



FIRSTSTRAND

FIRSTSTRAND GROUP

CARBON FOOTPRINT AND CARBON
DISCLOSURE PROJECT SUMMARY REPORT

2010



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Background

The Carbon Disclosure Project (CDP) was launched in 2000 to accelerate solutions to climate change by putting relevant information at the heart of business, policy and investment decisions. Every year thousands of organizations from across the world's major economies measure and disclose their greenhouse gas emissions and climate change strategies through the CDP. The Carbon Disclosure Project report requires disclosure on Climate Change Risks and Opportunities, Climate Change Strategy, Governance, Communication and Carbon emissions and emissions reduction targets.

FirstRand believes that it is not only important to disclose the carbon emissions of its own operations, but that its investment and financing decisions have the potential to profoundly change the world's global GHG emissions footprint.

In a South African context, there are significant regulatory risks related to climate change that could affect the financial sector both directly and indirectly. For instance, there are currently five different new carbon taxes that are being investigated which will be in conjunction with vehicle emission tax legislation that was passed in the 2009/2010 budget year. Increased carbon taxes could place a strain on economic growth and FirstRand's clients may face hardship in the current economic conditions with added taxes. The South African Government also made a commitment in Copenhagen (2009) to reduce South Africa's GHG emissions compared with business as usual by 34% by 2020 and 42% by 2025. Additional regulation is expected towards the end of 2010 to ensure that South Africa meets these targets as per this commitment and the South African Long Term Mitigation Scenario. As a result, FirstRand has combined a practical consideration of managing its own GHG emissions with broader implications of how climate change affects the competitive marketplace, lending and investment strategies and ultimately its financial bottom line.

This is emphasised in FirstRand's CEO statement, Sizwe Nxasana's, that "FirstRand has leading governance structures for addressing climate change, have a climate change policy, Board oversight and senior management responsibility, employee training and public disclosure of efforts. This places FirstRand at an advantage for effectively implementing strategy in addressing climate change risks. Sound corporate governance practices position FirstRand to take early action on emerging opportunities related to climate change. As a developing country we cannot miss the opportunity of transition towards a low carbon economy. Sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century"

FirstRand's Carbon Footprint and the Carbon Disclosure Project.

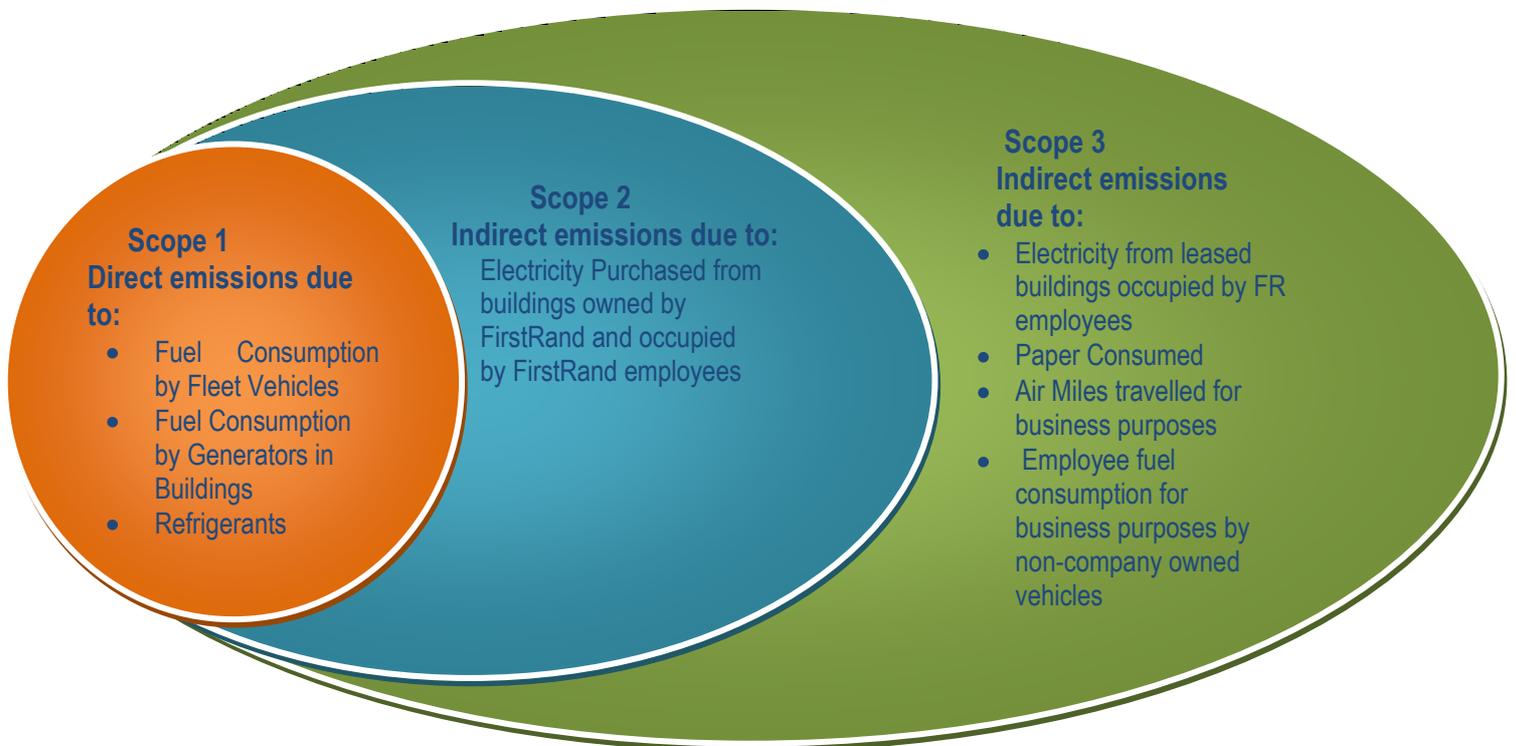
FirstRand received a Platinum Award on the Carbon Disclosure Leadership Index with a score of 93%, placing it in the top position along with the Goldfields Mining Group. A total of 74 companies participated in the 2010 CDP.



