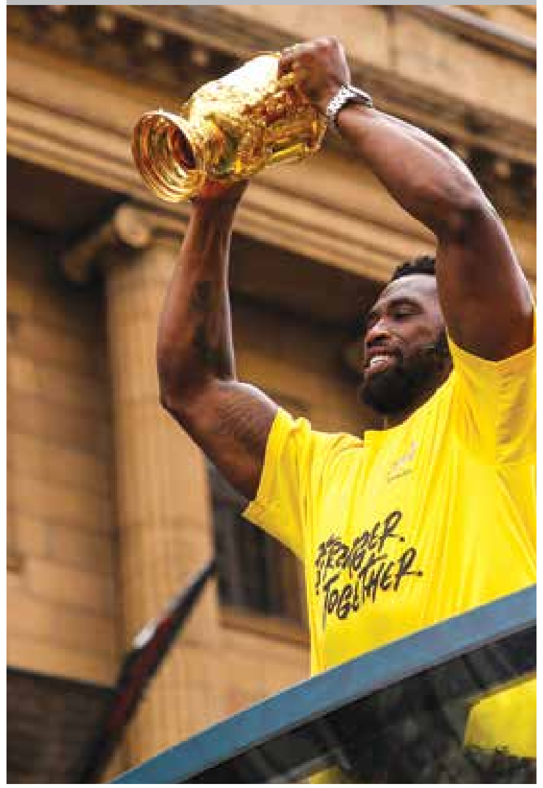
Up to November 2019, 106 players who participated in the FNB Classic Clashes and FNB Varsity Cup have become Springboks, representing South Africa at a national level.

Varsity Sports – In addition to the rugby tournaments, FNB has been sponsoring varsity sports tournaments for the past six years. Sports include football, netball, athletics, hockey, cricket, basketball and mountain biking. These tournaments have already produced international stars such as Wayde van Niekerk, Caster Semenya and Aiden Markram.

FNB Wines2Whales – FNB has sponsored this world-class three-day mountain bike stage race in the Western Cape for the past eight years. It starts at Lourensford Wine Estate in Somerset West and finishes at Onrus in Hermanus. There are three three-day events that riders can participate in and the race caters for all skill levels, ranging from professional riders to well-trained amateurs.

FNB Run Your City – FNB saw the opportunity to engage communities through healthy lifestyle activities and to promote the spirit of running in a fun way that also creates a sense of community. As part of its inner-city renewal initiative, FNB wanted to encourage people to return to South African cities by creating a fresh experience for them through exploring the cities on foot. These races are 10km to 12km long, are run in Johannesburg, Durban and Cape Town, and cater for everyone from the professional runner to the casual walker. In 2019, more than 35 000 runners participated in the three events.

Springboks – In 2017, FNB took on the sponsorship of the national rugby team. This was the final step in the Grassroots to Greatness journey for rugby from high school, through universities and ultimately to the national team. The highlight of this sponsorship was when the **Springboks became world champions for the third time in 2019.**



07

MANAGING THE GROUP'S ENVIRONMENTAL IMPACT

As a financial services group, FirstRand has a role to play in the effective management of the environmental and social risk of its lending and investment decisions, its product and service offerings, its own organisational impacts, and in promoting responsible practice through its value chains.

FirstRand environmental risk management

- Managing environmental and social risks related to investments and lending to customers
- Assisting with the sourcing of funding from local and international development agencies, and developing green and socially beneficial financing solutions for clients
- Managing strategic environmental and social risks for the business over the long term, e.g. establishing climate risk assessment processes for the portfolio
- Managing the environmental impact of business activities, operations and infrastructure

The group defines environmental risk as the reciprocal impact and dependencies of business on the natural environment. If not managed and addressed appropriately, these impacts can manifest in legal or regulatory non-compliance, material financial losses, increased operational costs, physical damage, credit risk and loss of reputation for the group.

Governance and management of environmental risk

FirstRand's environmental, social and climate risk (ESCR) management team forms part of the group enterprise risk management (ERM) function. The identification, management and mitigation of environmental and social risks is fully integrated into the group's risk management processes, as outlined below. During the year, the ESCR framework was updated to elevate the prominence of climate risk in the group's frameworks.

Environmental, social and climate risks

The ESCR management framework consists of an outline of programmes and initiatives designed to manage and mitigate the following areas and types of environment-related risk:

Operational risk

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

Market risk

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

Legal risk

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

Liquidity risk

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

Reputational risk

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

Credit risk

Transactional risk

- Identifying, mitigating and managing environmental, social and climate-related risks associated with investments, portfolios, client transactions and credit risk through transactional due diligence

Portfolio risk

- Identifying and managing environmental, social and climate-related risks that may impact the structuring of lending and investment portfolios
- Conducting stress testing of the lending and investment portfolios in relation to identified environmental, climate and social risks
- Reviewing the impact of environmental, climate and social issues in relation to acquisitions or divestments and capital allocation

