



**FIRSTRAND**



## **United Nations Global Compact Communication on Progress**

*Financial Year ending 30 June 2009*

### **EXECUTIVE STATEMENT OF COMMITMENT TO UN GLOBAL COMPACT**

The FirstRand Group (the Group) recognises that the interests of all of its stakeholders coincide in the long run and has identified its stakeholders as government and regulators, shareholders, employees, customers, suppliers, the communities in which the Group operates and the natural environment. The Group has in place the highest possible standards of good corporate governance and reporting in respect of sustainable business practices.

During the last year FirstRand implemented the following actions for further integrating sustainable business practices into business as usual operations:

- the integration of ESG risk reporting processes into the enterprise risk management function;
- alignment between sustainability reporting processes and recommendations of the King III code, the GRI G3 guidelines, and the JSE SRI index;
- the introduction and application of the precautionary principle toward new projects;
- the improved flow of environmental performance information to the Audit, risk and compliance committee;
- continuous improvement in the management of the Group's internal ecology through advancing energy savings, waste management and carbon emissions reductions
- the adoption of the Equator Principles, and implementation of measures for compliance with them; and
- carbon emissions calculation and implementation of FirstRand's carbon management strategy

FirstRand continually reviews and refines actions for managing the interface between financial performance and the welfare of its stakeholders. The Group recognises the numerous and significant challenges for its endeavour to create and ensure synergy between the interests of all of its stakeholders. At the same time FirstRand understands that in a modern economy these challenges are increasingly integral to effective day to day management of the Group's operations.

This Communication of Progress provides an abridged view into FirstRand's enterprise-wide progress in respect of performance against the United Nations Global Compact's (UNGC) ten principles. This report is to be read in conjunction with FirstRand Limited's integrated annual report and the FirstRand Group's divisional sustainability reports, which can be viewed at [www.firstrandsustain.co.za](http://www.firstrandsustain.co.za).

FirstRand's status as a signatory to the UNGC and its participation in the UNGC South African Advisory committee is seen as being strategically important for reinforcing ethical and sustainable business practice and responding to changes to local and international best practice.

**S.E. Nxasana**  
Chief Executive Officer (Designate), FirstRand Limited  
November 2009

# Human Rights

## COMMITMENT

**Principle 1:** *FirstRand supports and respects the protection of internationally proclaimed human rights*

**Principle 2:** *FirstRand is committed to ensuring that it is not complicit in human rights abuses*

## SYSTEMS, ACTIVITIES & PERFORMANCE

Corporate governance is overseen by FirstRand's Directors' affairs and governance committee and plays an integral role in FirstRand's business philosophy. FirstRand's philosophy upholds the values of ethical behaviour, participative decision making, win-win relationships with all stakeholders and the desire to be a world class company. The Directors' affairs and governance committee ensures that this philosophy is incorporated into the practice of corporate governance at FirstRand.

Corporate governance is standardised across the Group to ensure that FirstRand's high standards for corporate governance are implemented and monitored at all operations. The same high standards are exported when conducting business internationally.

FirstRand works closely with law makers and regulators to protect its stakeholders' interests, avoid reputational damage and prevent or mitigate the potential negative impact of either new, or changes to existing, statutes or regulations.

During the last year FirstRand's commitment to human rights can be described in respect of the following:

1. Respecting the rights of our employees, customers, and contractors working on our premises. A summary of actions include:

- Ensuring fair, equitable access to opportunities, personal development and workplace participation through the implementation of the Financial Sector Charter and/ or Black Economic Empowerment (BEE) transformation principles, our Diversity Policy, our Code of Ethics addressing, inter alia, non-discrimination, and the Employment Equity Act
- Ensuring responsible business behaviour through products offered and risk management and governance
- Ensuring human rights and freedom of association are supported via a collaborative, mature and constructive relationship with the recognised finance union.

2. Managing indirect impacts in respect of credit and lending:

FirstRand has adopted the Equator Principles for the financial year starting on 1 July 2009. The adoption of the Equator Principles has both operational and strategic benefits for the Group from an operational perspective FirstRand has robust guidelines for managing environmental and social risks related to project finance transactions. Examples of these risks are risk to reputation, legal risk, credit risk, operational risk and varying degrees of overlap between these risks.

