

sustainability

FIRSTRAND LIMITED / Sustainability report 2004



FIRSTRAND



Message from the CEO

As one of the largest financial institutions in South Africa, we have an important role to play in **building and developing** our country. To this end we have actively participated in the drafting of the Financial Sector Charter, recognising its importance and the opportunities offered through its implementation.

We aim to have good corporate citizenship engrained in our corporate culture. As a values-driven Group, our emphasis on integrity implies that we want to spend most of our time integrating our values into the business and reporting only to the extent that it helps understanding between our stakeholders and ourselves, demonstrating that we do what we say. We would like to believe that it is **our actions, not our words** that are the primary reason for our ongoing success. You will see this perspective reflected in the fact that the majority of the information in this report is practical examples of our activities or data demonstrating their results.

Our ongoing interaction with stakeholders is an integral part of our business. We research, listen and debate issues because it is core to long-term sustainable profitability. We ask therefore that you judge us not only on the growth in our profits since 1998 but on how we interact with and serve our stakeholders to ensure that our impressive track record is maintained.

A handwritten signature in black ink, appearing to read 'LL Dippenaar'. The signature is fluid and cursive.

LL DIPPENAAR

Chief Executive Officer

FirstRand Limited

About this sustainability report



OUR PHILOSOPHY

FirstRand is a unique ‘federation’ of business entities in which the whole is greater than the sum of the parts. It is active in the financial services industry and at the strategic level is held together by a shared business philosophy which has **its roots** in an entrepreneurial culture and is essentially captured by the concept of **‘traditional values, innovative ideas’**. Long-term profitability and integrity in all we do are foremost in our philosophy.

Our structure / FirstRand is a diversified financial services group with interests in banking, insurance, health and asset management and employee benefits. At the operational level, FirstRand’s components, entrepreneurial profit centres, are distinctly autonomous with an owner-manager culture operating in a ‘free-market’ environment. As a result of our ‘federal’ structure, this report incorporates a series of brands, which address different target markets with different products.

Our stakeholders / Triple bottom line reporting requires that we address the management of our business in terms of the economic, social and environmental impact that it has on our society. This report deals with the FirstRand Group’s interaction with its major stakeholders. We have identified these as our customers, employees, suppliers, the communities in which we operate, the government and regulatory authorities and our shareholders.

Our approach to reporting / In this report, we seek to present you with accessible and easy-to-understand information. This is our second sustainability report

published in conjunction with our annual report. It covers the period 1 July 2003 to 30 June 2004. Discovery, which is a separately listed company, will produce its own sustainability report later in the year.

We have chosen to write this report in a way that reflects our philosophy. Because the philosophy is integral to who we are and how we do business, we have extracted from it guiding principles and used these to introduce the different sections of this report – you will see these at the top of each page. We have also allocated most of the space to examples of our practices and results.

Our federal structure means that our group companies engage in a great diversity of activities and markets and the consolidation of information is therefore not always appropriate. In this report, recognising this challenge, we have chosen to use examples of our business practices where they are most relevant. It is our intention in the future that our sustainability reports will be published under our major brands. In this way stakeholders will be provided with information that is important in their dealings with group companies.



Our choice of reporting framework / We subscribe to the principles of the Global Reporting Initiative ('GRI'), and have used these as our guide in deciding on the relevant information to include. You will find a GRI indicator summary on page 31. We have chosen, from the outset, to make the Financial Sector Charter an integral part of our business and there is no section in this report dealing specifically with it. However, activities relating to the Charter can be identified where you see the symbol . . . The process of collecting data both for this report and that required for the monitoring of the Group's performance, in terms of the Financial Sector Charter, is work in progress.

Boundaries of the report / The vast majority of our business takes place within South Africa and we have well developed (mainly) retail operations in Namibia, Botswana and Swaziland. RMB does project financing business across the African continent. Outside of Africa, we have operations in the UK, USA and Australia. This report focuses on South Africa, but mentions our global workforce statistics and African infrastructure investments.

