



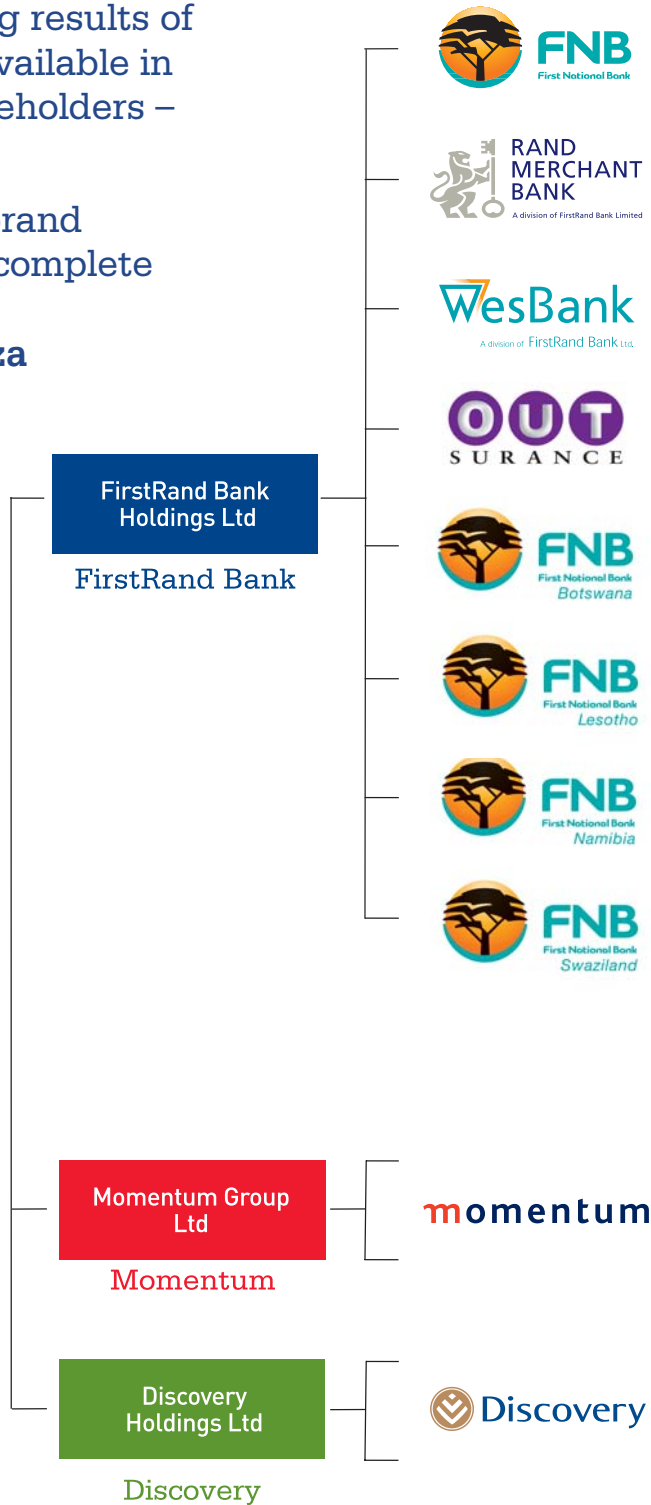
FIRSTRAND

2007

sustainability report –  
executive summary

The financial and operating results of the FirstRand Group are available in the Annual Report to shareholders – [www.firstrand.co.za](http://www.firstrand.co.za)

This is a summary of the brand sustainability report. The complete version is available on [www.firstrandusrep.co.za](http://www.firstrandusrep.co.za)



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## introduction

A commitment to sustainable business practices is embodied in the FirstRand Business Philosophy. **AS AN INTEGRATED FINANCIAL SERVICES GROUP, FIRSTRAND SEEKS TO PARTNER WITH ITS STAKEHOLDERS IN A MUTUALLY BENEFICIAL MANNER, THEREBY ENSURING LONG TERM SUSTAINABLE RELATIONSHIPS.** I am pleased to present our fourth annual Sustainability Report, dealing with issues of importance to us and our broad stakeholder community.



During the year under review we have continued to improve on what we do and how we do it. We remain as committed as ever to understanding what it means to be a good corporate citizen and in striving to make this a reality. As we enter our tenth year of operations it is pleasing to look back on a decade of sustained growth in earnings and to know that in the process we have contributed in a meaningful way to the growth and development of our country and its people.

Across the Group our brands continue to be recognised for their excellence and innovative spirit. That this is so is a tribute to the 40 000 men and women who work here. I believe that FirstRand Group companies are attractive employers because of the opportunities they offer to people to reach their full potential through our owner-manager culture and the encouragement of an entrepreneurial attitude. We have continued to invest heavily in education and skills development. Notwithstanding this, attrition amongst black staff at senior level remains a concern and innovative solutions are being sought to address what appears to be an industry challenge. The stresses of our society have caused a number of our operating divisions to introduce wellness programmes aimed at holistically addressing the challenge of coping in the modern South African society.

Our interaction with customers continues to drive the innovation surrounding our products and services. These cover almost every aspect of financial need for both individuals and corporates.

Our procurement budget is substantial and allows us to interact with our suppliers in a way that promotes enterprise development. I am confident that our new procurement practices have benefited both FirstRand and its suppliers. I know that the importance we place on integrity and fairness in our dealings with them contributes to a better long term relationship.

We have for sometime been aware of the need to formalise our corporate codes of conduct relating to the protection of the environment. To this end I am particularly pleased that we have now established a Group Environmental Forum at which issues of relevance to us as a financial institution are addressed. Our new buildings are all environmentally-friendly and our attitude towards recycling and energy saving is starting to make a difference to the way our people think about these issues in their homes and communities. We also continue to explore how we can utilise our position as an innovative financial solutions provider to address broader environmental imperatives in potential partnership with our customers, other businesses, the public sector and our suppliers.

