

# 2012 sustainability performance

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## A message from FirstRand's chief executive

In 1992 the Rio Earth Summit confirmed global consensus on the need to ensure **“development that meets the needs of the present without compromising the ability of future generations to meet their own needs”**. 20 years later global leaders convened in Rio this year to address the challenges facing the sustainable development of the global economy today.

In the 20 years since the first Earth Summit the role of business in sustaining economic development has come into sharp focus. Massive corporate governance failures of the late 1990s, leading to the collapse of commercial giants such as Enron and Arthur Andersen, and the recent global financial crisis have crystallised increased accountability of companies to their shareholders and other stakeholders.

Simultaneously the prominence of pension funds as significant institutional investors has narrowed the divide between shareholders and other stakeholders – by virtue of their investments in pension funds ordinary people are now the most important shareholders on stock exchanges all over the world.





## STAKEHOLDER CAPITALISM

In recent years the Davos World Economic Forum has consistently featured discussions about the future of capitalism. Attending these meetings with delegates from developed countries I am always impressed by how advanced South Africa is as a country in formally addressing sustainability and stakeholder issues. South Africa's regulators and corporate citizens have taken bold steps to develop a practicable vision of stakeholder capitalism – which aligns the interests of shareholders and other stakeholders in the long run.

The business case for stakeholder capitalism is however clearer for some than others. The idea introduces a new generation of risk and opportunities related to the environmental, social and governance (ESG) performance of businesses. These have not yet become mainstream features of business processes, but are quickly being integrated as the discipline of stakeholder capitalism matures.

At FirstRand we recognise the long-run commercial significance of these issues and have proactively leveraged existing business processes and the Group's culture of innovation towards efficient integration of longer term sustainability thinking into business as usual.

## FIRSTRAND'S CONTRIBUTION TO SOCIETY

In this year's Integrated Report we introduced FirstRand's sustainability framework, providing stakeholders with insight into the fundamental drivers of future value and linking the Group's financial and operational performance with its broader socio-economic impact.

### **The fundamental role of banks in society is to provide stable platforms for people and companies to transact and thus create 'velocity of money' in the economy.**

This plays an important direct role in economic development and growth. Although we do not get operationally involved in our clients' activities, it is absolutely critical that we take sustainability into account when providing capital to them. This enables transformation towards more inclusive and sustainable economic development while protecting the financial stability of our business and the many sectors to which we provide finance.

Another key role of banks in promoting financial stability and inclusion is reflected in the good progress that FNB has made in providing access to financial services for the mainstream market. FNB has established itself as the market leader in cellphone banking with more than four million cellphone banking customers, most of whom were economically marginalised South Africans. Such benefits are also being exported to India and other countries in Africa where the Group has a presence.

FirstRand has recently become a level two Black Economic Empowerment (BEE) contributor and has gained significant traction through implementing its BEE strategy in a more coordinated way. BEE focus areas range from employment equity and BEE procurement to enterprise development and agriculture finance. Notwithstanding this progress BEE remains fraught with challenges in South Africa. We need to accept that we are not where we should be and that it will take years to fully transform our economy and society.





Every year 1% of the Group's after-tax profits are allocated to the FirstRand Foundation, which is the embodiment of FirstRand's belief that corporations have a responsibility – beyond their business as usual contributions – to positively impact the lives of the communities in which they operate. During the last year the Foundation's R84.4 million budget was invested in strategic, multi-year and, most importantly, evidence-based investments underpinned by robust monitoring and evaluation aimed at ensuring that real impact is achieved over time. Among other things, this funding helped provide more than 200 young South Africans with bursaries to study at university, increased access to early childhood development services for more than 3 000 children under the age of five, helped protect 41 endangered species and provided care to a monthly average of 80 000 people suffering from chronic illnesses.



As part of the FirstRand Foundation's activities, the FirstRand Volunteers Programme provides the Group's 36 000 employees with the opportunity to make a direct difference in their communities by matching employees' contributions to approved projects on a R1 for R1 basis. Since 2003 employees have donated over R24 million to worthy causes, which has been matched by a further R24 million.

The contributions mentioned above are all reinforced by formal processes ensuring the effective management of ethics performance at all operations. The FirstRand Code of Ethics is the cornerstone of our ethics management framework and all directors sign a pledge to adhere to this code. This year is the first time that the Group's integrated report includes a stand-alone report from the chairman of FirstRand's Social and ethics committee, which details the interesting and innovative ways in which good ethics are put to use to protect stakeholders' interests.

#### OUR COMMON FUTURE

The 20 years since the first Earth Summit have been important ones at home in South Africa. Growing up in apartheid South Africa the lack of sustainability was inescapable and we have achieved significant progress since those dark days. Now the sustainability challenges for the next 20 years will centre around ensuring that the benefits of this change are shared by a broader group of people. Using competitive markets and efficient businesses as a tool to enable these benefits must underline any journey towards more inclusive and sustainable economic development.

The development of the United Nations Principles for Responsible Investment, the JSE's own Socially Responsible Investment Index, the King III Code and individual company efforts have all added momentum to the realisation of sustainable development through inclusive, competitive and responsible businesses practices. However the biggest challenges to the further development of stakeholder capitalism are in the boardrooms, offices and hallways of companies and institutions where sustainability principles are being translated into commercial realities every day.

On that note I am proud to introduce the Group's franchise 2012 Reports to Society, which provide some of the practical highlights of FirstRand's ongoing contribution towards a brighter future for all stakeholders. Stakeholders are also encouraged to read FirstRand's 2012 Integrated Report for a detailed review of the Group's sustainability performance during the year.

Regards,

**Sizwe**