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In terms of scope, the FirstRand carbon footprint for the FY2008/2009 (01 Jul 2008 - Tue 30 Jun 2009) excluded all operations outside of South Africa as well as operations within South Africa where the economic interest in the subsidiary was less than 51%. The exception to this equity share approach to the boundary is OUTsurance, who are included due to availability of data, and the operational control implication of OUTsurance to the FirstRand Group carbon footprint profile.

FirstRand reported their Scope 1, Scope 2 and Scope 3 emissions. These can be defined as follows:



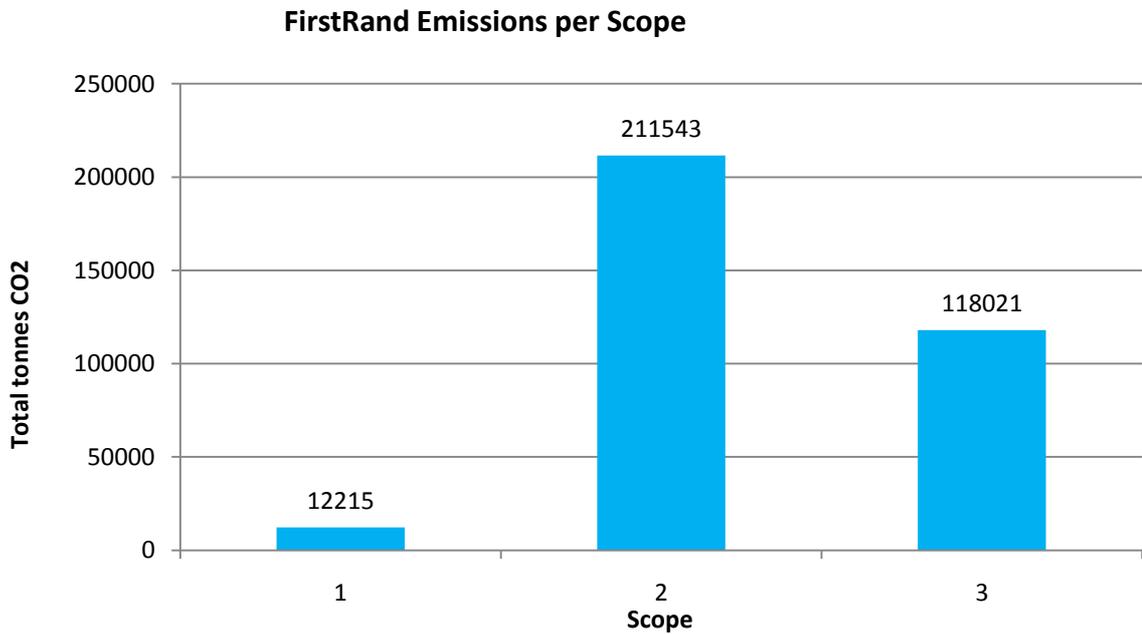
With regard to Scope 1 and 2 emissions, certain aspects were excluded from the CDP submission namely 'Advantage Asset Management', 'Rentworks' and 'operating campuses for Momentum, Outurance and FNB'. This was largely due to incomplete information being available for these aspects. However, on the whole, these are viewed as immaterial in terms of contribution to the group information based on the number of employees at these operations and the size of these subsidiaries. Nevertheless, this is an area for improvement going forward.