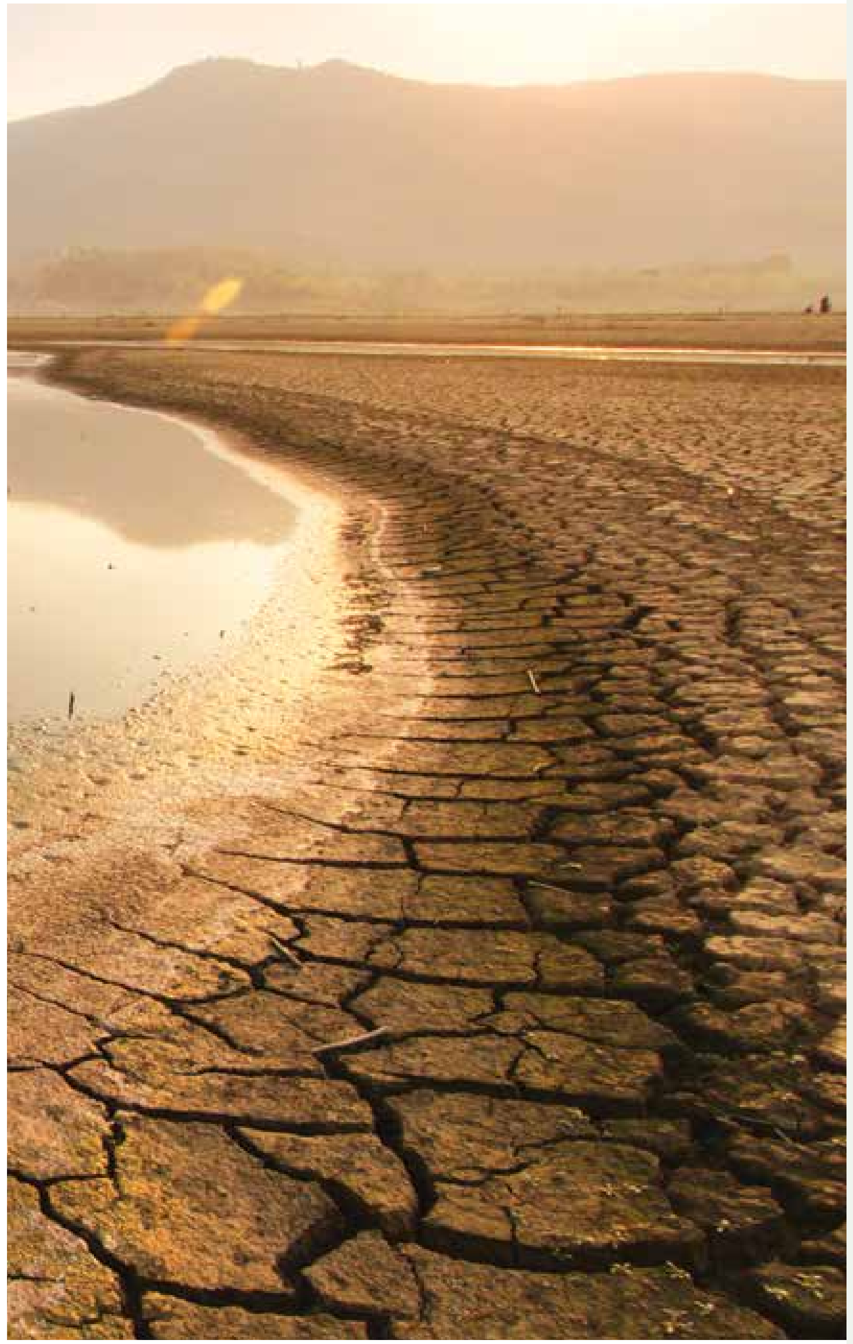
Transaction-related risks in lending portfolios: environmental and social risk assessment

The group's environmental and social risk assessment (ESRA) transactional due diligence process is the **first stage in a credit process. It identifies and assesses risks to local communities, the environment and regulatory or reputational risks** to either FirstRand or its clients, which could, therefore, impact the ability of clients to meet their credit commitments.

ESRA includes a built-in exclusion list and a restricted list of sensitive activities that the group will finance within limits. ESRA activity screening is formally integrated into the group's credit risk governance process and enterprise-wide ethics and conduct committee structures.

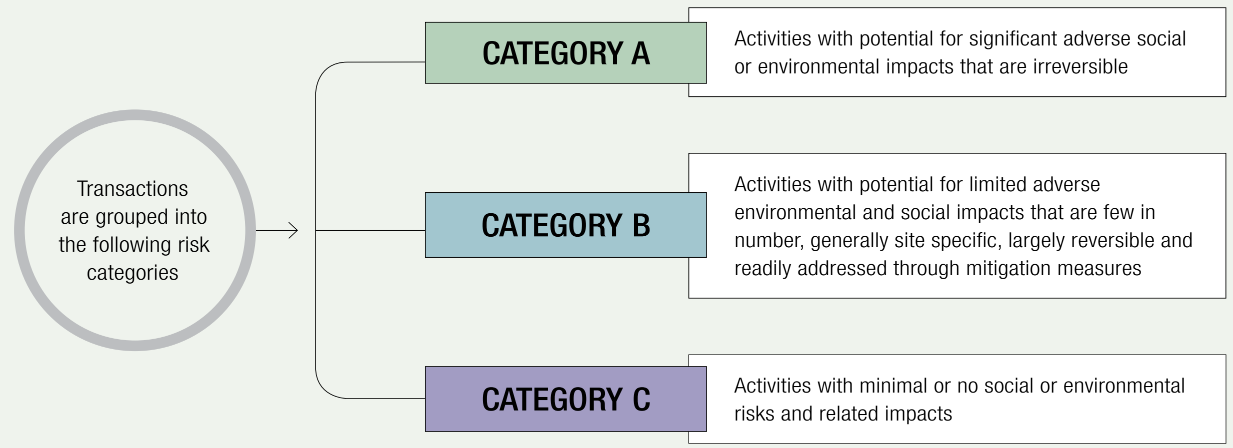
The process is an essential part of formal credit governance in the group. It evaluates individual transactions and indicates a client's ability to manage environmental and social risk and allows the group to monitor its potential exposure to liability or risk. The system has been continuously improved over the past decade and will be enhanced by the group's climate risk management programme, i.e. sector, portfolio, group and country level climate-related risk will be incorporated.

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



THE ESRA DUE DILIGENCE PROCESS

Loan and investment screening starts when an application for debt funding or an investment is proposed. An automated tool that has been integrated into the group's credit application processes is used to check whether environmental and social risks are applicable to the transaction, and whether the activity is categorised as a high, medium or low risk.