The year has not been without its regulatory challenges and we have sought to co-operate with the authorities to ensure that our industry standards remain amongst the highest in the world. The cost of compliance is becoming increasingly onerous as does the cost of crime and related fraud which impacts materially on our operating profits. This is a societal issue and like all responsible South Africans, FirstRand and its people will seek through their behaviour to fight this scourge.

## Our interaction with customers continues to drive the innovation surrounding our products and services.

Our corporate governance and risk management protocols remain of paramount importance to us.

Our corporate social investment will this year, based on earnings to June 2007, exceed R100 million for the first time. We have reviewed our strategy and have embarked on a plan which will see a thematic approach to grant-making. This will encompass larger multi-year grants to service providers who demonstrate an exceptional ability to deliver to the needs of our communities. Each brand within the FirstRand Group has its own specific focus areas of investment strategically aligned with their values and business. The needs that we will seek to address will in future focus on education including early childhood development, health and HIV/AIDS-related issues, substance abuse, disabled people, food security, the environment and arts and culture. Central to this new approach is measurement, evaluation and reporting. Ongoing dialogue with the communities and the service providers as well as the facilitation of debate amongst these providers will ensure that our grant-making achieves the desired results. Particularly gratifying is the way in which nearly 30% of our employees are now involved in one way or another in volunteer related activities.

The Financial Sector Charter targets are still not finalised and the Council is now seeking to find ways in which the Charter can be aligned with the DTI's Codes of Good Practice. We remain excited by many of the challenges set by the Charter; these make for innovative business solutions.

**FIRSTRAND IS POISED TO ENTER THE INTERNATIONAL MARKET ON A MORE AGGRESSIVE SCALE THAN HAS BEEN THE CASE IN THE PAST. THE SAME IMPORTANCE THAT WE PLACE ON SUSTAINABLE BUSINESS PRACTICES IN SOUTH AFRICA WILL BE REPLICATED IN THE COUNTRIES IN WHICH WE WILL OPERATE.**

This is the second report we have published that is subject to the oversight of our internal audit division. Its contents are provided in the spirit of transparency and integrity. In my introduction to our summarised Sustainability Report last year, I commented on how innovation was integral to our strategy. Innovation in the FirstRand Group remains as important as ever but it would be amiss of me not to remind stakeholders of the importance that we place on feedback, both positive and negative, on what we do and how we might better exceed your expectations in the future.

Thank you for your support, without which none of this would be possible.



**Paul K Harris**  
Chief Executive Officer  
FirstRand

## The FirstRand Business Model

Our federal business model enables our operating divisions and subsidiaries to develop their own strategies. Business units are informed by a set of common values and beliefs articulated in the FirstRand Business Philosophy, which remains the compass for expected practices in our group. Being closest to the intricacies of their operating environments, and maintaining the most direct relationships with the many stakeholders with whom they interact, business units interpret the Philosophy in the context of their businesses.



## The Format of Sustainability Reports

Our federal business model informs the sustainability reporting structure. We do not present a detailed FirstRand Sustainability Report; rather each of our major brands present a customised and comprehensive report of the issues, risks and opportunities they face from a social, environmental, economic and governance perspective. A high level standard report structure, common to all the brands, guides the nature of information presented for consistency, while each brand report contains diverse and specific information about its activities in relation to its stakeholders. Readers wishing to see the detailed brand sustainability reports are referred to [www.firstRANDsusrep.co.za](http://www.firstRANDsusrep.co.za)

This Executive Summary depicts the overall Group position relating to employee, customer, supplier, environmental, community and regulatory considerations over the reporting period. It highlights examples of the activities of our brands in this respect and, where possible, the Group guiding statement or philosophy.

**OUR CHALLENGE REMAINS ONE OF PROVIDING A SINGLE STANDARD VIEW OF FIRSTRAND GROUP'S ACTIVITIES WHILE RECOGNISING THE DIVERSE AND CUSTOMISED INFORMATION PRESENTED BY EACH OF THE BRANDS.** Taking this into account, the inclusion of material information has been guided by the Global Reporting Initiative (GRI), JSE SRI Index, King II and the Financial Sector Charter. The Indicator table at appendix A references the reader to further information in this respect.

Next year, we will also indicate in our report an index referencing to the Principles of the UN Global Compact, to which we are a signatory.

## How we report on FirstRand's Transformation in terms of the Financial Sector Charter

Social and economic transformation remains an inextricable element of our sustainability strategy. The transformation process for corporate South Africa commenced as a compliance and risk response to macro imperatives. A few years on, this is now about sustainable competitiveness. It also involves contributing to national stability through economic and social inclusion.

As transformation is integral to many parts of our operations, we integrate our commentary in the People, Customer, Supplier and Community sections of the detailed sustainability reports. For 2005, FirstRand achieved an A level rating for our transformation performance as reported to the FSC Council. While current indications are that we should not expect a change in our rating level, we await the outcome of the Charter Council's review to confirm our 2006 rating. The Group scorecard (excluding Discovery) for 2006 is set out below.



### financial sector charter scorecard: december 2006

Charter component	Max points 2008	Dec 2006 target	FRL actual points
<b>HR development</b>	20	14.0	15.33
• Employment equity	15	10.5	10.88
• Skills development	3	2.1	3.00
• Learnerships	2	1.4	1.45
<b>Procurement and enterprise development</b>	15	10.5	13.29
<b>Access to financial services</b>	18	12.6	10.22
• Transactional banking	8	5.6	3.13
• Finance origination	8	5.6	3.13
• Consumer education	2	1.4	0.00
<b>Empowerment financing</b>	22	15.4	14.00
• BEE transactions	5	3.5	5.00
• Targeted investments	17	11.9	9.00
<b>Ownership and control</b>	22	15.4	20.70
• Ownership	14	9.8	12.70
• Control: Board	3	2.1	3.00
• Control: Executive management	5	3.5	5.00
<b>Corporate social investment</b>	3	2.1	3.00
<b>Total</b>	<b>100</b>	<b>70.0</b>	<b>76.54</b>

Note:

This scorecard excludes the Discovery Group who have submitted a separate report to the Charter Council.

