FIRSTRAND

environmental and social risk report 2017

highlights

23 % **increase** in lending transactions screened for environmental and social risks in South African operations	>100% **increase** in number of transactions where clients were engaged on their environmental and social processes	3 million kWh **planned electricity saving** at Fairland campus by installing solar panels on carports
8% **reduction** in total carbon emissions from South African operations	awards FirstRand retained its score of **A-rating** in the Carbon Disclosure Project 2017 for climate change and emissions management	9 **Equator Principles** defined project finance transactions reached financial close

INITIATIVES

implementation of renewable energy projects in FirstRand buildings	environmental and social risk conduct forum in FNB and WesBank	introducing review of climate change and water risks in lending portfolios

integrated highlights

FINANCIAL

FIRSTRAND

Ordinary dividend per share	Normalised return on equity (%)	Diluted normalised earnings per share (cents)	Normalised earnings (R million)
↑13%	23.4%	↑7%	↑7%
2017: 255.0 I 2016: 226.0	2016: 24.0	**2017: 436.2** I 2016: 407.4	**2017: 24 471** I 2016: 22 855

SOCIAL

Economic value added to society (R million)	Total workforce (number)	South African workforce (number)	% ACI employees (SA operations)
↑11%	44 916	↓1%	76%
2017: 110 827 I 2016: 99 969	2016: 45 100	**2017: 37 728** I 2016: 38 216	2016: 75%

OPERATIONS

↑4%	↑88%	3.2 million	R35 bn
2017: 7.802 million 2016: 7.483 million	of total FNB value	policies on new group life licence	of deals

about this report

As a provider of financial products and services FirstRand is a systemically important participant in the economy and in the allocation of the financial services profit pools of society. FirstRand knows that achieving that "sweet spot" where financial and societal value creation intersects, requires innovation, deep thinking, attitude and effort.

In recent times, the deployment of financial resources and the implications for the natural environment and broader society has come into sharp focus. All economic activities leave social and ecological footprints, and it's important to understand these to ensure the longer-term sustainability of the society we are trying to build tomorrow through the investments we are making today.

FirstRand has invested significant time and resources to properly understand the social and environmental footprints of the activities it finances. It now has formal and enterprise-wide governance oversight of lending and investment activities with any material social and environmental impact underpinned by reliable and robust measurement and performance management frameworks to monitor environmental and social risks on an ongoing basis.

Whilst we continue to make good progress, we still have much to learn.

This report provides an update on progress made during the year and we would welcome your feedback via the contact details provided at the end of the report.

ALAN PULLINGER
Deputy CEO

CLIMATE RISK IN BUSINESS AND PORTFOLIOS

The Global Financial Stability Board (FSB) was established as a task force on climate-related financial disclosures (TCFD) to develop recommendations for more efficient and effective climate-related disclosures. The aim is to support more informed investment, credit and insurance underwriting decisions, and enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector, as well as exposures to climate-related risks. FirstRand is engaging with the TCFD processes via United Nations Environment Program Finance Initiative (UNEP FI) and Banking Association South Africa (BASA).

The final report of TCFD has been an important development that will affect how financial institutions disclose risks with a focus on governance, strategy, risk management, metrics and targets.

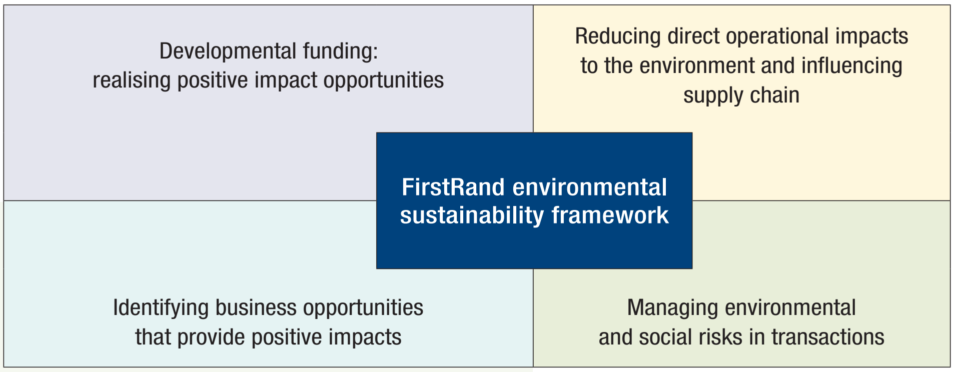
FirstRand's risk frameworks incorporate climate change-related risks. Progress to date includes:

- reducing carbon emissions associated with operations by reducing energy consumption;
- addressing business continuity and resilience issues;
- identifying opportunities to adapt business and develop climate change-related finance products and solutions;
- compliance with upcoming regulations on carbon emissions and energy reporting;
- assessing potential carbon tax liabilities and management controls in private equity investment decisions;
- reviewing sectors which are impacted by effects of climate change, and adaption and mitigating actions taken by clients with resultant changes to their business and finance models (e.g. changes in terms of loans to agricultural sector from changed harvest times);
- meeting energy and emission reduction targets;
- engaging with development finance institutions and development of products enables FirstRand to play a role in in facilitating finance for clients;
- focused monitoring of climate-related changes in sectors such as agriculture and mining enabling FirstRand to adapt its long-term origination strategies;
- transferring lessons learnt through own energy efficiency programmes to customers;
- taking leadership roles in the Global Steering Committee and other board committees of UNEP FI, the National Business Initiative committees on environment and society, and green finance, and the sustainable finance forum of BASA;
- establishing a focus group of in-house electrical engineers to support bankers; and
- determining renewable energy and efficiency solutions for agricultural and commercial clients.