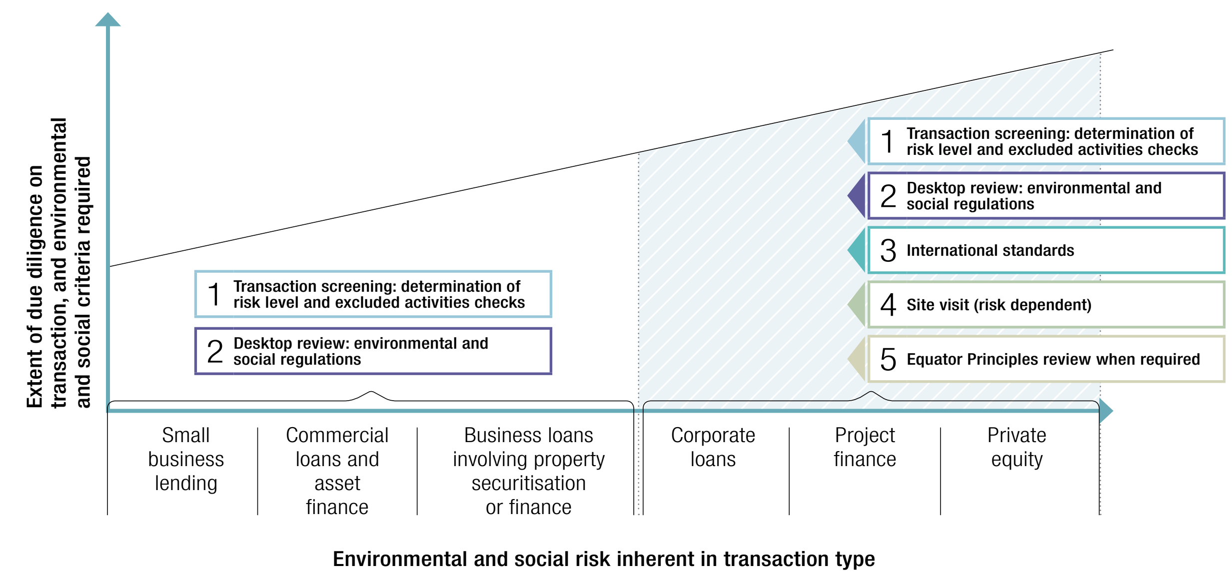


Categories reference the inherent environmental and social risk that may be related to a specific activity for which investment or finance is being provided. In 2020, all categories will be reviewed to include a view of impacts and dependencies to natural capital and climate change.

Medium- and high-risk transactions undergo further due diligence processes before submission to the credit committee for consideration. The process is conducted prior to credit committee or investment committee approval and is a condition of approval by these committees where environmental and social risks are identified on a transaction.

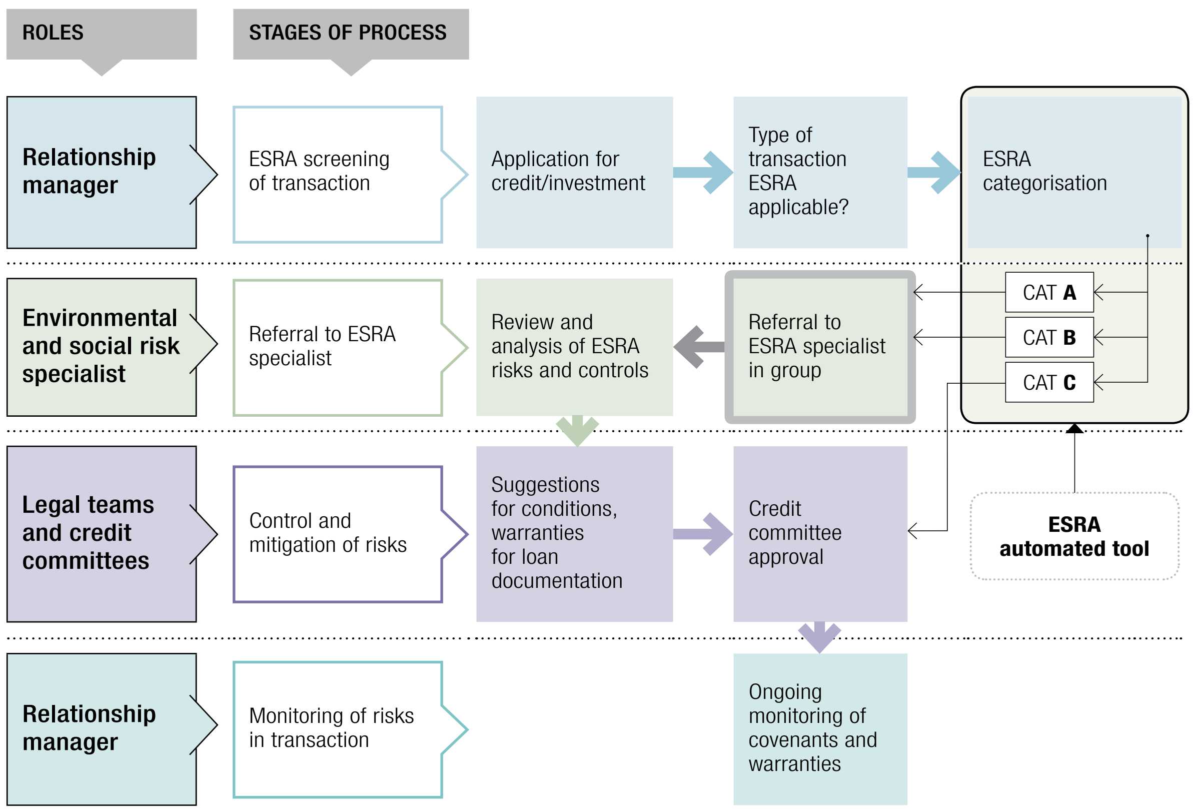
ESRA is applied to all business-orientated lending and private equity activities in the group, regardless of transaction size.

Scope of ESRA review related to transaction type



If a project or transaction has an identified ESRA risk, ongoing monitoring is conducted once funds have been disbursed to ensure that the appropriate environmental and social risk management covenants, warranties or conditions included in the loan agreements, have been fulfilled.