## How we report on Stakeholder Engagement

Our imperatives are informed as much by our marketplace expertise, research and resulting strategic plans, as they are by ongoing communication with our stakeholders. **DIALOGUE IS AN INTEGRAL PART OF HELPING US TO ADDRESS THE MYRIAD OF CHALLENGES AND TO SIFT THROUGH OPPORTUNITIES ARISING THEREFROM. THIS HAS HELPED US DEVELOP INNOVATIVE APPROACHES AND NEW SOLUTIONS.**

The diagram below provides an example of the various communication channels used in stakeholder engagement by FNB. Each brand Sustainability Report indicates who its key stakeholders are, and how it interacts with them.

Stakeholder	Face-To-Face	Electronic Communication (Email, telephony, intranet, internet networks)	Transaction channels	Surveys, Forums, Road-shows, Conferences, AGMs Summits, other forms of dialogue	Internal Communication Media and forums	External Communication Media and forums	Briefings and Releases (E.g. Media; SENS)
Staff	•	•	•	•	•		•
Suppliers	•	•	•	•		•	
Customers	•	•	•	•		•	•
Brokers, agents, dealers	•	•	•	•	•	•	•
Community (incl. NGOs, CBOs, Civil Society)	•	•		•		•	•
Environment (incl. NGOs & Civil Society)Dealerships	•	•		•		•	•
Regulatory Authorities (incl Ombudsmen)	•	•		•		•	•
Government	•	•		•		•	•
Industry Associations	•	•		•		•	•
Shareholders, Investors & Analysts	•	•		•		•	•

## Feedback

We welcome your comments and feedback on our Sustainability Report. Please send your comments or questions on this report or our Financial Sector Charter credentials via the Feedback section on [www.firstrandusrep.co.za](http://www.firstrandusrep.co.za).

## Philosophy

**SUSTAINABLE BUSINESS PRACTICES ARE EMBEDDED IN FIRSTRAND'S BUSINESS PHILOSOPHY.** Underpinning these practices is a belief in good corporate governance which extends across the entire FirstRand Group. Risk management is central to good governance and defines the Group's ability to operate profitably and sustainably.



## Governance

All Group companies endorse the Code of Corporate Practices and Conduct, commonly known as the King II Code.

The directors are the guardians of the values and the ethics of the company and its subsidiaries. All group directors are signatories to the FirstRand Code of Ethics. This code deals with duties of care and skill (diligence) and fiduciary duties (good faith). The former covers compliance with the law, attendance at meetings, access to expert advice, courageous participation at meetings and striving to improve performance. Issues of good faith include honesty and integrity, acting in best interests of the company at all times and knowledge that soliciting or accepting gifts aimed at influencing illicit behaviour is not permissible.

FirstRand's board of directors meets at least four times a year. The board is ultimately accountable and responsible to its shareholders for the performance and affairs of FirstRand. This requires that it retains full and effective control over the Group, approves its strategic direction and monitors the impact thereof.

To assist them in carrying out their duties, the board has established five committees:

- Executive;
- Remuneration;
- Audit, Risk and Compliance;
- Directors Affairs and Governance; and
- Financial Sector Charter and Transformation Monitoring.

The boards of the major subsidiaries are similarly structured with appropriate committees and governance practices. Comprehensive details relating to governance practices and structures are set out in the Annual Report on page 83.

**FOR THE SECOND YEAR RUNNING FIRSTRAND WAS RANKED FIRST IN TERMS OF THE DELOITTE MONEYWEB GOOD CORPORATE GOVERNANCE AWARD.**



## Risk and Compliance

FirstRand defines risk as any factor which could cause an entity not to achieve its desired business objectives or result in adverse outcomes, including reputational damage. The Group enterprise risk management function is responsible for the independent oversight and discipline required to continuously drive improvement of the group’s risk management capabilities in a challenging and ever changing operating environment. The objective of the risk management programme is not only to protect, but also to create enterprise value for the Group’s strategy, people, processes, technology and knowledge. It might be said that we do not avoid risk; we embrace it while ensuring that it is managed, priced and measured effectively.

In meeting their obligations, the directors and responsible committees are assisted by specialist risk managers, internal auditors, actuarial specialists and compliance officers. Details of the Group’s risk management strategy can be found on page 100 of the Annual Report.

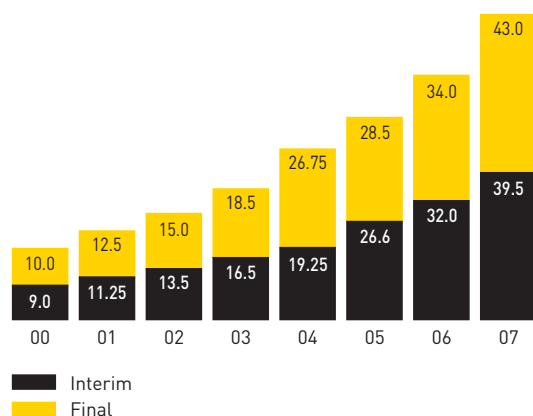
## Shareholder Interaction

In communicating with existing and potential shareholders, **FIRSTRAND STRIVES TO PROVIDE INFORMATION WHICH IS TIMEOUS, ACCURATE AND TRANSPARENT.** Members of the executive meet on a regular basis both locally and internationally with investors and investment analysts. Interim and year end results are communicated through SENS, the press, television and the company’s website ([www.firststrand.co.za](http://www.firststrand.co.za)). Shareholders are encouraged to attend the annual general meeting.