ENVIRONMENTAL AND SOCIAL RISK CONDUCT FORUM (ESRC)

The FNB/WesBank ESRC forum operates within the FirstRand environmental sustainability framework and the group code of ethics, and performs the following functions.

The environmental sustainability framework is comprised of programmes and initiatives which impact four areas of business:



environmental and social risk management

FirstRand's environmental and social risk management team forms part of the Enterprise Risk Management business unit. This enables the integration of environmental and social risks and the identification, management and mitigation of climate-related risks or opportunities into group risk management processes.

Management and assessment of environmental and social risks

Risk criteria allow for the prioritisation of risks and determination of materiality for the group. Materiality is assessed as part of the group's business performance risk management framework.

Each franchise defines its own action plans for addressing these risks in line with their risk appetite. Mitigating actions are defined at group and franchise level, and progress in respect of these is tracked through existing risk reporting structures.

Provision is made for the escalation of significant environmental issues to the board via the FirstRand risk, capital management and compliance, and social, ethics and transformation committees. The impact and likelihood of these risks is evaluated, considering measures for management, mitigation and avoidance.

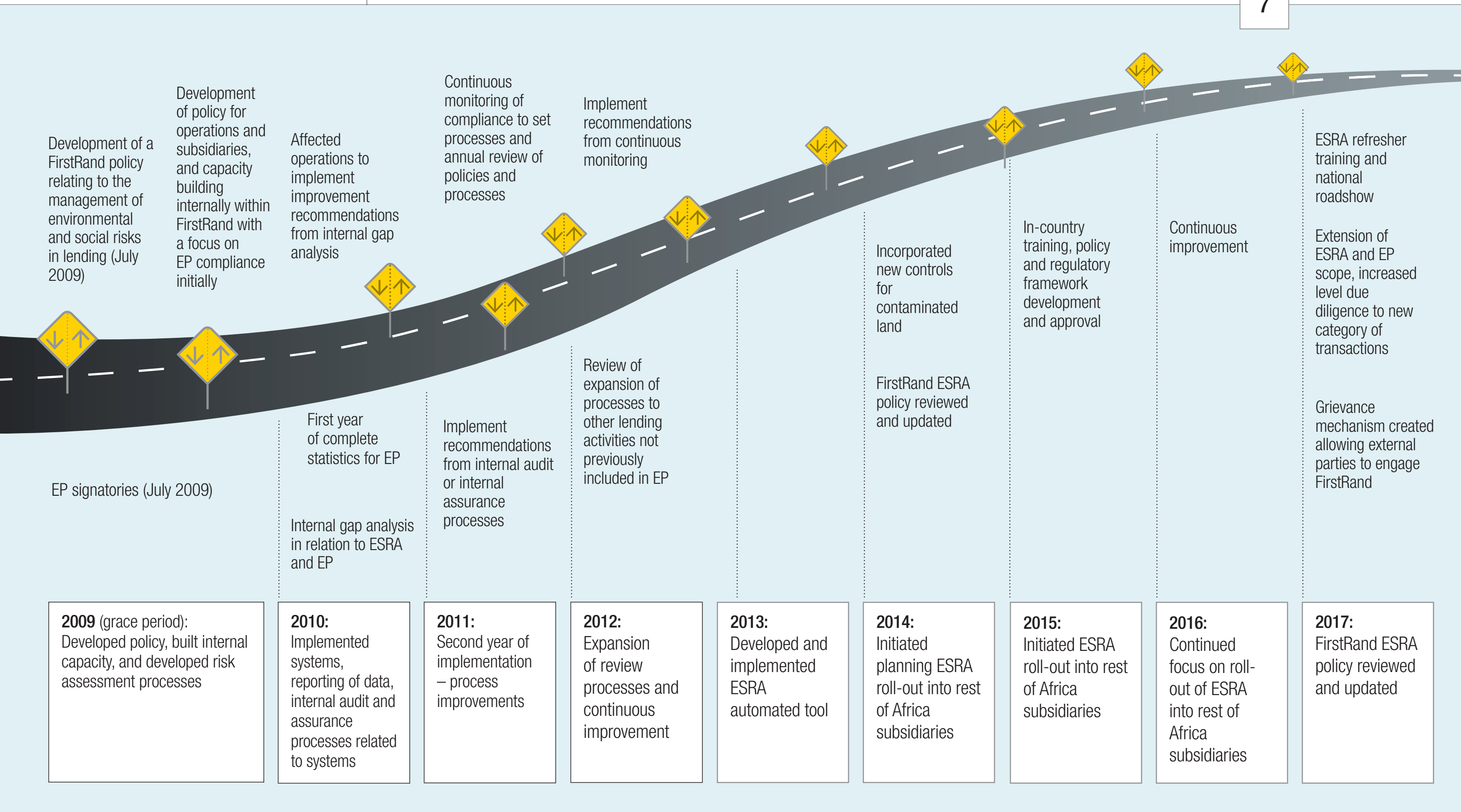
Opportunities are assessed and prioritised in terms of the impact on the business, management requirements, costs of implementation and potential benefit.