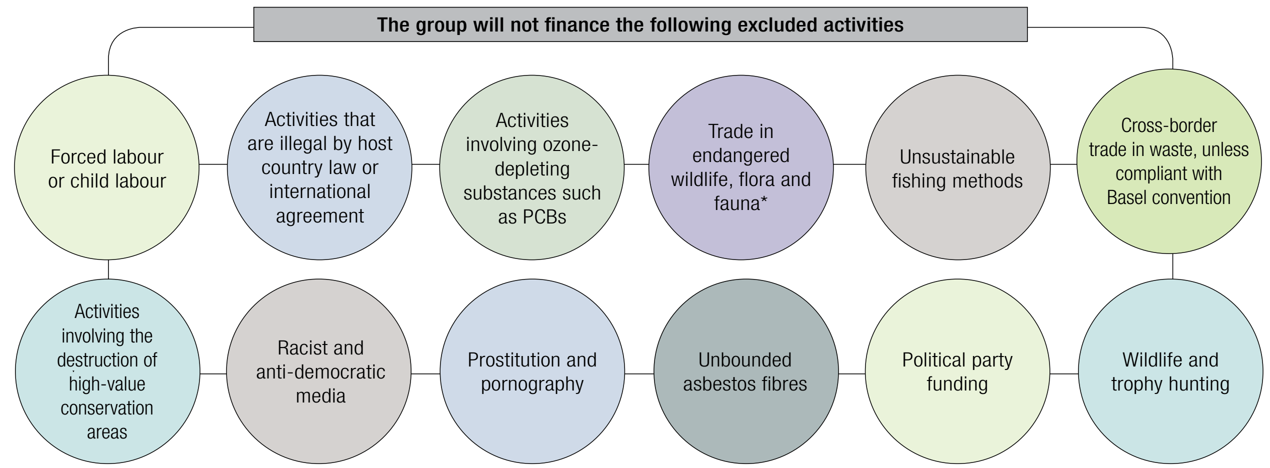
ESRA transaction flow



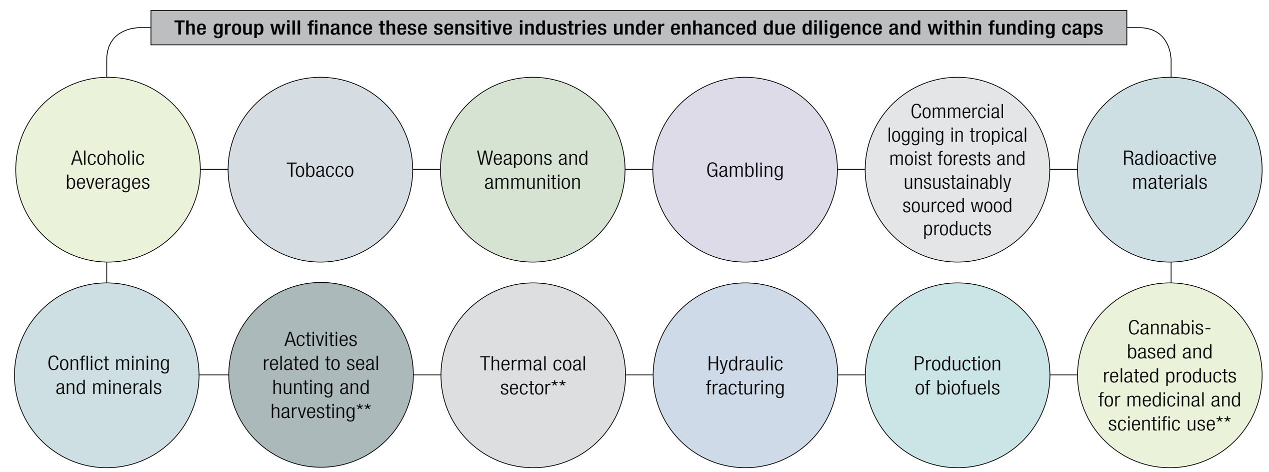
FINANCING RESTRICTIONS APPLIED BY THE GROUP

FirstRand does not fund illegal activities. If a client is in violation of administrative law, such as lacking permits, or not in compliance with the conditions and standards set by the group, the transaction team and FirstRand's ESRA specialists encourage and work with the client to achieve compliance. An environmental action plan developed by the client may be required to be submitted for compliance monitoring. Where there is a disagreement on the transaction due to the risks involved, the transaction will be reported to the quarterly segment social and ethics committees by the relevant chief risk officer, and to the FirstRand social, ethics and transformation committee for noting and discussion purposes.

EXCLUDED INDUSTRIES



SENSITIVE INDUSTRIES



* *As identified by CITES.*
** *Introduced in 2019.*

The group's abridged policies of excluded activities and sensitive sectors are available on the FirstRand website.

ESRA performance in 2019

Transactions funded in the year ended 30 June 2019

CATEGORY **A**
685

CATEGORY **B**
3 910

CATEGORY **C**
4 796

9 391
Total transactions screened for environmental and social risks

SA-based transactions
8 466

Rest of Africa transactions
925

29%
agricultural

9%
manufacturing

12%
real estate

1%
mining and quarrying

48%
smaller individual sectors*

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

DEVELOPMENTS IN ESRA DURING 2019

1

Development of group policies and risk appetites for the following sectors:

- activities related to seal hunting and harvesting;
- thermal coal sector; and
- cannabis-based and related products for medicinal and scientific use.

2

Updating of the internal ESRA due diligence tool platform

3

Participation in the drafting of the Equator Principles fourth iteration (EP4)

4

- Re-elected as the regional coordinator for the Equator Principles Middle East and Africa region
- Member of the social risk working group and steering committee of the Equator Principles Association

PRINCIPLES OF RESPONSIBLE INVESTMENT

Ashburton Investments signed the Principles for Responsible Investment in 2015. As prudent stewards of capital, Ashburton considers a wide range of factors that may affect the risk and return profile of its investments, now and in the future. Environmental, social and governance (ESG) factors form a part of this process.

The integration of ESG into investment analysis and decision-making is conducted at the selection/initiation phase of an investment as well as over the term of the investment. Within equities, the Ashburton Investments philosophy emphasises the selection of shares based on principles of substance and sustainability, which includes ESG factors. Within debt, the Ashburton Investments philosophy focuses on those material ESG factors that could affect the ability of a company to repay its debt willingly and timeously. These processes are guided and monitored by the Ashburton Investments responsible investment committee which reports to the CIO, the Ashburton Business Forum and the FirstRand Group Ethics Forum.

The Ashburton Investments responsible investment committee continues to introduce ESG data, ratings and other forms of research to the investment teams. The source data is pulled from brokers, NPOs, Bloomberg and the web.