Information which the EMS seeks to ascertain in respect of project finance deals includes the following:

- the project's categorisation in terms of the Equator Principles guidelines;
- areas of non compliance with Equator Principles guidelines;
- the existence and quality of compliance documentation analysing environmental and social risks;
- whether the project is regularly monitored for environmental and social compliance infringements; and
- the existence and quality of recommendations set out in the environmental and social impact assessments.

3. Respecting the rights of the communities we engage with via our Corporate Social Investment:

- FirstRand has implemented a process of Monitoring and Evaluating our financial contributions via the various FirstRand Foundations to determine the experience of beneficiaries, understand how to evaluate our impact on beneficiary organisations, identify successes and opportunities for improvement, and ensure efficacy and sustainability of our grant-making;

- when entering or substantially increasing support to specific community sectors, initially commissioning research to understand the issues and requirements and ensure the efficacy of support;
- implementing programmatic community support, ensuring long-term support in the sectors of, inter alia, HIV/ Aids, Community Care, Disability, Education, the Environment, Safe Communities, Sustainable Livelihoods and Job Creation, Arts, Culture and Heritage, and the Environment, Policy Formulation, Business Trust/ Skills Development, and Heartlines/ Social Values
- entrenching a culture of community volunteerism amongst staff, with approximately 25% of fulltime staff engaged in volunteering activity in communities

## Labour

### COMMITMENT

**Principle 3:** *FirstRand upholds the freedom of association and the effective recognition of the right to collective bargaining*

**Principle 4:** *FirstRand upholds the elimination of all forms of forced and compulsory labour*

**Principle 5:** *FirstRand upholds the effective abolition of child labour*

**Principle 6:** *FirstRand upholds the elimination of discrimination in respect of employment and occupation*

### SYSTEMS, ACTIVITIES & PERFORMANCE

FirstRand employs 42 783 staff, 92 % of whom are employed in South Africa. FirstRand views human resource management as a line function and seeks to create an environment in which employees can secure their own employability inside or outside the organisation.

FirstRand's systems, activities and performance in respect of the Group's commitment to good Labour practices can be described under the following headings: employee engagement, training and development, employment equity, health and safety and HIV Aids.

#### Employee engagement

Methods for employee engagement include face to face communication, electronic media, employee surveys, forums, circulars and newsletters and interactive forums. FirstRand employees are entitled to representation by the labour union of their choice and FirstRand engages with employee representatives using similar channels to those used for employees.

Employees are enabled to recommend operating improvements to Exco via innovation initiatives such as the FNB Innovator's awards. FirstRand holds regular seminars on the Group's business philosophy at which newly appointed middle and senior managers can engage the Group chief executive on issues relating to FirstRand's corporate culture and values. FirstRand holds an annual conference at which senior management, the executive and the Board of directors interact on the setting of strategic direction for the Group.

#### Training and Development

FirstRand's operating divisions are empowered to tailor their approach to training and development according to their specific contexts and needs.

FirstRand supports the Business Leadership South Africa CEO Skills Commitment. The Skills Commitment aims to reinforce the sustained development of South Africa's human capital for meaningfully reducing unemployment, significantly decreasing the number of South Africans living in poverty and sustaining periods of rapid economic growth.

FirstRand has responded to this commitment through:

- continuously developing the Group's existing skills base;
- building strong future skills pipelines for the Group's expansion and growth;
- opening skills acquisition to those not yet in employment;
- collaborating with government, trade unions, learning institutions and other corporations in responding to South Africa's skills development challenge; and

- appropriate measurement systems are being developed to facilitate improved measurements in terms of this commitment.

### Skills Development Indicators

|  | 2009   |
|--|--------|
| Total skills development investment (R million) <sup>1</sup>                 | 227    |
| ACI skills development investment (R million) <sup>1</sup>                   | 141    |
| ACI skills development investment as % of total payroll <sup>1</sup>         | 1.5    |
| Average training days per employee   | 3 – 6  |
| Students supported by FirstRand <sup>2</sup>                                 | 1 400  |
| Employee graduates and diplomates <sup>2</sup>                               | 14 000 |
| Average age of employee graduates and diplomates                             | 33     |
| Call centre trainees <sup>2</sup>  | 1 800  |
| Average age of call centre trainees  | 29     |
| Employee graduates and diplomates leaving employ of FirstRand <sup>2</sup>   | 1 700  |
| Average age of employee graduates and diplomates leaving employ of FirstRand | 32     |

<sup>1</sup> Data reflects calendar year

<sup>2</sup> Best estimate

### Employment Equity

During the year FirstRand established, in terms of Sections 16 and 17 of the Employment Equity Act, a Group Employment equity forum which is tasked with monitoring the progress of employment equity plans and interventions of the Group. The forum makes recommendations to the Transformation monitoring committee. Employment equity and diversity management policies which provide clear guidelines for the management of human resources development across the Group are in place.