Your feedback / We are mindful of the time and effort taken to read this report and it is our intention in future to provide most of the detailed information on our website. In our opinion this is the most efficient way of reporting. We are in the early stages of reporting on sustainability, and would like your feedback. Please send your comments to:

The Company Secretary
 FirstRand Limited
 PO Box 786273
 Sandton
 2146
 or adrian.arnott@firststrand.co.za

Social impact



Customers

OVERVIEW

“We seek **long-term** mutually beneficial relationships with clients”

Our customer base / Our customers cover the complete spectrum of the South African population ranging from low-income individuals to the largest corporations in our country. We estimate that our retail customer base exceeds six million people.

Customer satisfaction / To meet their challenging demands, independent researchers and in-house teams conduct research and measure levels of customer satisfaction. Our operations are signatories to the various codes of conduct which govern best practice and ethical behaviour in their fields. These include the Code of Banking Practice and Policyholder Protection Rules and the recently introduced Financial Advisory and Intermediary Services Bill. Those who feel aggrieved have access to industry ombudsmen.

Building long-term relationships / Innovative loyalty programmes encourage long-term sustainable relationships. These include Vitality at Discovery, eBucks at First National Bank, Multiply at Momentum and OUT-bonus at OUTsurance.

Extending services to the previously unbanked . / The Financial Sector Charter includes an undertaking by the banking industry to take banking services to rural communities. The aim is to ensure that by 2014 no South African will have to travel further than ten kilometres to the nearest banking facility. FNB's innovative mini-ATM device and its mobile branches are two new ways in which we are extending our services. We have also been developing offerings that are specifically designed for the SME market, emerging farmers and affordable housing.





Case studies

AFFORDABLE HOUSING FINANCE

RMB has designed a model for lending into the affordable housing market (finance in the range of R50 000 to R150 000). The key to this model is a risk sharing approach with other market players including FNB who provide retail finance and government. Credit has been approved for a series of projects, one of which is the King William's Town Housing Association a non-profit housing institution which will build, manage and initially own the houses in the development.

The first 500 houses have been built and approved buyers have taken occupation; the overall project entails 2 447 houses.

ASSISTANCE TO EMERGING ENTREPRENEURS

Entrepreneurs who lack track records and/or an asset-base to capitalise their businesses and raise bank finance pose unique challenges for conventional banking credit models.

FNB has developed a series of pilot approaches to this SME market. One of these has emerged as a fully fledged business called FNB Enterprise Solutions (FES). Its aim is to assist entrepreneurs with capital for start-ups, expansion, management buy-outs and BEE transactions. To qualify, small businesses need to have targeted or actual turnover of R500 000 plus per annum.

As success in this market requires focused expertise, a dedicated team of specialists has been recruited and developed. Funding is subject to a thorough due diligence process supplemented by appropriate after care and support through the newly established Enterprise Support team, who offer management, administration and strategic planning skills.

FES has access to guarantees for finance from French and Canadian development agencies as well as the South African Government's Khula scheme. Amongst their first customers are a radiography practice to serve the Umlazi township, a specialist embroidery company and a BEE stationery company.

Social impact



Customers *continued*

MOBILE BRANCHES AND MINI-ATMs:

FNB's portable branches are modular constructions providing all the services, features and benefits of a normal bank outlet but are considerably cheaper and quicker to erect. Clients have access to two tellers, two customer service consultants and two ATMs. The branches are powered by a generator and are linked to FNB's national communications network. These mobile branches allow FNB to conduct research, quickly and at relatively low cost, into the needs for banking services in remote areas.

FNB has also developed an innovative mini-ATM device. Located with retailers, this provides access to cash for communities previously out of reach of branches and traditional ATMs. There are now more than 1 200 such devices in operation.



HELPING THE SOUTH AFRICAN NATIONAL TAXI COUNCIL (SANTACO)

WesBank has for years been at the forefront in the creation of finance schemes in this highly volatile industry. In 2003 the industry found itself in the precarious position that, whilst it accounted for the transport of over 70% of South Africans, it was fragmented and disorganised, resulting in it receiving very little government assistance. This severely limited its economic viability.