ESRA STRATEGY

FirstRand's ESRA process is the first stage in a credit process to identify and assess issues that may create risks to local communities, the environment, regulatory or reputational risks to either FirstRand or the client.

The ESRA process is an essential part of the formal credit-governance within FirstRand and its franchises. The system has been continuously developed and improved over the past decade and forms the foundation of the group's positive impact ambitions.

> The ESRA process is automated and includes all commercial lending and investment banking transactions. The group has worked with international peers in the formulation of its policies.

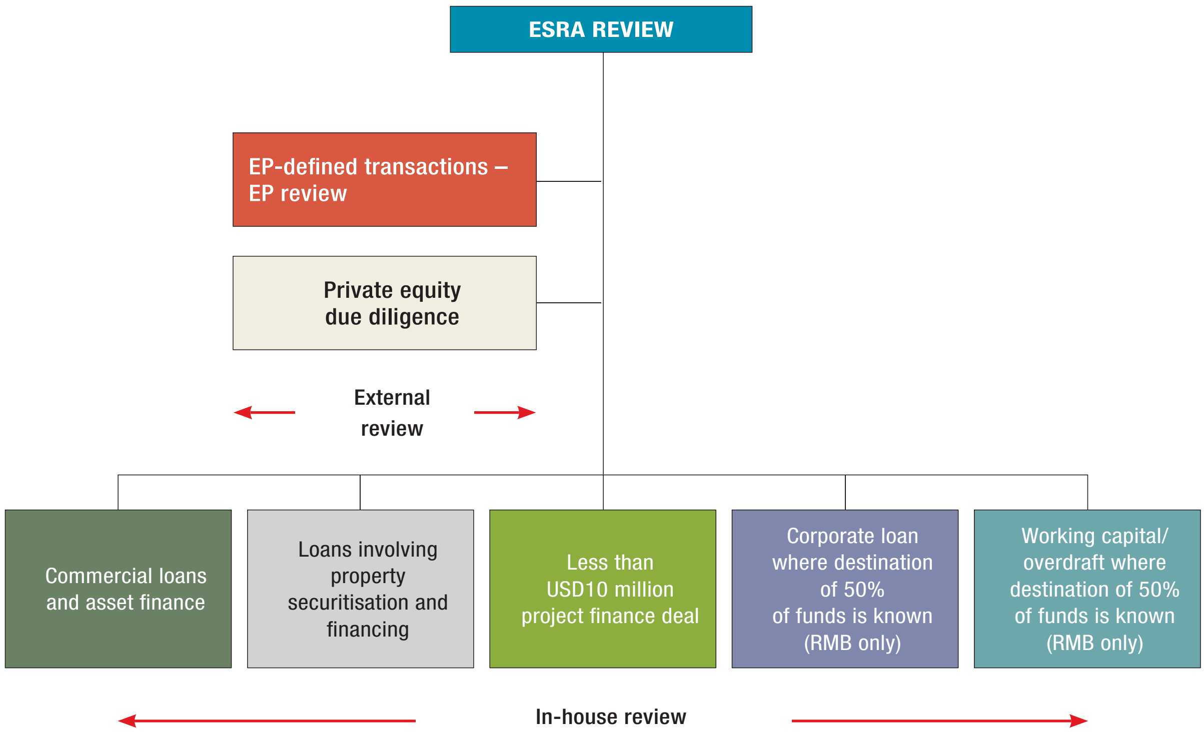


ESRA includes a built-in sensitive sector and activity screening, and is formally integrated into the group's credit risk governance process and enterprise-wide ethics and conduct committee structures.