FirstRand addresses disability equity via a Group disability forum. The Group's disability policies address recruitment, performance management, declaration procedures and measures necessary to accommodate special needs of disabled employees. The Disability forum is also responsible for raising awareness in respect of the challenges faced by disabled people.

### Employment Equity Indicators

| Occupational Levels  | Male  |       |       |       | Female |       |       |       | Foreign Nationals |        | Total  |
|--|-------|-------|-------|-------|--------|-------|-------|-------|-------------------|--------|--------|
|  | A     | C     | I     | W     | A      | C     | I     | W     | Male              | Female |        |
| Top management   | 6     | 1     | 4     | 39    | 5      | 0     | 2     | 6     | 3                 | 0      | 66     |
| Senior management  | 83    | 35    | 97    | 662   | 49     | 23    | 42    | 261   | 4                 | 3      | 1 259  |
| Professionally qualified and experienced specialists and mid-management  | 301   | 109   | 325   | 1 507 | 197    | 112   | 251   | 922   | 3                 | 2      | 3 729  |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 2 045 | 853   | 1 095 | 2 152 | 2 921  | 2 476 | 1 765 | 4 549 | 6                 | 6      | 17 868 |
| Semi-skilled and discretionary decision making   | 2 836 | 750   | 608   | 815   | 5 045  | 2 036 | 1 023 | 2 330 | 10                | 4      | 15 457 |
| Unskilled and defined decision making  | 382   | 56    | 4     | 4     | 295    | 53    | 2     | 1     | 1                 | 0      | 798    |
| Total permanent  | 5 653 | 1 804 | 2 133 | 5 179 | 8 512  | 4 700 | 3 085 | 8 069 | 27                | 15     | 39 177 |
| Total 2008   | 5 579 | 1 780 | 1 967 | 5 420 | 8 112  | 4 679 | 2 940 | 8 321 | 47                | 18     | 38 863 |

### Health and safety

FirstRand's operating divisions have officers who monitor health and safety issues, implement measures to ensure optimal health and safety conditions for the Group's employees. Every quarter FirstRand Banking Group's divisional heads of compliance meet with subject matter experts, including an occupational health and safety expert, to discuss all incidents of non compliance in order to ensure that incidents are resolved and that measures are taken to prevent re-occurrence. Similar processes exist at Momentum Group and OUTsurance, with board level oversight for Group health and safety via the Audit, risk and compliance committee.

## **HIV Aids**

FirstRand has a comprehensive HIV Aids policy and management strategy covering all of the Group's workforce. Key elements of the policy address the strategic and proactive management of HIV Aids and ensure that employees have access to holistic and sustainable healthcare programmes. The policy places special emphasis on divisional engagement surveys, education, prevention, non discrimination, confidentiality, voluntary counselling and testing, incapacity management and sick leave entitlement.

## **Environment**

### **COMMITMENT**

**Principle 7:** *FirstRand supports a precautionary approach to environmental challenges*

**Principle 8:** *FirstRand undertakes to promote greater environmental responsibility*

**Principle 9:** *FirstRand encourages the development and diffusion of environmentally friendly technologies*

### **SYSTEMS, ACTIVITIES & PERFORMANCE**

FirstRand's systems, activities and performance in respect of the Group's commitment to protecting and preserving the natural environment can be described under the following headings: environmental forum, material and waste management, carbon emissions and carbon management strategy, energy management, Environmental Management System, Equator Principles and commercial opportunities.

#### **Environmental Forum**

FirstRand's Environmental forum sets strategic objectives for environmental management and coordinates the realisation of these objectives.

During the past year the forum:

- identified the most important environmental performance indicators on the basis of international best practice and materiality to the Group's operating divisions and their stakeholders;
- oversaw the adoption of the Equator Principles, and implementation of measures for compliance with them;
- developed guidelines for materials and waste management;
- developed and implemented strategies for energy management;
- measured carbon emissions and implemented FirstRand's carbon management strategy;
- facilitated management of FirstRand's indirect environmental impact;
- facilitated environmental reporting and compliance with environmental regulations;
- introduced and application of the precautionary principle toward new projects; and
- researched and developed environmentally sensible commercial opportunities.