Ashburton Investments plays a leadership and collaborative role within the responsible investing community. During the year, Ashburton Investments was involved in the following initiatives:

- chair of the Association for Savings and Investment South Africa (ASISA) responsible investing committee;
- member of the ASISA infrastructure investment workgroup;
- member of the Code for Responsible Investing in South Africa committee;
- member of the Social Impact Investing National Advisory Board (NAB). The NAB plans to identify focus areas and advocate for a series of public and private sector strategies to support market growth;
- chair of the South African chapter of the Aspen Network of Development Entrepreneurs (ANDE);
- member of the IRIS measurement taxonomy and Frontier Finance working groups through the Global Impact Investing Network (GIIN); and
- member of Impact Investing South Africa's (IISA) working group on impact measurement and management.

FirstRand Equator Principles performance

FirstRand became an Equator Principles (EP) signatory in 2009 to provide a specialised subset of its ESRA process to RMB.

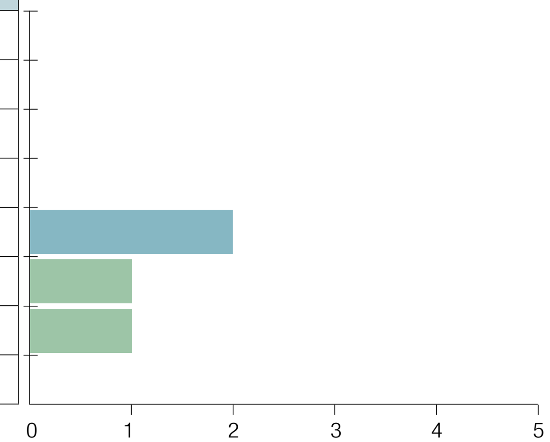
The process is defined by the EP Association and the adoption of International Finance Corporation (IFC) performance standards. It applies to corporate loans of an equivalent value of $100 million, project finance deals greater than $10 million and project finance advisory transactions.

EP performance reporting is externally assured by an independent third party in line with the requirements set out by the EP Association. This year, PricewaterhouseCoopers (PwC) provided reasonable assurance on the EP figures. See the PwC opinion on pages 102 – 105.

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

EP transactions funded by risk category and industry

	A* (high risk)	**B** (medium risk)	**C** (low risk)
Mining	0	0	0
Infrastructure	0	0	0
Power	0	0	0
Renewables	0	0	0
Retail	0	0	2
Oil	1	0	0
Gas	1	0	0
Total[RA]	2	0	2

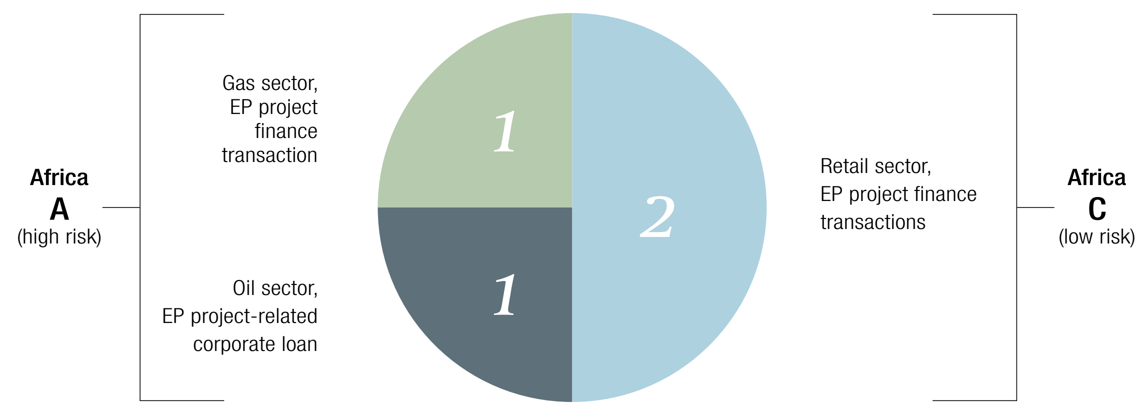


* *All category A transactions underwent independent EP reviews to establish each project's environmental and social risks, and reached financial close during the reporting period.*

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

EP transactions 2019

Four EP-defined transactions[RA]



All transactions took place in the Middle East and Africa region.

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

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

There is an urgent global need to transition to lower-impact energy sources. The group has identified climate change as a risk that needs to be assessed, managed and governed.

Climate risk and opportunity

The G20's Financial Stability Board recommendations in the Task Force on Climate-related Financial Disclosures (TCFD) provides a consistent framework for financial disclosures in relation to climate-related impacts. The framework makes recommendation for the integration of climate impact as a risk type in existing risk management processes at differing levels in the operations.

The group has begun to align its risk and reporting processes with the TCFD recommendations and aims to incrementally disclose its progress, as data becomes available.

At this stage, the group's disclosure is more qualitative in nature and describes the plans to improve the identification, management and reporting of climate risk and opportunities.

CLIMATE STRATEGY AND RISK MANAGEMENT

FirstRand recognises that there is an urgent global need to transition to lower-impact energy sources, and the group has identified climate change as a risk that needs to be assessed, managed and governed. All stakeholders, as well as the group's own operations, may be impacted by changing climatic conditions or through legislative, regulatory or policy changes relating to climate change, such as carbon tax, or mitigation policies.

Climate change presents a complex set of interconnected outcomes with risks as well as opportunities for the financial sector. It will, therefore, influence the group's overall strategy in the future. Mitigating and adapting to new climate conditions pose a significant challenge to governments, the public sector, private sector companies and individuals to support economic growth whilst transitioning to a lower-carbon future. The group acknowledges that the greatest impact lies in its lending and investment portfolio.

The group is committed to understanding the transitional and physical impacts of climate change on its clients and portfolio.

The group is in the process of developing a framework to manage all climate-driven financial risks. The aim of the framework is to support more informed investment, credit and insurance underwriting decisions, and to address and oversee these risks within the group's overall business strategy and risk appetite. This will also assist the FirstRand board and management in identifying any existing concentrations of carbon-related assets in the FirstRand portfolio, as well as exposures to climate-related risks. The framework will enable the group to report in line with the recommendations of the TCFD's climate-related financial disclosures.