ESRA PROCESS

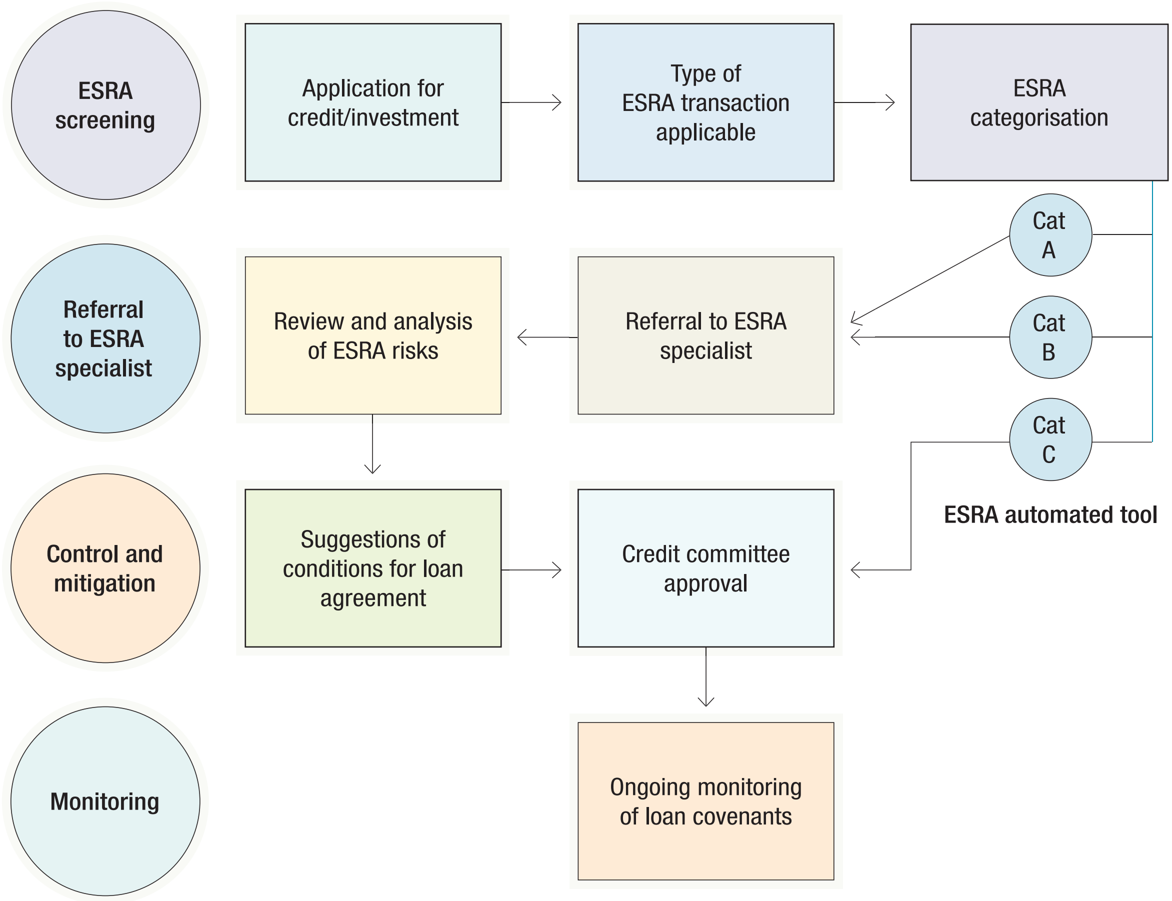
Loan and investment screening starts when an application for debt funding or an investment is proposed. The automated tool is used to check whether environmental and social risks are applicable to the transaction and whether the activity is categorised as a high, medium or low risk. Medium and high-risk transactions go through further due diligence processes before submission to the credit committee for consideration.

Application and scope of ESRA



ESRA assessment process flow

The automated tool is designed to screen transactions for risks and filter activities listed as excluded or restricted activities. If a transaction falls within these categories, an alert is sent to the franchise's ESRA risk reviewer.



Transaction risk categories

HIGH RISK	MEDIUM RISK	LOW RISK
CATEGORY A	CATEGORY B	CATEGORY C
• High risk for potential environmental and social impact. • Transaction with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented. Issues relating to these risks may lead to work stoppages, legal authorisations being withdrawn and reputational damage. Examples could include projects involving the physical displacement of the natural environment or communities.	• Average risk for potential environmental and social impact. • Transaction with potential limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures. Issues relating to these risks may lead to fines, penalties or legal non-compliance and reputational damage. Examples could include increased use of energy or increased atmospheric emissions.	• Projects with minimal or no social or environmental impacts.

Additional considerations would be whether the transaction being financed or the client in question can pass a six-point test:

- Is the activity legal?
- Does the activity/client meet standards contained in the code of ethics or other policies?
- Does the activity/client meet national and international best practice standards?
- Can FirstRand or the franchise involved in the financing/investment publicly defend the financing of these activities/clients?
- Is this a responsible investment from a credit risk perspective?
- Does the client have the capacity or inclination to address any identified issues?

After any disbursement of funds where an ESRA risk is identified, ongoing monitoring is conducted to ensure that all the appropriate environmental and social risk management covenants, warranties or conditions included in the loan documentation have been fulfilled.

Excluded activities

FirstRand does not fund illegal activities. If a client is in violation of administrative law, such as lacking permits, or not in compliance with the conditions and standards set by the group, the transaction team and FirstRand's specialists encourage and work with the client to achieve compliance. An environmental action plan developed by the client may be required to be submitted for compliance monitoring.

A transaction wherein there is disagreement on the final decision due to the risks involved will be reported to the quarterly divisional social and ethics committees by the relevant chief risk officer, and to the FirstRand social, ethics and transformation committee for noting and discussion purposes.

FirstRand will not finance the following activities

1. Production and manufacturing of unbounded asbestos fibres
2. Human trafficking
3. Activities involving ozone-depleting substances such as PCB's
4. Activities involving destruction of high conservation value areas
5. Cross-border trade in waste unless compliant with the Basel Convention and the underlying regulations
6. Child or forced labour
7. Racist and anti-democratic media
8. Activities that are illegal in the host country or by international agreement
9. Prostitution and pornography
10. Unsustainable fishing methods
11. Trade in endangered wildlife, flora and fauna (CITES)

PERFORMANCE MONITORING

Transactions funded in the year ended 30 June 2017

CAT A		**875**
CAT B		**5 677**
CAT C		**3 058**
Total transactions screened for environmental and social risks (high or medium risk rated transactions)		**9 610**
6 552 transactions involved engaging with clients about their environmental and social processes and management plans.		
SA-based transactions		**8 886**
Rest of Africa transactions		**724**
EP-defined project finance transactions[RA]		**9**
Of these EP project finance transactions: 3 were in the infrastructure sector and 6 in retail sector		
EP-defined project finance advisory transaction (renewable energy)		**1**
42% of the total reviewed deals were from the agricultural sector	22% from real estate	11% from the industrial sector

[RA] *External reasonable assurance provided over total EP-defined project finance transactions.*

ESRA PROGRAMME DEVELOPMENTS

- High-level climate change risk assessment was introduced into the transaction reviews.
- Since the roll-out into the large African subsidiaries, 75% of the employees identified as playing potentially key roles completed ESRA training.
- Engagement with FNB clients on select high environmental and social risk transactions was incorporated into the ESRA process.
- FNB developed an environmental and social risk conduct (ESRC) forum, chaired by the head of credit, FNB Commercial.
- In 2017, position statements supporting the FirstRand excluded activities list and sensitive industries list were updated, redrafted and reformatted for ease of use.