#### **Materials and waste management**

Various waste management procedures exist at divisional level, and are detailed in the sustainability reports of FirstRand's operating divisions. FirstRand is implementing measures for ensuring compliance with the provisions of the National Environmental Management Waste Act.

#### **Carbon emissions and carbon management strategy**

FirstRand's carbon footprint is measured annually by external auditor's PricewaterhouseCoopers. FirstRand's most recent carbon footprint measurement concerns the 2008 financial year and represents an improvement on the previous year's calculation through the extension of its scope. The 2008 carbon footprint calculation includes more comprehensive data on business, fleet, road and air travel and paper use. In addition to this the scope for electricity use was extended to include new buildings.

FirstRand's CO<sub>2</sub>e per capita are 10.2 metric tonnes per annum and the Group's carbon reduction strategy will aim to reduce per capita emissions to 9 metric tonnes CO<sub>2</sub>e. FirstRand's carbon management strategy will seek to further reduce the Group's carbon footprint through:

- reducing energy consumption by 11% before 2012;
- having ecologically friendly features facilitating conservative use of natural resources in new buildings;
- changing paper intensive processes to paperless ones, in as far as it is reasonably practicable; and

- using video and telephone conferencing facilities to reduce travel.

### **Energy management**

FirstRand's energy savings during the period under review amount to 18 584 210 kWh which equals an energy saving of approximately 5%. Efficiencies realised equate to an annualised saving of R7.5 million with once off implementation costs of R12.2 million. The financing of energy saving projects is structured in relation to the energy savings realised.

The use of energy contributes 92% of the Group's carbon footprint. Energy efficiency measures are applied in all operating divisions to reduce the Group's carbon footprint, increase financial efficiencies and reduce consumption of electricity from the national energy grid. Current initiatives include the installation of 2 342 motion sensors, 26 159 energy efficient lamps and reductions in the use of after hours lighting. Other initiatives being implemented concern, among others, air conditioning, IT and hot water efficiencies. Planned initiatives include the piloting of deep retrofitting of key buildings with energy efficient fixtures in accord with the Clinton Climate Initiative and extending the reach of existing projects to new premises.

Energy efficiency initiatives are facilitated for all operating divisions by the Group energy manager and progress is reported to the Audit, risk and compliance committee via the Environmental forum.

### **Environmental Management System (EMS)**

FirstRand's indirect environmental impacts relate primarily to the impacts that the activities of customers and suppliers have on the natural environment. While it is not possible to accurately describe the Group's indirect environmental impact, FirstRand ensures that appropriate mechanisms are in place to monitor and control operational, legislative and regulatory risks in respect of their environmental performance. The application of legislative requirements in respect of environmental impact assessments for project finance transactions is an important component of this process.

FirstRand manages environmental and social impacts related to the activities of customers by applying the principles of the EMS. The EMS is a set of internally established policies, common procedures and resources that enable FirstRand to reasonably ensure that the environmental and social risks associated with projects are screened and that the Group will be able to advise clients on appropriate mitigation measures for managing these risks.

The EMS includes an environmental and social risk assessment process that determines the environmental and social impacts and risks associated with proposed project finance deals. Depending on the nature and scale of the project, the assessment may include a full scale environmental and social assessment or application of environmental siting, pollution standards, design criteria or construction standards. The EMS is based on the Equator Principles framework and forms an important part of the internal risk reporting and screening process for compliance with the Equator Principles, details of which are provided below. Information which the EMS seeks to ascertain in respect of project finance deals includes the following:

- the project's categorisation in terms of the Equator Principles guidelines
- areas of non compliance with Equator Principles guidelines
- the existence and quality of compliance documentation analysing environmental and social risks
- whether the project is regularly monitored for environmental and social compliance infringements
- the existence and quality of recommendations set out in the environmental impact assessments

Oversight of issues addressed by management in respect of the EMS is provided by the Audit, risk and compliance committee.

### **Equator Principles**

FirstRand has adopted the Equator Principles for the financial year starting on 1 July 2009. The adoption of the Equator Principles has both operational and strategic benefits for the Group from an operational perspective FirstRand has robust principles for managing environmental and social risks related to project finance transactions. Examples of these risks are risk to reputation, legal risk, credit risk, operational risk and varying degrees of overlap between these risks.