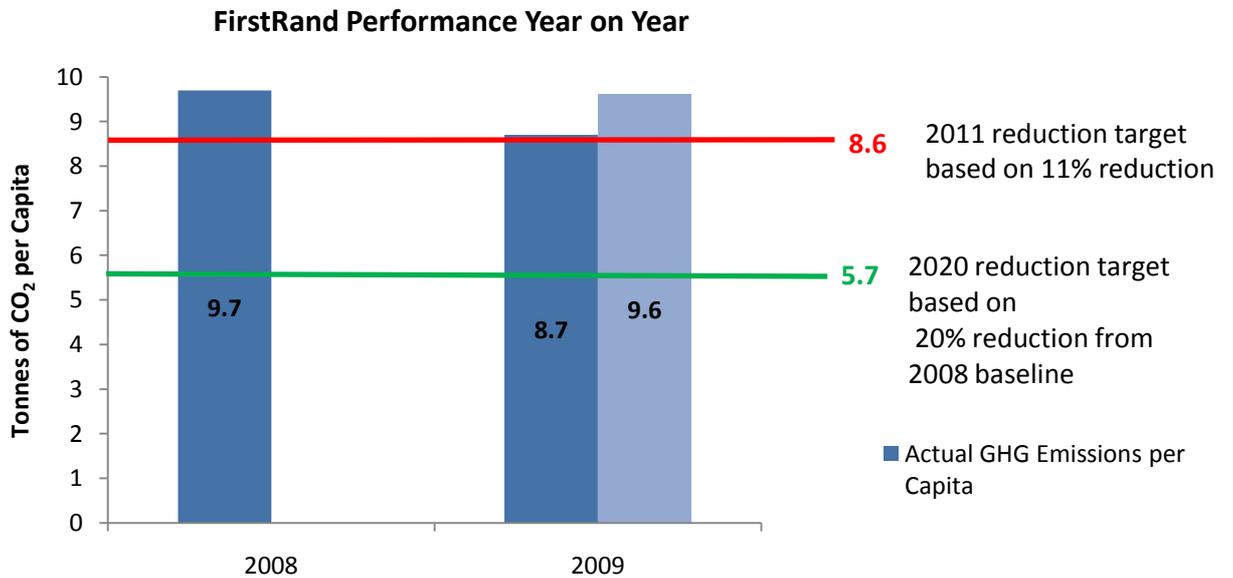
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FirstRand's total Emissions was calculated to be 341,779 tonnes CO₂ which is broken down per scope in Graph 1. Graph 2 gives an indication of performance in relation to year on year emissions reductions that have been achieved, and set FirstRand Group targets.

Graph 1.



Graph 2.





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Putting this into perspective, the total amount of CO₂ that FirstRand emitted in the FY2008/2009 is equivalent to:

- Filling 4 Merchant Place Building with CO₂, 3186 times over. (Average building with six floors, 2 levels of parking basement)
- Filling 1 Merchant Place Building with CO₂, 2237 times over (Building with 18 floors, 2 levels of parking basement)
- 8.7 tonnes CO₂ for each of FirstRand's 39,274 Full Time Employees (per capita).

Governance

The FirstRand Environmental Forum is responsible for the review of FirstRand's progress and status regarding climate change. However, each division within the FirstRand Group is responsible for reducing their own footprint and meeting the set targets. The Environmental Forum is a sub-committee of the Group Operational Risk Committee and the Regulatory Risk Management Committee. Through these two committees, the Environmental Forum provides formal feedback to the FirstRand Risk, Audit and Compliance Committee and the FirstRand Executive Committee.

Currently, FirstRand is part of the Business Unity South Africa Finance Mechanisms work group where discussions are held related to issues of carbon taxation, regulation and carbon trading in collaboration with the Johannesburg Stock Exchange (JSE). Along with this, FirstRand are engaging with the Department of Energy through various memberships on technical committees, workshops attended, and working groups such as the NBI Energy Efficiency Technical Committee, NBI Climate Change Advisory Committee, SAPOA and the National Energy Response Energy Efficiency Task Team to communicate the issues experienced by a financial institution. FirstRand is also a member of the United National Environment Programme Finance Initiative (UNEPFI) as a member of their African Task Force.