Africa ESRA roll-out

FirstRand is rolling out its ESRA process to all its African FNB subsidiaries as well as all investment banking deals across the continent:

ESRA roll-out in the rest of Africa

	Namibia	Zambia	Tanzania	Botswana	Swaziland	Lesotho	Ghana	Mozambique
Environmental and social legal framework for country completed	✓	✓	✓	✓	✓	✓	✓	✓
Initial training and presentation to exco – subsidiary exco agreement on ESRA principles, implementation plan and process	✓	✓	✓	✓	✓	✓	✓	In process
ESRA online training (Oracle) training by impacted employees	✓	✓	✓	✓	✓	✓	In process	In process
Subsidiary ESRA policy completed	✓	✓	✓	✓	✓	✓	In process	In process
Go-live date: implementation of ESRA process	1 Aug 2016	1 Aug 2016	1 Jul 2016	1 Feb 2016	1 Oct 2016	1 Jul 2016	In process	In process

Status acceptable

As part of the Africa implementation, each subsidiary has the following:

- country-specific ESRA policy;
- country-specific legal framework of environmental and social-related legislation;
- training of the executive committee and online e-learning ESRA training for all affected employees;
- an environmental responsibility clause has been embedded in client agreements across all subsidiaries;
- provision for ESRA has been embedded into credit applications as part of the approval process; and
- development of an incremental three-year implementation plan for the ESRA process per country.

Environmental and social risk training and awareness

FirstRand, through its franchises, conducts training courses and programmes for its employees in areas of environmental, health and safety, corporate governance and risk management. Programmes under the environmental and corporate governance categories are mandatory for employees in designated roles to comply with regulatory requirements.

Training records are kept on the Learning Management System.

ESRA residual risks

Despite all the work undertaken to identify and mitigate key environmental and social risks related to any commercial or investment banking lending, residual risks do remain.

Ongoing monitoring assists the group to identify and manage residual and social risk.

Examples of residual environmental and social risks in transactions

- Authenticity of the environmental impact assessments and records of decision conducted on behalf of the client.

  Delays in issuing of water licences, permits and power purchase agreements.
- Disruptive technologies are rapidly gaining acceptance as these offer solutions for slowing climate change, potentially altering the cost benefit analysis of projects already being planned.
- Contaminated land, particularly as many loans are securitised through land holdings.
- The risk of assets being stranded either during construction process or operational phase due to increased concerns over climate change cannot be discounted.
- International concern about climate change. A typical infrastructure finance deal can take years to negotiate and implement. Projects that are currently approved may, in the future, become less attractive due to the imposition of carbon taxes and pricing structures.
- Banks work within the regulatory and policy framework of the country.

  Changes to policy could impact projects already financed.

FirstRand Equator Principles report

FirstRand became an EP signatory in 2009 to provide a specialised subset of its ESRA process for its investment banking franchise, RMB. The process is defined by the EP association and the adoption of International Finance Corporation (IFC) performance standards. It applies to corporate loans of an equivalent value of US$50 million, project finance deals greater than US$10 million and project finance advisory transactions.

Project finance transactions are considered, screened and funded by RMB where ESRA specialists assess independent EP project reviews on Category A (high risk) and Category B (medium risk) projects. These projects have the potential to have a significant negative impact on the environment and/or society.

EP reporting is externally assured by an independent third party in line with the requirements set out by the EP Association. This year, KPMG provided reasonable assurance of the EP figures. See the KPMG opinion attached to this report.

All category A and B transactions underwent independent EP reviews to establish each project's environmental and social risks, and reached financial close during the reporting period. Financial close is assumed when all conditions preceding the initial debt drawdown have been satisfied or waived.

During the year the following EP project finance transactions reached financial closure.

EP transactions funded by risk category and industry	Mining	Infrastructure	Power	Renewables	Retail	Oil	Gas	Total[RA]
A (high risk)	0	1	0	0	0	0	0	1
B (medium risk)	0	1	0	0	0	0	0	1
C (low risk)	0	1	0	0	6	0	0	7

Region	A (high risk)	B (medium risk)	C (low risk)
Africa	1	1	7

[RA] *External reasonable assurance provided over total EP-defined project finance transactions.*

No EP-defined corporate loans reached financial close during the period.

One project finance advisory transaction for a renewable energy transaction in Africa took place during the period.

The requirements or expectations in terms of environmental and social aspects are:

- project is to have all required authorisation/permits/licences in place before financial close;
- for project finance, the project should be materially compliant with EP (which include the IFC performance standards) prior to financial close; and
- ongoing monitoring of the project will take place post financial close to ensure that it remains in compliance with EP and applicable regulatory requirements.