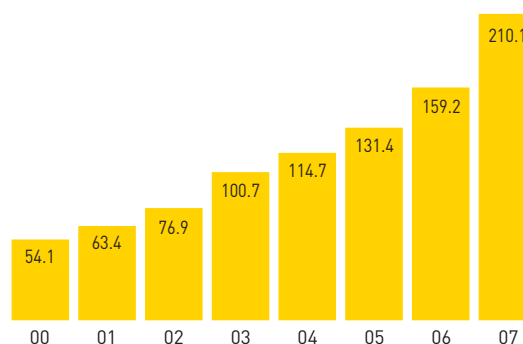
## Economic Performance

As we enter our 10th year of operations, we are able to report consistent growth. FirstRand’s value added statement can be found at appendix B. Earnings growth and related dividends since 1999 are set out below.

**Ordinary dividend per share**  
[cents]  
CAGR: 23.3%



**Diluted normalised earnings per share**  
[cents]  
CAGR: 21.4%



## Compliance Management is decentralised: units manage regulation within their environments with monitoring at a Group level

We manage the regulatory environment through compliance monitoring across the business. Ongoing risk and impact assessments are undertaken for all areas of our business and responses are prioritised. Business segments identify shortcomings in processes and take corrective action as required. The risk management function is supported by various committees and boards dedicated to this function.

New regulations and legislation often take years to formulate and implement. As a result, our reporting on regulatory issues may span several years and is not strictly based on information relevant only to the year under review. Ongoing regulation in our environment includes the implementation of BASEL II, the Financial Advisory and Intermediary Services Act (FAIS), and the Financial Intelligence Centre Act (FICA).

The National Credit Act (NCA) was introduced last year. To become NCA-compliant we effected changes to our systems, processes and documentation and undertook staff training. Momentum, FNB and WesBank registered as credit providers with the National Credit Regulator and were ready for implementation when the NCA came into effect on 1 June 2007. The NCA will remain a focal point for the coming year, with a focus on efficiencies. Issues and provisions still open to legal interpretation will influence our policies and procedures in future.

Momentum co-operated with the FSB in the bulking and related practices investigations and made appropriate disclosures. Through the Life Offices Association, commentary on the National Treasury's consultative paper on the sustainability of the savings industry was provided. The paper deals with issues that impact the life insurance industry's ability to offer contractual savings products that are appropriate, cost-effective and equitable.

Driven by National Treasury, the Pension Funds reform process which will change the entire retirement and pensions industry in South Africa is underway. We are keeping abreast with these developments and will seek opportunities that may emerge.

Examples of bills expected to impact on our businesses include the Companies Bill (set to replace the Companies Act of 1973), the Consumer Protection Bill, and the Protection of Personal Information Bill.

**Motor Vehicle Finance**  
Under the National Credit Act (NCA) **WesBank** Put us to

### Good News for Consumers!

*WesBank welcomes the NCA because it makes buying a motor vehicle much easier for you. We explain things in plain language - this has helped us to build excellent relationships with our clients and for over thirty years.*

**Will the NCA Apply to Me?**  
*The NCA was passed to protect all consumers, no matter who you are.*

**What about Responsible Lending?**  
*The NCA protects you from having more debt than you can afford: to avoid this situation, when you visit your motor dealer to buy a vehicle, you now have to give your dealer all the information you have about the money you earn and how you've spent it. Providing this information will help WesBank to make sure you don't borrow more than you can afford.*

**How will my Agreement be Structured?**  
*Thanks to the new Act, you may not even have to pay a deposit. You also have more choice about the length of your deal and balloon payments. Visit your local motor dealer for more information.*

**Is it Important to Keep a Good Credit Record?**  
*It is very important to you and your credit provider that you keep a good credit record. If you have financial problems, as a WesBank client you can use our debt rehabilitation services. The Act also provides you with access to a debt counsellor.*

**Can I Pay Off my Vehicle Early, and Buy Another One?**  
*The NCA allows you to pay off (i.e. settle) your motor vehicle loan early with no additional charges (i.e. per fees). You qualify for this benefit if the value of your loan was less than R249, 999.*

**Need to know more?**  
**We can provide all the answers for you**

Visit our website [www.wesbank.co.za](http://www.wesbank.co.za) and click on the NCA button

or  
Email us on [ncainfo@wesbank.co.za](mailto:ncainfo@wesbank.co.za)

or  
Contact us on 0861 111 577

**NOTICE**

A member of FirstRand Bank (Pty) Ltd. An Authorised Financial Services Provider

As part of the campaign to promote the National Credit Act (NCA) and raise awareness of the changes, WesBank held roadshows and workshops to assist dealers and marketers across the country.

They also ran advertising campaigns to address frequently asked questions and allay customer concerns pertaining to the new legislation.

## Our People must be empowered to deliver effectively.



For FirstRand to continue to deliver value to its many stakeholders, it remains essential that our employees are empowered. This requires us to practically demonstrate our belief in their potential and to provide them with the tools, opportunities and knowledge to succeed. It also requires that our employees take responsibility and are held accountable for their performance.

Human resource strategies included:

- A focus on transformation;
- Fair and appropriate remuneration;
- Performance management;
- Employee Value Propositions; and
- Attracting and retaining talent.

FirstRand's workforce profile can be found at appendix C.

**IN THE INTERNATIONAL CORPORATE LEADERSHIP COUNCIL 2006 EMPLOYMENT VALUE PROPOSITION SURVEY, RMB'S AVERAGE EVP WAS THE HIGHEST OF ALL PARTICIPATING COMPANIES.**



RMB implemented a Reverse Forward mentoring initiative, aimed at creating a personal diversity experience for the Operational Board members, and providing them with insight into the life experiences of their staff from different cultural backgrounds. Their objective was to improve their understanding of diversity issues, and to promote honest conversations. Motivated by the success of this programme, RMB is considering extending it to the next level of leadership.