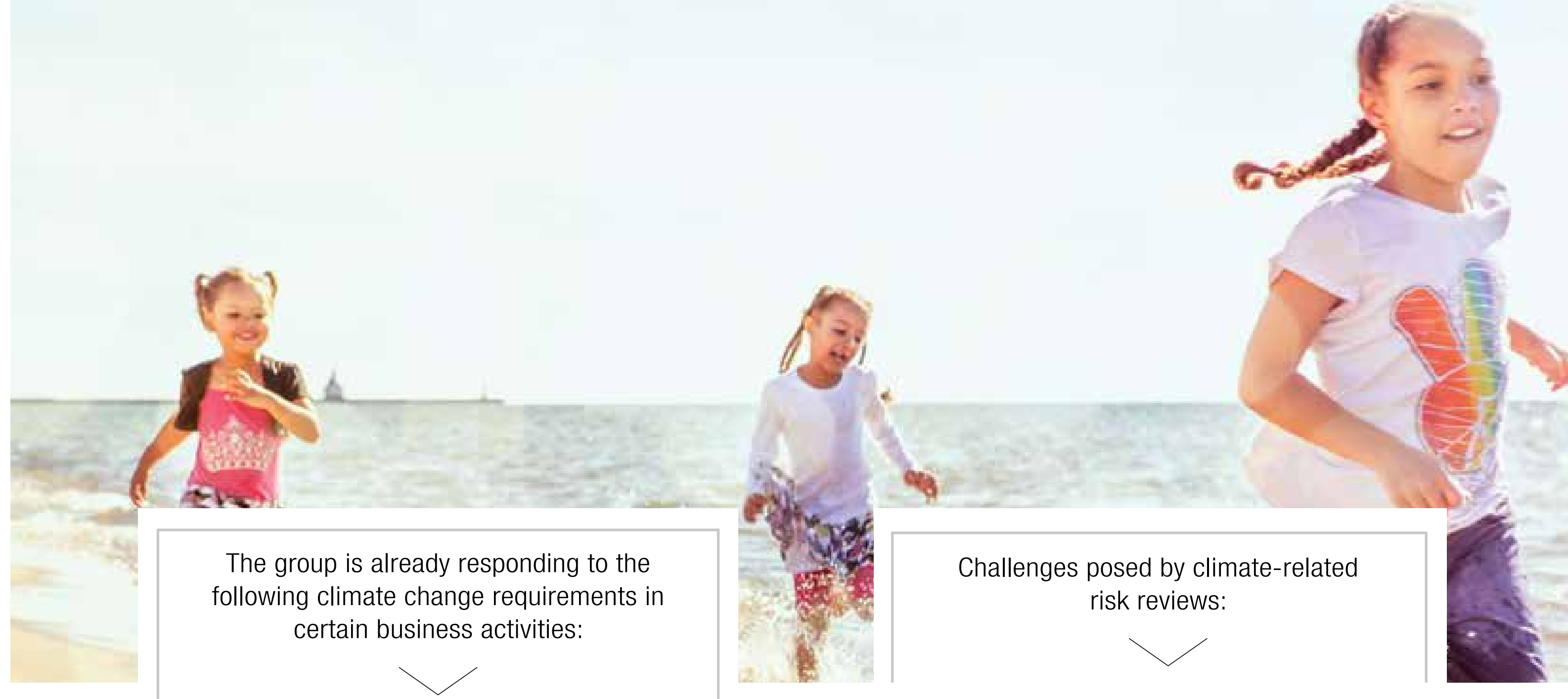
A formal multi-departmental internal working group was established during the year to develop this framework. This in-house team of specialists is working on different aspects of climate risks and opportunities. It comprises specialists from group capital management, credit risk, portfolio management, scenario analysis, environment and climate management, risk management and investor relations, amongst others.

This framework is expected to use scenario analysis to explore the resilience and vulnerabilities of FirstRand's business activities, based on different transition paths to a low-carbon economy, as well as a path where no transition occurs. This will, where appropriate, include short-term and long-term assessments. The longer-term exercise will inform strategic planning and decision-making.

These scenario analyses will guide the group's risk appetite, providing balance sheet and credit exposure principles and limits for specific activities and/or geographies. The group will remain fully engaged with clients to build resilience and sustainability of their businesses. The group's risk appetite is currently restricted for thermal coal financing (policy available on the FirstRand website).

The complexity of the emerging economies in which the group operates and, in some instances, the dependence of those economies on carbon-intensive energy systems, may prevent the group from setting immediate or short-term targets as aligned with the Paris Agreement's two-degree goal, however, the group will focus on setting medium- and long-term goals for a low-carbon transition.

FirstRand has every intention of incrementally increasing its climate risk and opportunity disclosure going forward, which could in the near term include its direct financing of fossil fuel-related assets. Some aspects of the group's lending and other financing connected with climate-related opportunities are already included in this report. Overall, the group is committed to greater climate risk disclosure, which it expects to evolve from qualitative to quantitative disclosure, spanning the next three to five years.



The group is already responding to the following climate change requirements in certain business activities:

THE NEED TO REDUCE CARBON EMISSIONS from the group's operations (due to rising energy costs and associated environmental impacts)

OPPORTUNITIES TO DEVELOP CLIMATE CHANGE-RELATED FINANCE PRODUCTS and solutions

COMPLIANCE WITH UPCOMING REGULATIONS on carbon emissions and energy reporting

IMPLEMENTING THE TCFD RECOMMENDATIONS on climate-related financial disclosures

SECTORS FINANCED BY THE GROUP, that are impacted by the physical effects of climate change, or transitional changes leading to adaptation and mitigation actions resulting in changes to clients' business and finance models

Challenges posed by climate-related risk reviews:

AVAILABILITY OF APPROPRIATE AND RELIABLE CLIMATE DATA relating to the geographies in which the group and its clients operate

AVAILABILITY OF QUALITATIVE AND QUANTITATIVE DATA to assess the appropriateness and effectiveness of the group's transition plans to a lower-carbon economy

TRADITIONAL BANKING METHODOLOGIES for capital stress testing relate to a much shorter time frame compared to the longer time frames of climate change impacts

THE RANGE OF SCENARIOS TO BE APPLIED to the group's portfolios, and the inherent uncertainty of the scenarios, which increases as the scenario time frame extends

CLIENTS' SUB-SECTORAL AND GEOGRAPHICAL CLIMATE RISK EXPOSURE is currently not being captured

FirstRand climate change key milestones

2007
FirstRand **started calculating the carbon footprint** of its South African operations.

2008
FirstRand became a **participant of the Carbon Disclosure Project.**

2009
FirstRand became a **signatory to the South Africa Energy Efficiency Accord** and committed to a reduction of energy consumption in its operations of 12% by 2015 (met in 2012).