Environmental and social risks: Challenges for the group

The group is concerned about climate change and the risks it poses for Africa, clients and their businesses. The dilemma that developing nations and financial institutions face is that they need to support economic growth and the energy supply that underpins it. Total divestment from fossil fuels in South Africa could lead to stranded assets and lost growth opportunities for South Africa.

The fossil fuel industry employs a considerable number of South Africa's population. Further jobs are created in the downstream and upstream supply chains. Electricity and energy sector jobs include coal mining, new coal liquefaction, electricity generation and distribution, liquid fuels production technologies, crude oil refineries and gas-to-liquids, all of which play an important role in the country's economy and for reducing unemployment and alleviating poverty. Electricity production in South Africa is characterised by high dependence on coal. The current government energy strategy includes a peak-plateau-decline scenario for coal emissions, and it will, therefore, remain essential for major banking institutions to provide those coal-mining companies with financial facilities, if that policy remains unchanged.

As a result of these considerations, FirstRand does not currently exclude the funding of coal-fired power stations. All related credit transactions, however, go through an enhanced environmental and social risk review of the effectiveness of mitigation measures.

RMB has, in addition to its involvement in the fossil fuels industry, financed independent renewable energy power producers to the value of over R50 billion since 2011 and continues to make inroads in funding customers for own-use solar power infrastructure.

This is an area of ongoing focus and innovation.

climate resilience and energy management

There is no doubt of the urgent need for the country to speed up its economic transition to lower impact energy sources, but this must take into account the growing population and the need for jobs to combat unemployment. The group's focus as an investor and lender is on assisting clients with planning in building climate resilient infrastructure and contributing to a water efficient, lower-carbon economy and society.

WATER

Water quality and availability is already a key issue in much of southern Africa and as it is linked to the productivity of key industries, it is one where financiers can play a role. Through its ESRA processes, FirstRand requires clients to assess the impact of projects on water and to manage their vulnerability to extremes of drought and flood.

Reduced water availability is compounded by backlogs in water infrastructure maintenance that pose continuity risks to FirstRand's own operations and its client's activities.

Examples of water and climate change-related risks in transactions/sectors financed.

THE FISHING INDUSTRY is already experiencing **higher water temperatures** and a resultant shift in where the catch is, often some distance from the existing processing infrastructure and with a concomitant impact on prices.

RAPID URBANISATION – with the expansion of built-up areas, more and more impermeable hard surface covers large metropolitan areas, reducing the ability for the water table to recharge, and increasing run-off speeds contributing to floods that are destructive to roads and other infrastructure.

DETERIORATING WATER DISTRIBUTION and purification plants and pollution linked to informal settlements and industry is also adding to the burden of supplying quality water to the growing population. This is exacerbated by destruction of wetlands, mining, energy use and deforestation.

AGRICULTURE IS IMPORTANT in all African countries, and water availability and climate change has a direct impact on crop and livestock productivity, resulting in an adverse impact on domestic food security as well as high-value export commodities. Climate change can also lead to a decrease in the diversity of plant and animal species, creating many more indirect threats.

HUMAN HEALTH is also directly and indirectly impacted through heat stress, changing patterns of insect-borne disease and food insecurity, placing an additional socio-economic impact on both urban and rural settlements, and adding to existing problems of inadequate housing and planning and development of urban areas.

ENERGY AND EMISSIONS MANAGEMENT

Own operations

Energy and water security has already had an immediate effect on FirstRand's business continuity planning in recent years. South Africa's recent drought is raising water security concerns across all sectors of the economy.

As part of the climate resilience programme and management of direct environmental risks, FirstRand actively takes steps to measure, manage and reduce the environmental footprint of its operations.

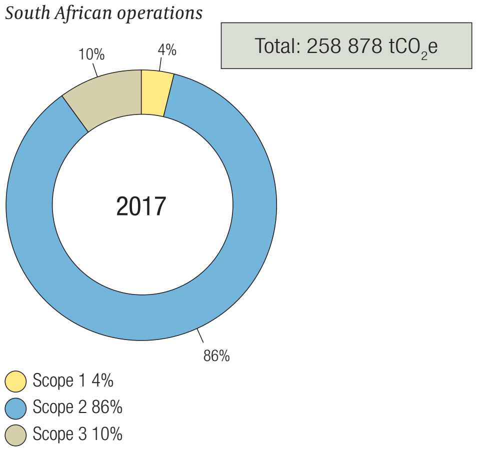
Reducing the group direct environmental footprint is driven by the need to reduce carbon emissions associated with operations, and achieve greater operational efficiency and contain costs, whilst growing the business.

Carbon emissions (metric tonnes of CO_2 equivalents)		2017	2016	% change
Scope 1	Fleet travel (fuel)	**6 911**	7 098	(3)
	Generator diesel	**406**	157	158
	Refrigerant gas	**2 334**	2 566	(9)
Total Scope 1		**9 650**	9 821	(2)
Scope 2	Electricity – buildings	**209 241**	238 682	(12)
	Electricity – ATMs	**12 506**	7 648	64
Total Scope 2		**221 748**	246 329	(10)
Scope 3	Vehicle travel (reimbursements, car allowances and rental cars)	**5 313**	5 627	(6)
	Flights	**15 956**	12 873	24
	Paper	**2 515**	2 470	2
	Fuel well-to-tank	**1 456**	1 439	1
	T&D losses electricity	**2 240**	2 439	(8)
Total Scope 3		**27 480**	24 848	11
Total carbon emissions South African operations[LA]		**258 878**	280 998	(8)
Per capita		**6.86**	7.35	