We have long maintained that meeting the targets set by the Financial Sector Charter is not an exercise in box-ticking. Equitable access to opportunities remains a critical element in sustaining FirstRand's and South Africa's transformation. **WE EXCEEDED THE FSC HUMAN RESOURCE DEVELOPMENT TARGETS FOR 2006.**

We remain concerned about South Africa's technical skills shortages which could affect our business and have therefore invested extensively in skills development with an emphasis on financial, risk, actuarial, and information technology skills. Potential leaders are encouraged to participate in management programmes and broaden their education. In this way, we hope to ensure greater black management representation in the future. Where possible we share our knowledge and skills development expertise with the public sector in partnership-based capacity-building initiatives.

FirstRand invested more than R192 million on employee skills development over the reporting period. This equates to 2.97% of the total payroll, which compares with 1.89% last year. Of the total spend, 59.4% was invested in training and skills development of black staff.



FNB Commercial established a Commercial Junior Board to develop strategic thinking and strengthen their leadership pipeline. This involved pairing 22 individuals with good performance track records with Strategy Committee members. In this way they are prepared for leadership roles, fulfill an internal coaching role for graduates and junior achievers, and deliver on internal projects. The Junior Board has proved to be a great success, with members gaining valuable skills and experience from interacting with each other and the broader business.

Sustaining the health and wellbeing of our people is important in all FirstRand companies. During the year a number of programmes were initiated or expanded. These included:

- RMB's Live Life Well programme;
- Discovery's Get Active Daily Tips campaign;
- Momentum rewarded staff for undergoing confidential voluntary HIV/AIDS testing;
- The extension of FNB's Employee Assistance Programme to address work-life balance, legal, financial and substance abuse counselling, specialist trauma counsellor access, work absence management, and a holistic physical wellbeing programme; and
- OUTsurance's provision of on-site sports facilities for their call centre staff.

Comprehensive details about our HIV/AIDS programmes using the GRI Reporting format can be found in the brands' sustainability reports.

**FIRSTRAND COMPANIES CONTINUED TO PROVIDE NEW AND INNOVATIVE PRODUCTS TO THEIR CUSTOMERS.** Special emphasis was given to providing access for the emerging market to affordable products and services. Issues of concern raised by customers included pricing, broker commissions and healthcare funding decisions.

Both Momentum and OUTsurance focused on delivering affordable insurance products to the broader South African market.

Momentum's **Zimele** funeral product is fully compliant with the standards set out by the Life Offices Association, is affordable and easily-accessible.

OUTsurance enhanced their **Essential** product to include cover for vehicles, buildings and contents. **Essential** cover was developed to address the market assumption that low-value vehicles are not worth insuring or cannot be insured. The **Essential** buildings and contents cover product has also been developed to cater for the needs of the affordable insurance market segment.

Discovery established an Ethics and Policy Advisory Board to advise on funding policy decisions involving complex ethical, economic, clinical and morbidity issues. Board members include representatives from the Department of Health, various medical schools, the public healthcare sector and the Johannesburg Legal Bar. Discovery also launched a customer Fairness Charter.



### Discovery Fairness Charter

We are committed to fairness in everything we do. Our clients can hold us to this as we strive to deliver on the principles below.

**Do what is right**

We draw on the best independent advice to ensure that we carefully balance the needs of the individual client with those of all our clients as a whole.

**Products we'd sell to our mothers**

We structure and price our products to be both sustainable and competitive. Even though our products are sophisticated, we make sure that they are easy to use.

**Straight talk**

We communicate clearly, simply and transparently.

**Privacy, privacy, privacy**

We protect our clients' information and keep it confidential.

**Learn from our mistakes**

We take our clients' questions and complaints seriously. We address them quickly and learn from them.

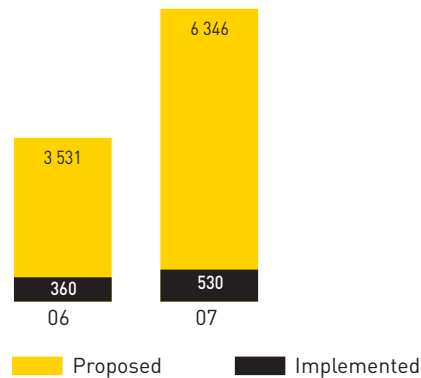
**We're not judge and jury**

We respect our clients' rights to disagree with us. We will facilitate escalation to independent arbitrators, if a client so wishes.

FNB awaits the findings of the Commission of Enquiry into industry Banking Practices. One of FNB's key proposals to the Commission was to replace ATM SASWITCH fees with a 'Direct Charge to Customer' model. This model allows customers to reduce their bank charges through the efficient use of the ATM network. The model will also result in improved pricing transparency.

FNB proved that transformation and innovation can go hand-in-hand. In the annual Innovator's Campaign, which attracts hundreds of entries from staff, the R1 million prize winner was the FNB Housing team. Their 'Funding for Affordable Housing' is a first in South Africa, providing an end-to-end solution for housing finance, and eliminating some of the major barriers to affordable home ownership.

Innovators' campaign ideas



## Innovative solutions and outstanding customer service are a valued objective across the Group

In an attempt to minimise the impact of crime on our businesses and our customers, programmes have been developed to highlight the various forms of crime and related trends.