FirstRand set its **first long-term energy reduction and carbon reduction targets** for its South African operations.

FirstRand became a **signatory to the Equator Principles** and implemented ESRA.

2010
FirstRand **formalised a climate change statement.**

2012
Updated the South African **operations' internal emissions reduction targets** due to achieving previous targets set.

2013
RMB supported bidding companies for renewable energy projects in the **first and second round of IPP bidding for wind and solar facilities.** These facilities included senior and mezzanine debt facilities, preference share and hedging facilities.

2014
For the first time, **environmental risk is considered a strategic business risk** for the group and is incorporated into mainstream risk categories for the group.

2015
Re-establishment of the FirstRand operations' **carbon emissions baseline and the formation of new emissions and energy reduction targets by 2020.**

2016
Integration of **environmental related issues into Setcom agenda.**

2017
FirstRand publicly indicates **support of the Global Financial Stability Boards' Task Force on Climate-related Financial Disclosure, and climate change** is formally listed as an emerging strategic risk for the group.

2019
Implementation of new, longer-term, **science-based emission reduction targets** for the South African operations.

2019
Finalisation of the group's thermal coal financing policy.

Climate change is included as one of the top five emerging risks for the group; formalisation of a multidisciplinary internal climate risk working group.

FirstRand joined the **UNEP FI Task Force on Climate-related Financial Disclosure** working group (Phase 2).

FirstRand became a **member of the core working group of the Programme for Carbon Accounting Financials (PCAF)** which aims to develop a carbon accounting standard within the next two years.

FirstRand joined the **Banking Association South Africa Climate Risk Committee.**

GOVERNANCE OF CLIMATE-RELATED RISKS

Ultimate oversight of social and environmental risk and performance of the group rests with the FirstRand board. Climate change risk is reported to the board through the group risk, capital management and compliance committee on a quarterly basis.

Climate risk is considered a material risk for the group and the group chief risk officer is responsible for the management of this risk.

During the year:

> Setcom oversaw the finalisation of the group's thermal coal financing policy, and the group's decision not to fund Thabametsi coal-fired independent power producer project.

> Key employees were provided training on climate risk and how it translates into financial risk.

> Internal risk processes were reviewed to incorporate climate risk assessments.

> A formal multidepartmental internal working group on climate risk was established.

As the group's understanding of climate risk improves, it will evaluate whether the group has the requisite skills at all levels of its business to respond appropriately.

Climate resilience in the group's own operations

When considering the group's operations and infrastructure, there is a strong focus on operational efficiency and cost containment whilst growing the business. This has led to specific requirements for energy efficiency and greener solutions in construction, building management and procurement practices.

In response to energy and water security concerns, the group has invested in backup water supply at many of its facilities and has a group-wide energy management programme. Recent modelling revealed that the group's electricity costs will more than double in the next five years if its electricity consumption does not decrease.

The group energy management guideline provides a consolidated approach to energy management and facilitates consistent implementation at business unit level, allowing the group to achieve its energy and emission reduction targets.

The group is working on water and waste strategies. Currently, the environmental risk team is quantifying a water and consumption baseline, which is required for reduction target setting.

The completion of the baseline and initial reporting against targets is expected within 12 months.

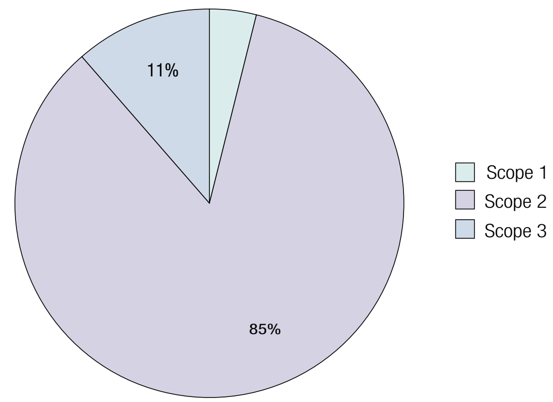
OPERATIONAL PERFORMANCE METRICS – CARBON EMISSIONS

(Metric tonnes of CO_2 equivalents)	2019	2018	% change
SCOPE 1 EMISSIONS			
Fuel use in generators	**1 680**	1 129	49%
Business fleet travel	**6 110**	6 298	(3%)
Refrigerants	**988**	2 016	(51%)
TOTAL[LA]	**8 778**	**9 442**	**(7%)**
SCOPE 2 EMISSIONS			
Electricity – buildings	**175 068**	181 507	(4%)
Electricity – ATMs	**8 372**	7 861	6%
TOTAL[LA]	**183 439**	**189 368**	**(3%)**
SCOPE 3 EMISSIONS			
Paper use	**1 856**	2 182	(15%)
Business road travel	**5 493**	5 071	8%
Business air travel	**11 790**	14 762	(20%)
Fuel well to tank emissions	**1 909**	1 450	32%
Electricity transmission and distribution losses	**3 461**	1 913	81%
TOTAL[LA]	**24 508**	**25 379**	**(3%)**
Total carbon emissions South African operations	**216 725**	**224 190**	**(3%)**

[LA] *External limited assurance provided over 2019 Scope 1, 2, and 3 carbon emissions for South African operations.*

There is an overall year-on-year 3% decrease in emissions for South African operations. This is particularly notable as the 2019 value includes carbon emissions from DirectAxis and MotoVantage for the first time.

