

Integrated sustainability

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Stakeholders require management to prove the sustainability of their business through a rigorous examination and explanation of the specific linkages between strategy, operational execution, risk management, customer and staff satisfaction and financial performance. This ultimately represents a truly “integrated” investment picture, and this year’s Annual Report builds on FirstRand’s efforts to present such a complete investment picture. I believe this is particularly important for a business such as ours, given the importance of banks to the economies and communities they serve. - CEO Statement, FirstRand 2010 Annual Report

FirstRand’s financial and non financial performance this year was most satisfactory and I am extremely pleased that the Group has regained its position as a leading financial services Group.

One of the most critical aspects of running a business that provides employment to thousands of people and is core to broader socio-economic development is ensuring the long-term sustainability of that business. As we have seen all too recently, when banks fail the economic stability of nations and indeed the entire global financial system are threatened. This has brought the issue of “sustainability” into sharp focus. Sustainability has been considered somewhat of a “soft” topic until fairly recently, an addendum to the normal course of running a business and relying too heavily on anecdotal evidence rather than measurable benchmarks. This approach is now a thing of the past.

The new King III Code of Governance in South Africa, which is recognised as a highly progressive standard internationally, calls for integrated sustainability reporting among other governance requirements. Underlying this is the need for management to show how social, economic and ecological issues impact on growth drivers, as well as how they are managing these issues as an inseparable function of business strategy and risk management.

At FirstRand we view corporate sustainability as the creation and protection of value for all stakeholders through effectively managing financial and non financial factors impacting our economic and financial performance. Sustainable profitability and the responsible provision of financial services to all sectors of the local economy and selected international markets are the principle drivers for corporate sustainability at FirstRand.

In responding to King III we have undertaken to ensure that our business practices and governance processes drive our disclosures, rather than adopting a ‘tick-box’ approach. To this end our governance and management processes promote integration between business objectives and the Group’s broader role within the social, economic and ecological contexts in which we operate. This integration results in strategic and operational decisions taking into account social and ecological considerations, within a commercial framework.

These would include:

- Promoting discretionary savings through providing appropriate savings and investment products;
- Facilitating economic activity by providing platforms for efficient financial transactions and the mobilisation of capital for large projects;
- Reducing financial risk assumed by customers and clients through ensuring that advances are managed in line with well calibrated credit scoring models;
- Encouraging the commercial success of stakeholders through formally considering a broad range of risks impacting the social, economic and ecological sustainability of their activities; and
- Managing direct impacts on our communities and natural environments.

At a product and service level we also understand the competitive advantages associated with facilitating socio-economic development within the entire financial services value chain. A practical example of this is FirstRand's strategy to promote integration between South Africa's formal and informal economies through "taking banking to the people" with products such as FNB's cell phone banking and e-wallet, which enable access to financial services for more than two million South Africans, many of whom live in remote areas.

Notwithstanding the business case for corporate sustainability we also view our role in society as one which must contribute positively and respond effectively to the needs of the country simply because this is the right thing to do. This approach forms part of the Group's commitment to comply with the letter and the spirit of transformation regulations and efforts to move from procedural compliance to substantive compliance.

Responsibility for the implementation of strategies to achieve the objectives of the Department of Trade and Industry ("dti") Codes of Good Practice ("CoGP") and the Department of Labour (DoL) Employment Equity requirements rests with executive management and is overseen by the Board via the FirstRand Transformation monitoring committee.

At FirstRand we strive to acknowledge, understand, accept, value and celebrate differences among our people with respect to age, class, ethnicity, gender, physical and mental ability, race, sexual orientation and spiritual practice. We regard employment equity as a strategic imperative and will remove barriers in employment practices, procedures, policies and organisational attitudes for the benefit of the effectiveness of our workforce and the social consciousness of the individuals who comprise it.

I am pleased to report that during the year FirstRand achieved a level 3 rating against the dti CoGP targets. This is evidence of our work to move from procedural to substantive compliance and the score has been possible as a result of progress in a number of key areas. Among these areas are:

- Investing R289 million in skills development initiatives, with R193 million being attributable to skills development for African, Coloured and Indian employees;
- Managing a procurement spend of approximately R8.9 billion, R5.4 billion of which was spent with Broad Based Black Economic Empowerment suppliers; and
- Granting almost R73 million in Corporate Social Investment to beneficiary organisations across all provinces in South Africa via the FirstRand Foundation. Special steps were also taken to further ensure ongoing engagement with beneficiary organisations for supporting the long term effectiveness and sustainability of their operations.

There are many examples of similar innovations and initiatives shown throughout the Group's value chain and across its operating divisions. Some of these examples are detailed in our annual report while others are disclosed in divisional "Reports to Society" which provide summarised financial information and a detailed review of non financial and stakeholder performance for each of the Group's major operating divisions.

We invite your feedback on our performance and disclosure for the year under review and we value the opportunity to continue working together to build and grow a sustainable business for the benefit of our common future.



Sizwe Nxasana
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