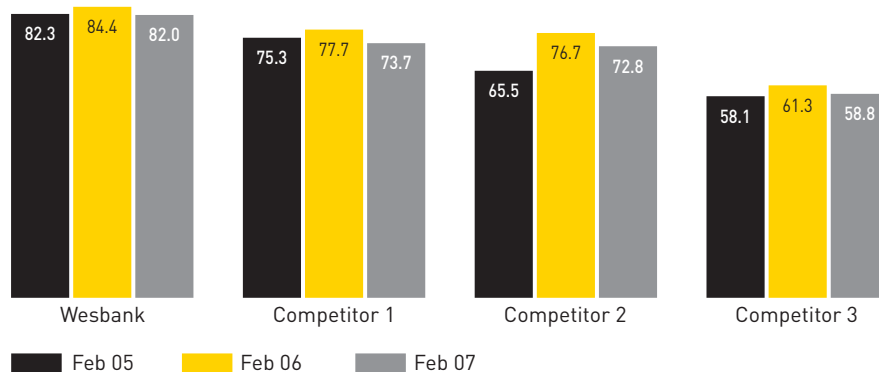
- FNB's Vow of Vigilance campaign rewards staff who alert the company to potential instances of fraud. Last year, this saved the Bank over R2 billion. FNB invested more than R60 million in ATM infrastructure upgrades and significantly enhanced online banking security.
- To help combat vehicle smuggling, WesBank implemented training for border post officials. When stolen vehicles are identified, officials contact WesBank's Fraud Investigation team, who are immediately available to recover the vehicle at the border. The service also benefits non-WesBank consumers whose vehicles may have been stolen in South Africa.

**THE LATEST PRICEWATERHOUSECOOPERS SURVEY ON STRATEGIC AND EMERGING ISSUES IN SOUTH AFRICAN BANKING (2007 EDITION) PEER RATING LISTS RMB AS NUMBER ONE IN SEVERAL CATEGORIES, INCLUDING MERGERS AND ACQUISITIONS, BEE DEALS, AND STRUCTURED FINANCE.**

Having satisfied customers in a service-based institution is always a challenge, and the brands pay close attention to monitoring customer satisfaction. Internally we use a variety of tools to determine customer satisfaction and service performance levels. We also react to the judgements of the ombudsmen cases, and independent studies or surveys.

WesBank's Dealer satisfaction index over 3 years consistently ranks it at the top of the list.

**Dealer satisfaction index**



The 2010 FIFA World Cup is many things to many people: fun and games, infrastructure investment, and economic opportunity. For FNB, while our R160 million sponsorship may ensure access to tickets for qualifying staff and customers, and contribute towards community-building through our provision of public viewing sites and promotion of soccer at our Schools' Soccer Clash, we were also motivated by the infrastructure and economic benefits of this World Cup to South Africa.

We are revisiting our credit models to allow targeted lending into key high-growth areas such as the construction industry. We are also partnering with local authorities and third parties to facilitate enterprise development e.g. through a R200 million fund established with NURCHA for the development of emerging contractors. We invested in "PreBook", a unique booking system that helps small and mid-size enterprises compete with larger hotels through a credible on-line booking portal to grow market share in the fast growing tourism and hospitality industry.

## Our approach to relationships with our suppliers is one of care and respect



Reducing client risk from unacceptable behaviour by the tow truck industry is important to OUTsurance. Ongoing media reports refer to the lack of controls and corruption in the towing business. Unscrupulous towing operators may place our clients at risk physical or financial risk. We therefore have strict controls governing who may tow our clients' cars, where to, and at what rates. We have Service Level Agreements (SLAs) in place with an approved panel of tow-truck service providers.

Across the Group, we continued to seek ways of ensuring an equitable distribution of our sizeable procurement spend. This was underpinned by our commitment to the Financial Sector Charter and our desire to encourage small and emerging enterprises.

**FIRSTSTRAND EXCEEDED ITS FSC PROCUREMENT TARGETS FOR 2006.** Many businesses remain uncertain and fearful of what transformation might mean to their livelihoods. Brands spent time with their suppliers discussing the transformation environment and explaining what the BBBEE Codes meant to them. Suppliers were assisted with their verification credentials.

We improved our focus on Enterprise Development. As an example, FNB encouraged women-owned businesses in the cleaning and security sectors to tender for contracts with them.

Policies and procedures are in place to preclude bribery and corruption relating to procurement.

Engagement with suppliers on environmental practice and responsible social standards is still at the early stage. This will receive greater prominence in the year ahead.



# The cost of action is a lot less than the cost of inaction

– Sir Nicholas Stern

The past year saw significant enhancements to the management of FirstRand’s environmental practices. This included the constitution of an Environmental Forum which comprises representatives from across the Group. This allows for robust discussions on two areas of importance: reducing our direct environmental impact and investigating financial solutions to environmental issues. We also worked with staff and the community to share ideas on responsible environmental behaviour.



**Tip #2: Always save Paper.**  
But you needn't go to extremes! Paper can be recycled. Always separate your waste paper from your other garbage.

WesBank

WesBank introduced a “General Awareness Training” programme for employees and contractors. As part of the campaign, “Think – The Environment Needs You” posters reminding staff of environmentally-friendly practices were introduced. Concurrently their “Energy Savings Initiatives” campaign resulted in prizes being offered to employees whose innovative and practical energy saving tips were implemented.

As a sponsor of motor sport, WesBank is conscious of the carbon emitted during race meetings, and launched a campaign to encourage environmental awareness.



- FNB’s Housing Finance division is working with Eskom to encourage homeowners to make greater use of solar-heating.
- Our corporate and investment banking divisions have increased the use of technical advisors and partners in our responsible lending processes.

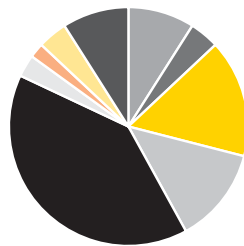


Being the employer of over 26,000 staff, based in multiple locations, FNB takes seriously its responsibility to systemically minimise direct environmental impact. Our environmental management practices were recognised at the Mail & Guardian “Greening the Future” 2006 Awards for the company with the most improved environmental performance.