[LA] *External limited assurance provided over total carbon emissions for South African operations.*

Carbon emissions

South African operations

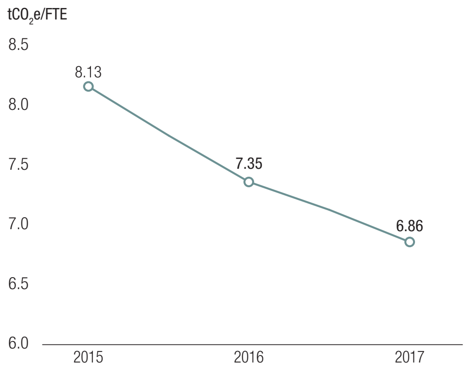


Scope 1
- Fuel consumed in fleet vehicles
- Diesel purchased and consumed by generators
- Refrigerant gas consumed

Scope 2
- Electricity consumption – buildings
- Electricity consumption – ATMs

Scope 3
- Vehicle travel (km travelled – reimbursements, car allowances and rental cars)
- Flights
- Paper
- Fuel well-to-tank
- Electricity T&D losses

Carbon emissions per capita
South African operations



Energy efficiency

A number of projects and initiatives have been implemented in the group to reduce carbon emissions and achieve reduction targets, including low carbon energy installation projects such as:

- solar PV installations at facilities;
- building retrofits with energy efficient technologies;
- optimal management of resource consumptive technologies and practices;
- consolidation of buildings and reduction in floor space size occupied; and
- employee engagement, incentives and awareness programmes.

Electricity consumption (including ATMs), which represents approximately 86% of the South African operations' carbon emissions, decreased 10% compared to the prior year. The total carbon footprint for South African operations decreased 8% compared to the prior year.

Carbon emissions reduction target

The group adopted a proactive strategy and set a carbon emission reduction target for South African operations. The absolute target is a 20% reduction in South African Scope 1 and Scope 2 emissions (excluding ATMs) by 2020 based on 2015 baseline of 258 926 tCO_2e. This target covers 91.8% of FirstRand's gross global Scope 1 and 2 emissions. This baseline was adjusted and restated in 2016 (248 606 tCO_2e) to account for newer and more comprehensive data that became available for the FNB Points of Presence (PoP) component of electricity consumption.

Energy reduction targets

After taking part in the Private Sector Energy Efficiency Project in 2015, the group updated its electricity reduction target, setting an absolute electricity reduction target for South African operations of 15% by 2020 based on 2015 baseline. The new baseline value includes only electricity consumption in South African operations and excludes offsite ATMs.

Scope 2 emissions for FNB PoP target exclude emissions from FNB's presence in Africa and offsite ATMs until improved measurement and management programmes are available.

Progress against targets

FirstRand has made excellent progress against targets as shown in the table below.

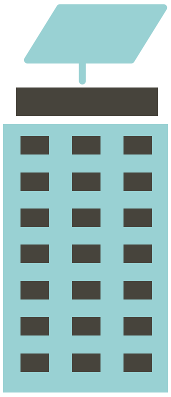
ahead of target

Baseline year	2015
Target year	2020
Target time period (years)	5
Current reporting year	2017
Number of years into target time period	2
% complete in terms of time for meeting target	**40%**
Absolute target 1: Energy reduction target: 15% reduction on South African Scope 2 emissions (excluding ATM emissions) by 2020 from 2015 baseline	
Base year emissions (tCO_2e)	248 606
Reduction target emissions in 2020 (tCO_2e)	211 315
Current reporting year emissions (tCO_2e)	**209 241**
Difference (absolute) (tCO_2e)	(39 365)
Percentage reduction achieved	**16%**
Absolute target 2: Carbon emission reduction target: 20% reduction on South Africa's Scope 1 and 2 carbon emissions (excluding ATMs) by 2020 from 2015 baseline	
Base year emissions (tCO_2e)	258 926
Reduction target emissions in 2020 (tCO_2e)	207 140
Current reporting year emissions (tCO_2e)	218 892
Difference (absolute) (tCO_2e)	(40 035)
Percentage reduction achieved	**15%**

CHALLENGES: LOOKING AHEAD

The environmental and social risk management team, together with the energy management team, is considering new, longer-term, science-based greenhouse gas emission reduction targets in addition to the short-term targets for energy management. This is in line with South Africa's commitment to the Paris Agreement, which binds all countries to a single emissions reduction pathway, setting a long-term goal of keeping the rise in temperature to below 2 degrees centigrade compared to pre-industrial temperatures.

The group is also considering intensity targets to further examine the progress of carbon emission reductions throughout the group and its performance.



Green buildings and renewable energy

FirstRand is implementing renewable and energy efficiency projects across a number of its buildings. It has taken a multipronged approach to sustainability and natural capital management, which includes waste management, water conservation, energy efficiency and renewable energy.

Cape Town – Portside

Portside, FNB's regional head office for the Western Cape has a five-star "Green Star SA Rating", awarded for its eco-friendly design and environmental sustainability, energy and resource efficiency. Portside has 52 000m^2 of high-end office space on 32 floors with 1 382 parking bays and is one of the tallest buildings in the city of Cape Town.