In 2009, a FirstRand energy strategy was created which was agreed to by all entities and business units to ensure that energy consumption is managed and reduced in alignment with national commitments. It is through the reduction of electricity consumption that our emission reductions are achieved.

Currently, the key direct challenges that FirstRand is facing are the capital investment required in retrofitting existing buildings and development of new energy efficient buildings. In the future, carbon taxes will also have an impact on the Group's operational costs much like the recent price hike on electricity (25% each year over the next three years).

Looking to the future, FirstRand is investigating if it can benefit from tax benefits related to its own energy efficiency initiatives and how its clients can benefit from the delivery of strategic infrastructure. In the same vein, FirstRand is currently exploring the opportunities related to the financing of renewable energy products and Clean Development Mechanism (CDM).



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FirstRand have implemented and deployed energy efficiency activities and will continue to do so. A target to reduce absolute electricity consumption of 11% by 2012 has been set and is in the process of being met. An energy strategy has been created and been agreed to by all companies and business units. Indirect risks or financing risks related to climate change, such as energy supply continuity, costs of energy, and other regulatory risk impacts that affect the energy intensive clients that FirstRand finance, and the management of these risks by the client, are considered as part of the lending application processes through FirstRand's Environmental and Social Risk Analysis(ESRA) or Equator Principles processes in terms of considering risks in lending, and providing advice to clients with regards to their management practices in relation to these risks.

FirstRand Actions Going Forward

FirstRand has indicated a desire to reduce carbon emissions from the 2008 baseline by 11% to 2011 and 20% to 2020. A weighted average has been calculated and each entity's reduction needs have been deduced. In terms of meeting set targets, targets have currently been set at a FirstRand Group level, and these will be extrapolated and broken down to divisional targets based on the divisional contribution to the total carbon footprint. Each division will therefore have a set carbon reduction target to monitor their performance against.

The strategy of FirstRand coming out of the financial crisis, as described by Sizwe Nxasana, needs to be one in which trends are anticipated and a dynamic response formulated. The implementation of a comprehensive and value driven carbon management strategy, is not only in line with global trends, but is a dynamic response in which costs are able to be reduced and environmental awareness enforced.

To go hand in hand with the 2009 FirstRand energy strategy, a more robust data capturing process with regards to all environmental key performance indicators is under way. This was undertaken to ensure more accurate and consistent data is used in the carbon footprint calculation, and to facilitate quarterly reporting of the carbon footprint going forward. Data inconsistencies were noted during the external assurance conducted by KPMG on the carbon footprint data during the 2009 review.

The carbon footprint has been reported a year behind financial data reporting in for the Carbon Disclosure Project and the FirstRand Sustainability Report. This has primarily been caused by a historically annual data collation and conversion process, involving the use of consultants on an annual basis to calculate the footprint, together with a misalignment of our financial year to the Carbon Disclosure Project deadlines (31 May annually).

In order to rectify this issue, and improve processes, FirstRand have decided that going forward, the collation of data together with the calculation of the carbon footprint, will be internalised due to improved internal control mechanisms over the data. During the 2010/2011 reporting period, FirstRand will endeavour to collate data for the previous financial year (2009/2010), as well as to start reporting, and data



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collection processes on the current financial year, thereby reporting both sets of data in the FY2011 Sustainability Report. This will then allow FirstRand to report up to date information in the Sustainability Reports going forward.

The process for the calculation of the 2009/2010 FirstRand carbon footprint will be completed by January 2011. KPMG has been engaged once again, to provide external non-financial assurance over the GHG figures that will be included by FirstRand in the 2011 Carbon Disclosure Report submission. It is anticipated an external assurance opinion in relation to the accuracy, completeness, reasonability and consistency of the FirstRand Carbon Footprint figures for the purposes of the Carbon Disclosure Report will be obtained by the 1st of May 2011. KPMG was selected after an extensive process of review of major auditing firms, and specifically their capability and experience in auditing carbon footprints and non-financial and sustainability key performance indicators.

Going forward, strategically, FirstRand will engage and comment on draft carbon related legislation in order to gain more certainty around new requirements, and will adapt business processes in order to comply with the proposed legislation.

Internal discussions will continue to be facilitated as to FirstRand's involvement in the CDM project environment and the carbon trading market in the countries within which FirstRand operate. FirstRand will also continue to be involved in stakeholder engagement workshops/initiatives coordinated through the National Business Initiative and Business Unity South Africa during which potential financial mechanisms for the promotion of the climate change agenda in South Africa are discussed and debated.