FirstRand carbon footprint 2018/19 financial year (South African operations)



OPERATIONAL EMISSIONS REDUCTION TARGETS

The group has met its existing emission reduction targets, namely 15% reduction on emissions from purchased electricity (for South African operations, excluding electricity used by ATMs) from the 2015 baseline. The group has also exceeded the carbon emission reduction target of 20% of Scope 1 and 2 carbon emissions of its South African operations, from a 2015 baseline.

The group has set new, science-based targets for Scope 1 and 2 emissions for the group's South African operations, aligned with the Paris Agreement goals. FirstRand chose to model data and set targets using an absolute emissions contraction methodology rather than a sectoral decarbonisation approach (based on the building sector) as it was considered more appropriate for the group's operations. This resulted in a 75% emissions reduction target for Scope 1 and 2 emissions (for South African operations) by the year 2050, against a 2015 emissions baseline, with additional short- and medium-term targets set to track progress.

SHADOW CARBON PRICING

During 2019, a theoretical cost per tonne of carbon emissions was developed for inclusion in feasibility assessments of internal infrastructure projects.

A well-designed carbon price can support emissions reductions and risk management strategies by incentivising the changes needed in investment, production and consumption patterns.

GREEN BUILDINGS AND RENEWABLE ENERGY

The group has implemented energy efficiency and renewable energy projects across several of its campus buildings. For example:

The shade netting car port structures at the Fairland campus were replaced by solar photovoltaic (PV) panels, which generate renewable energy for the 150 000m^2 Fairland campus buildings. Approximately R60 million was spent on installing 7 647 reflective PV panels across 1 010 parking bays. The project provides 80% of the electricity used in the Fairland building, translating to approximately R8.5 million in saved electricity costs per year, and reduces the group's emissions by approximately 2 600 tCO_2 per year. The expected life of the solar panels is 20 years.

A set of activities undertaken by FNB Buildings received green funding from Deutsche Investitions-Und Entwicklungsgesellschaft Mbh (DEG). The energy efficiency project included the upgrading of lighting and HVAC, and the installation of PV panels at certain FNB buildings. This project started in May 2018 with lighting and HVAC upgrades at 13 FNB sites. It was fully completed and operational at the end of November 2018. Annual electricity cost savings are approximately R13 million.

Focus areas for 2020

The group will continue to review potential methodologies for Scope 3 financed emissions, and has joined the Banking Association South Africa climate risk committee, the Partnership for Carbon Accounting Financials and the United Nations Environment Programme Finance Initiative TCFD Phase 2 working group, which are industry forums that aim to create standardised accounting methodologies for climate risk.

FirstRand's climate-related risk disclosures will evolve over time as the availability of sufficiently reliable and relevant data permits. FirstRand is mindful of the TCFD's recommendations and aware of increasing investor interest in climate-related disclosure practices. The group has every intention of incrementally increasing its disclosure going forward, and it is in the process of developing a policy for oil and gas financing activities, which will be publicly available in the next 12 months.

FirstRand also plans to publish its roadmap for climate risk disclosure in 2020.

Independent auditor's assurance report on the selected sustainability information in FirstRand Limited's Report to Society

To the directors of FirstRand Limited

We have undertaken an assurance engagement in respect of the selected sustainability information, as described below, and presented in the 2019 *Report to Society* of FirstRand Limited (the "company", "FirstRand" or "*you*") for the year ended 30 June 2019 ("the report"). This engagement was conducted by a multidisciplinary team including health, safety, social, environmental and assurance specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

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

REASONABLE ASSURANCE

Selected sustainability information	Unit of measurement	Boundary	Page
The number of Equator Principles-defined Project Finance transactions that are $10 million or more in value, that reached financial close during the reporting year	Number	South African divisions of FirstRand Limited	95
The number of Equator Principles-defined Project Finance Advisory Services mandated during the reporting year	Number	South African divisions of FirstRand Limited	95
The number of Equator Principles-defined Project-Related Corporate Loans that reached financial close during the reporting year	Number	South African divisions of FirstRand Limited	95

LIMITED ASSURANCE

Selected sustainability information	Unit of measurement	Boundary	Page
Total Scope 1 CO_2e emissions	Tonnes CO_2e	South African divisions of FirstRand Limited	100
Total Scope 2 CO_2e emissions	Tonnes CO_2e	South African divisions of FirstRand Limited	100
Total Scope 3 CO_2e emissions	Tonnes CO_2e	South African divisions of FirstRand Limited	100

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

YOUR RESPONSIBILITIES

The directors are responsible for the selection, preparation and presentation of the selected sustainability information in accordance with the accompanying reporting criteria as set out on page 106 of the report (the "reporting criteria").

This responsibility includes:

> the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance, and

> the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

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

INHERENT LIMITATIONS

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

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

OUR INDEPENDENCE AND QUALITY CONTROL

We will comply with the independence and other ethical requirements of sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018) and parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA codes), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

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

OUR RESPONSIBILITY

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

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

a) Reasonable assurance

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

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

> evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by the company;
> assessing the suitability in the circumstances of the company's use of the applicable reporting criteria as a basis for preparing the selected sustainability information; and
> evaluating the overall presentation of the selected sustainability performance information.

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

b) Limited assurance

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

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

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

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

REASONABLE ASSURANCE OPINION AND LIMITED ASSURANCE CONCLUSION

a) Reasonable assurance opinion

In our opinion and subject to the inherent limitations outlined elsewhere in this report, the selected sustainability information set out in the subject matter paragraph above for the year ended 30 June 2019 are prepared, in all material respects, in accordance with the reporting criteria.

b) Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, and subject to the inherent limitations outlined elsewhere in this report, nothing has come to our attention that causes us to believe that the selected sustainability information as set out the subject matter paragraph above for the year ended 30 June 2019 are not prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTER(S)

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

RESTRICTION OF LIABILITY

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

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Jayne Mammatt
Registered Auditor
Johannesburg
13 December 2019

REPORTING CRITERIA

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

Looking ahead

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

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

Feedback on this report can be sent to:

investor.relations@firstrand.co.za

FirstRand

www.firstrand.co.za