Information which the EMS seeks to ascertain in respect of project finance deals includes the following:

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- whether the project is regularly monitored for environmental and social compliance infringements; and
- the existence and quality of recommendations set out in the environmental impact assessments.

Additional benefits associated with adopting the Equator Principles relate to demonstrating FirstRand's alignment with international best practice in project finance transactions both locally and internationally.

### Commercial Opportunities

Commercial opportunities related to environmentally friendly technologies and innovations are implemented via FirstRand's Environmental forum. The forum provides expertise and special resources for researching, developing and piloting new projects. The Forum also provides a reporting line in respect of these opportunities to FirstRand's board of directors via the Audit, risk and compliance committee. An example of this are the financing loans for retrofitting of key buildings with energy efficient fixtures.

### Environmental Performance Indicators

|                                | 2009    |
|--------------------------------|---------|
| Carbon emissions (Metric T)    |         |
| Fuel use                       | 485     |
| Business fleet travel          | 25 063  |
| Electricity (Owned buildings)  | 197 586 |
| Electricity (Leased buildings) | 173 631 |
| Paper use                      | 1 758   |
| Business road travel           | 302     |
| Business air travel            | 4 899   |
| Total carbon emissions         | 403 724 |
| Energy saved (Kw/h '000)       | 18 584  |
| Value of savings (R'000)       | 6 632   |

## Anti-Corruption

### COMMITMENT

**Principle 10:** FirstRand is committed to *working against corruption in all its forms, including extortion and bribery*

### SYSTEMS, ACTIVITIES & PERFORMANCE

FirstRand's systems, activities and performance in respect of the Group's commitment to anti-corruption can be described under the following headings: ethics, whistle blowing and regulator risk management.

#### Ethics

Upon joining the Group all directors are obliged to sign a Code of ethics which forms part of the Board charter. FirstRand's Code of ethics addresses duties of care and skill, good faith, honesty and integrity, whistle blowing, processes for dealing with conflicts of interest and the need to always act in the best interests of the Group. FirstRand cooperates with EthicsSA in the production of their report – South African Corporate Ethics Indicators and uses the findings of the survey to inform the management of ethics within the Group.

FirstRand does not make donations to political parties and the issue of political donations and solicitation of gifts is addressed by FirstRand's Code of ethics.

#### Whistle blowing

Renewed emphasis has been placed on the issue of whistle blowing. FirstRand encourages whistle blowing in the Code of ethics and creates an enabling environment for whistle blowing through oversight of the Directors' affairs and governance committee. The committee has ensured that procedures exist for bringing unethical business practices by directors or employees to the attention of the board.

FirstRand has an anonymous whistle blowing alert line (+27 [0] 11 352 4029) which is monitored by two senior members of Group forensic services.

### **Regulatory risk management**

FirstRand works closely with law makers and regulators to protect its stakeholders' interests, avoid reputational damage and prevent or mitigate the potential negative impact of either new, or changes to existing, statutes or regulations. Board oversight of the Group's regulatory risk management function is provided by the Audit, risk and compliance committee.

### **Partnerships for Development**

FirstRand is a signatory of the United Nations Global Compact (UNGC), the Carbon Disclosure Project (CDP) and has adopted the Equator Principles (EP) for the 2010 financial year starting 1 July 2009. The Group is actively involved in Black Economic Empowerment (BEE) through the application of the South African Financial Sector Charter (FSC) and the Department of Trade and Industry's (dti) Code of Good Practice (CoGP) and participates in the determination of regulatory requirements in respect of BEE through membership of the South African Banking Association.

FirstRand is represented at the National Business Initiative (NBI), the Centre for Development and Enterprise, and participates in the United Nations Global Compact's (UNGC) South African Advisory committee. In addition FirstRand supports the South African Institute for Race Relations, the Free Market Foundation, the Business Trust, and Business Against Crime. Representation at these bodies is seen as being strategically important for reinforcing ethical and sustainable business practice and responding to changes to local and international best practice.

FirstRand's non financial performance is evaluated independently on an annual basis by the JSE Socially Responsible Investment (SRI) index. In 2008 FirstRand was listed on the JSE SRI index as a low environmental impact organisation, meeting the SRI requirements for social, environmental, governance and sustainability performance.