## Our CSI philosophy is not about sponsorships or marketing

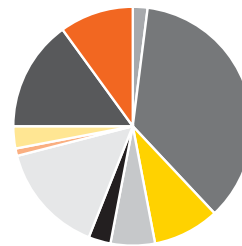
Our spend on corporate social investment increased by a further 20% during the year to R84 million. Since its inception in 2000, the FirstRand Foundation has made grants in excess of R350 million to community and development initiatives in South Africa. Current practice is for 1% of after tax profits to be made available to the Foundation. This means that in the 2008 financial year more than R100 million will be available for distribution as a result of the Group's record earnings in the 2007 financial year.

FirstRand Foundation funding by sector



9%	■	HIV/AIDS
4%	■	Arts culture and heritage
16%	■	Community care
13%	■	Disability programme
40%	■	Education
3%	■	Environment
2%	■	Policy development and safe communities
4%	■	Sustainable livelihoods
9%	■	Skills training and job creation

Beneficiaries by province



2%	■	Free State
36%	■	Gauteng
9%	■	Kwa-Zulu Natal
6%	■	Limpopo
3%	■	Mpumalanga
15%	■	Natal
1%	■	Northern Cape
3%	■	North West
15%	■	Western Cape
10%	■	Eastern Cape

**“WE ARE PROUD TO ANNOUNCE AN EVEN STRONGER COMMITMENT TO SOCIAL INVESTMENT WITH A NEW APPROACH THAT FOCUSES ON KEY STRATEGIC PROGRAMMES THAT CAN MAKE A BIGGER IMPACT THAN EVER BEFORE.”**

*Sizwe Nxasana, Chairperson, FirstRand Foundation*

Funding to traditionally under-resourced provinces such as Limpopo, North West and Mpumalanga remains fairly modest. This has been addressed.

Our new thematic approach to corporate social investment focuses on strategic programmes that can make a meaningful impact. Based on research into the sustainability of chosen projects, larger multi-year grants have been directed towards best practice interventions over the last 12 months.

Six key areas of focus areas that will be addressed by our brands are:

- Education – including Early Childhood Development, bursaries for tertiary education students, maths and science education and outreach programmes;
- Health and HIV/AIDS – including a partnership with Hospice and a focus on Aids orphans;
- Disability;
- Arts, Culture & Heritage, and the Environment;
- Community Care – with an emphasis on substance abuse; and
- Food Security.



The Foundation continues its partnership with Tshikululu Social Investments, an independent non-profit management consultancy, to help manage its programmes. The implementation of a focused Monitoring, Evaluation and Reporting system in conjunction with beneficiary organisations is progressing well. The system was piloted last year to gather information on the impact and progress of the community organisations that we support. Details regarding grant-making can be found on [www.firstrandfoundation.org.za](http://www.firstrandfoundation.org.za)

**FIRSTRAND FOUNDATION'S ENGAGEMENT WITH COMMUNITIES HAS EARNED IT THE NUMBER 2 RANKING FOR GOOD CORPORATE GRANT-MAKING IN THIS YEAR'S TRIALOGUE CSI HANDBOOK.**

**OUTSURANCE WAS ONE OF THE ONLY 2 NOMINEES IN 2007 FOR THE CARS (COMMITTEE FOR ACTIVE ROAD SAFETY), THE PRESTIGIOUS ROAD SAFETY AWARD FOR CONTRIBUTION TO ROAD SAFETY THROUGH ITS INNOVATIVE TRAFFIC POINTSMAN PROJECT AND DONATION OF POLICE VEHICLES.**

Concern about the level of crime in our society and the need for South Africans to engage in conversations about values resulted in FNB being the major funder of the Heartlines values campaign in conjunction with national television. Heartlines was acknowledged at a number of international festivals including Goteburg Film Festival, Pan-African Film Festival, and the Human Rights Film Festival, to name a few. It also received a joint award in the category of Benefactor, at the Gordon Institute of Business Science's (GIBS) Social Entrepreneurship Awards.



- ACCEPTING DIFFERENCE
- RESPONSIBILITY
- FORGIVENESS
- PERSERVERENCE
- SELF-CONTROL
- HONESTY
- COMPASSION
- SECOND CHANCES

Financial grant-making through our Foundation is complemented by a Group-wide comprehensive staff volunteer programme, with over 30% of our 40 000 staff undertaking volunteer engagements. The FirstRand Volunteer programme is led by programme managers and co-ordinators in each of our brands. Staff efforts on a time and money basis are matched one for one by the Programme. The efforts of our staff will be recognised at the inaugural Chairman's Awards later this year.



The FirstRand Volunteers recently concluded Operation Fudumeza, knitting or providing 24 000 items of warm clothing for the needy. R300 000 was raised by staff, and matched by the Volunteers' Programme.

The schedule below shows the key indicators we have used for our reporting, their source and where to find the relevant data.