Johannesburg – Fairland

One of the first Green Buildings of its size in the city when it was built in 2008. Since then, new technologies have been added. The building was awarded an as-built four Green Star rating in 2015. The Fairland campus, which has 1 015 external parking bays for the 5 000 WesBank and FNB employees, is being upgraded. A project to replace the shade net carports with 7 019 PV panels, at a cost of approximately R60 million was completed in October 2017. The anticipated annual savings in electricity costs will be approximately R3.9 million in the first year of operation. Once completed, this is expected to be one of the largest PV cantilever carports projects on the African continent.

Cost savings will not be the only benefit. Along with providing shade for the vehicles, the installation can provide 1 806 kW of peak energy to the building, with a total expected supply of 3 million kWh a year. The project enhances existing measures to reduce electricity consumption at the campus. Current measures have saved the campus about 40% of energy consumption, which equates to approximately R9 million a year.

The PV installation at Fairland will reduce the grid dependency of the property by 3.1 million kWh. This translates to an estimated saving of R3.94 million per annum. Electricity consumption is expected to decrease 20%.

Water conservation and waste management are also at the top of the agenda. Plans are underway to ease the campus' reliance on the municipality for water supply and water quality management. One of the solutions considered is supplying water via a borehole and rainwater harvesting. Waste management efforts will be directed at reducing waste landfill to zero percent.

annexures

INDEPENDENT ASSURANCE PROVIDER'S ASSURANCE REPORT ON SELECTED NON-FINANCIAL INFORMATION

To the directors of FirstRand Limited

We have undertaken an assurance engagement on selected non-financial information, as described below, and presented in the Environmental and social risk report 2017 of FirstRand Limited (FirstRand) for the year ended 30 June 2017 (the report). This engagement was conducted by a multidisciplinary team including social, environmental, assurance and sustainability specialists with relevant experience in sustainability assurance reporting.

Subject matter and related assurance

We are required to provide assurance on the selected information set out below (collectively referred to as selected non-financial information):

a) Reasonable assurance on the Equator Principles (EP) transaction performance data (total number of EP that reached financial close), prepared in accordance with EP, marked with 'RA' on pages 11 and 14 in the report.

b) Limited assurance on total carbon emissions data for the South African operations of FirstRand's franchises (FNB, RMB, WesBank, Ashburton Investments and FCC), prepared in accordance with World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol, marked with 'LA' on page 16 in the report.

Directors' responsibilities

The directors of FirstRand are responsible for the selection, preparation and presentation of the EP transaction performance data in accordance with the Equator Principles, and the total carbon emissions data in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Inherent limitations

Carbon emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

Our independence and quality control

We have complied with the independence and all other ethical requirements of the *Code of Professional Conduct for Registered Auditors* issued by the Independent Regulatory Board for Auditors (IRBA) that is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Part A and B), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

KPMG Incorporated applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express an assurance opinion and conclusion on the selected non-financial information based on the procedures we have performed and the evidence we have obtained.

We have conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements other than the Audits or Reviews of Historical Financial Information* and our limited assurance engagement in accordance with ISAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, both issued by the International Auditing and Assurance Standards Board. Both standards require that we plan and perform our engagement to obtain reasonable or limited assurance about whether the selected non-financial information is free from material misstatement.

An assurance engagement in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of FirstRand's use of the specified reporting criteria as a basis of preparation for the selected non-financial information, and performing procedures to obtain evidence about the quantification of the selected non-financial information and related disclosures. The nature, timing and extent of procedures selected depend on the practitioner's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments we considered internal control relevant to FirstRand's preparation of the selected non-financial information. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the EP transaction performance data.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Given the circumstances of our limited assurance engagement on the total carbon emissions data, in performing the procedures listed above we:

- interviewed relevant management and key personnel of FirstRand to confirm definitions and boundaries used for the total carbon emissions data;
- enquired about and inspected the processes and systems which generate, collate, aggregate, monitor and report the total carbon emissions data;
- conducted analytical reviews to establish trends in the carbon emissions data, to inform the testing of the accuracy and completeness of the carbon emissions data;
- inspected the models used to convert raw data generated by FirstRand into carbon emissions data, including the appropriateness of assumptions and conversion factors used;
- agreed the carbon emissions data presented in the report; and
- evaluated whether the information presented in the report is consistent with our overall knowledge and experience of carbon emissions data management at FirstRand.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether FirstRand's total carbon emissions data has been prepared, in all material respects, in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol.

Reasonable assurance opinion and limited assurance conclusion

a) *Reasonable assurance opinion*
In our opinion, the EP transaction performance data for the year ended 30 June 2017 is prepared, in all material respects, in accordance with the Equator Principles.

b) Limited assurance conclusion
Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the total carbon emissions data for the year ended 30 June 2017 is not prepared, in all material respects, in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Protocol.

Other matter

The maintenance and integrity of the FirstRand's website is the responsibility of FirstRand's management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the report or our independent assurance report that may have occurred since the initial date of its presentation on FirstRand's website.

Restriction of liability

Our work has been undertaken to enable us to express an opinion and conclusion on the selected non-financial information to the directors of FirstRand in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than FirstRand, for our work, for this report, or for the opinion or conclusion we have reached.

KPMG INCORPORATED
Chartered Accountant (SA)
Registered Auditor

14 December 2017

85 Empire Road
Parktown
South Africa
2193