Topics and indicators	JSE SRI criteria	King II	GRI #	FSC	Where to find it	Page
<b>Strategy</b>						
Group strategy			1.1	x	Annual Report, Website	18
Structure including significant changes			1.1 3.6	x	Annual Report, Website	27
<b>Sustainability reporting approach</b>						
Philosophy	x				Annual Report, Website	74
Key non financial risks and opportunities			1.2	x	Annual Report	39, 43, 47, 51, 54, 65, 72 and 73
<b>Corporate governance</b>						
Corporate governance overview	x	x	4.1		Annual Report	83
Board composition	x	x			Annual Report	78
Regulatory environment		x			Annual Report, Website	100
Compliance	x	x			Annual Report, Website	100
Risk management	x	x			Annual Report, Website	100
Non financial risk management	x	x			Annual Report	117
<b>Stakeholders</b>						
Stakeholder list			4.14		Annual Report, Website	74
Stakeholder engagement	x		4.16 4.17		Website	
<b>Our people</b>						
Scope	x		2.8 3.6		Website	
Major issues identified			1.2		Website	
Policies	x					
Workforce breakdown	x		LA 1 LA 13	x	Website	
Transformation	x		LA 10 LA 13	x	Website	
Staff satisfaction	x				Website	
Staff consultation	x		LA 3		Website	
Health and safety, including HIV/AIDS	x		LA 6 LA 7 LA 8		Website	
Training	x		LA 10 LA 11	x	Website	
Remuneration				x	Website	
<b>Supply chain</b>						
Scope, including total expenditure	x		3.6		Website	
Strategy			EC 6		Website	
Policies	x				Website	
Supplier satisfaction					Website	
Transformation	x		EC 6	x	Website	
<b>Environment</b>						
Scope	x		3.6		Website	
Policies	x				Website	
Direct energy usage initiatives	x		EN 3		Website	
Reduce, recycle, reuse initiatives	x		EN 5		Website	
Transport initiatives			EC 2			
Indirect impact					Website	
<b>Community</b>						
Scope			3.6		Website	
Major issues			1.2		Website	
Policies	x				Website	
Total contribution	x			x	Website	
Community satisfaction	x				Website	
Impact assessment	x		EC 8		Website	
<b>Customers</b>						
Scope			2.2 2.3 2.7 3.6		Website	
Major issues			1.2		Website	
Policies						
Current performance					Website	
Distribution			2.2 2.7		Website	
Transformation	x		EC 9	x	Website	
Customer satisfaction			PR 5		Website	
Health and safety			PR 1		Website	
<b>Economic impact</b>						
Statement of economic value added	x		EC 1		Website	
Financial performance	x		EC 1		Website	

for the year ended 30 June

	2007		2006	
	R million	%	R million	%
<b>Value added</b>				
Net interest income earned by FirstRand Banking Group	11 141	11.5	9 304	11.2
Net premium income and fees earned by Momentum	39 540	40.7	40 621	49.0
Net income earned by Discovery	4 300	4.4	2 676	3.2
Net loss by FirstRand Limited	(100)	(0.1)	(127)	(0.1)
Value added by Group	54 881	56.5	52 474	63.3
Non operating income	55 484	57.1	38 056	45.9
Non operating expenditure	(13 204)	(13.6)	(7 631)	(9.2)
Value added by Group	97 161	100	82 899	100
<b>To employees</b>				
Salaries, wages and other benefits	13 236	13.6	10 230	12.3
<b>To providers of capital</b>				
Dividends to shareholders	4 143	4.3	4 988	6.0
<b>To government</b>				
Normal tax	4 154		3 068	
Value added tax	625		578	
Regional services levy	5		70	
Capital Gains Tax	391		410	
Other	236		180	
<b>To policyholders</b>				
Policyholder claims and benefits	64 837	66.7	57 348	69.2
Insurance contracts	6 844		5 811	
Investment contracts	32 929		23 488	
Adjustment to liabilities under investment and insurance contracts	25 064		28 049	
<b>To expansion and growth</b>				
Retained income	7 616		4 220	
Depreciation	922		892	
Deferred tax	996		915	
	97 161	100.0	82 899	100.0

FR Group	Total						39 726
	African, Indian & Coloured		White		Total		Grand total
	Male	Female	Male	Female	Male	Female	
Top management	22	17	125	22	147	39	186
Senior management	193	103	644	312	837	415	1252
Professionally qualified and experienced specialists and mid-management	1167	1129	2361	1810	3528	2939	6467
Skilled technical and academically qualified workers, junior management, supervisors	2 838	4 788	1 985	4 300	4 823	9 088	13 911
Semi-skilled and discretionary decision-making	4 462	8 734	920	2 870	5 382	11 604	16 986
Unskilled	492	275	4	–	496	275	771
<b>Total</b>	<b>9 174</b>	<b>15 046</b>	<b>6 039</b>	<b>9 314</b>	<b>15 213</b>	<b>24 360</b>	<b>39 573</b>
Foreign Nationals	–	–	–	–	79	74	153
<b>Grand total</b>	<b>9 174</b>	<b>15 046</b>	<b>6 039</b>	<b>9 314</b>	<b>15 292</b>	<b>24 434</b>	<b>39 726</b>

#### South African workforce by race

	2007	%	2006	%
African, Indian & Coloured	24 220	61	23 342	58.7
White	15 353	38.6	16 282	41.0
Foreign Nationals	153	0.38	114	0.3
<b>Total</b>	<b>39 726</b>	<b>100.0</b>	<b>39 738</b>	<b>100.0</b>

#### South African workforce by gender

	2007	%	2006	%
Male	15 292	38.5	14 740	37.1
Female	24 434	61.5	24 998	62.9
<b>Total</b>	<b>39 726</b>	<b>100.0</b>	<b>39 738</b>	<b>100.0</b>

#### Change in South African workforce

	2007	2006
Staff complement at 1 July	39 738	36 156
New appointments	6 179	8 143
Resignations	(3 491)	(3 094)
Retrenchments	(279)	(165)
Dismissals	(365)	(390)
Deaths or disability	(148)	(132)
Other*	(1 908)	(780)
Staff complement at 1 July	<b>39 726</b>	<b>39 738</b>

\* Contract workers

#### Total workforce

	2007	%	2006	%
South Africa	39 726	92.7	39 738	92.9
Rest of Africa	2 626	6.1	2 447	5.7
Other countries	530	1.2	573	1.4
<b>Total workforce</b>	<b>42 882</b>	<b>100</b>	<b>42 758</b>	<b>100</b>



## Global Compact

FirstRand is a signatory to the UN Global Compact. The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

### Labour Standards

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

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

**Principle 5:** the effective abolition of child labour; and

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

### Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

**Principle 10:** Businesses should work against all forms of corruption, including extortion and bribery.

# [www.firstrandsusrep.co.za](http://www.firstrandsusrep.co.za)

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(Registration No 1966/010753/06)

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ISIN code ZAE 0000 66304

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