The formation of SANTACO, with its democratically elected leadership carrying the full support of government, is set to change all this.

WesBank has thrown its weight behind SANTACO by creating a joint venture finance company that will be known as the SA National Taxi Finance Company. It has donated computer equipment and the services of its portal technology development company to build and administer a membership administration system.

WesBank has also seconded, at its own expense, a senior executive with valuable project management skills, to assist SANTACO with their establishment and organisation and thereby provide a sustainable solution to the nation's transport challenges.



DATA

OUR RSA BANKING FOOTPRINT

Branches	646
Mobile branches	6
ATMs	2 230
Mini-ATMs	1 200+

- Ikwezi - Gauteng
- Kozi Bay - KZN
- Lady Frere - Eastern Cape
- Cala - Eastern Cape
- Tembisa - Gauteng
- Mogwase - North West

AWARDS WON BY FIRSTRAND BUSINESSES

- FNB voted Best Bank in Namibia (PMR Diamond Arrow Award, The Banker)
- FNB rated Best Bank in Botswana (Euromoney)
- RMB rated best in Private Equity, Mergers and Acquisitions and Structured Finance (PricewaterhouseCoopers)
- RMB rated top BEE commercial financier (Business Map)
- WesBank voted best in Motor Vehicle Finance (PricewaterhouseCoopers)
- RMBAM performed best over the past year in Global Large Manager Watch (Alexander Forbes)
- Discovery ranked first for health insurance, life risk products, customer relations, innovations and technically competent staff (PricewaterhouseCoopers - peer survey)

FNB won the **South African Satisfaction (SAS) Index award in Banking** for the third year running this year and came third overall in the Index which uses 27 measures of customer satisfaction. The award aims to provide a consumer-driven, objective and neutral measure of consumer satisfaction and to allow for inter-industry comparison.

Social impact



Employees

OVERVIEW

“We employ people who are **committed and passionate** about what they do”

“We encourage **entrepreneurial and intrapreneurial self-starters**”

“We believe in **empowering people** and holding them accountable”

This section describes our philosophy and values, gives data on employee satisfaction and remuneration policies, and our investments in employment equity and training. It also describes how we tackle issues relating to our employees' health and safety and consultation with employee representatives.

Employee satisfaction / We communicate on a regular basis via closed circuit TV, discussion groups and in-house magazines. Annual surveys are conducted to determine levels of employee satisfaction. At the banking group level, the latest survey conducted into the Bank's culture and philosophy saw 25 000 staff members representing 85% of the total number employed participating (see data section for results).

Grievance procedures and policies exist throughout the Group.

Remuneration / Our group companies pay market-related salaries and reward exceptional performance. Their remuneration structures, though specific to each industry, nevertheless share a common framework in terms of pensions (independently monitored, funded upfront and actuarially certified), salary review periods (annually) and salary review criteria (linked to industry practices and company performance). Bonuses are not guaranteed: they are linked to the performance

of the individual concerned, the performance of their business unit and the profitability of the company. All remuneration strategies and practices are overseen by the FirstRand remuneration committee. Please refer to page 64 of the annual report for more detail.

Employment equity . / In terms of the Financial Sector Charter we are committed to increasing the ratio of staff from previously disadvantaged backgrounds. Our statistics show that our greatest challenge is at the senior management and executive levels.

We have programmes across the Group addressing employment criteria, training and ongoing education to make up the backlog (see case study).

Staff participate in diversity forums to promote cross-cultural understanding (see case study on FNB's Vuka programme).

Training . / Training interventions across the Group vary widely depending on market needs. There are also offerings available through internships and learnerships which allow us to train and develop talented individuals who exhibit potential.

In terms of labour legislation, 1% of the South African payroll is paid as a labour levy. From 1 April 2003 – 30 March 2004 the refund claimed by the Banking

Group based on investment in training was in excess of R20 million. In terms of the Financial Sector Charter, group companies will be required to spend a further 1.5% on the development of black staff and plans are under way to achieve this. Loans and study leave are available to staff wishing to further their education.

Consultation / Recognition agreements have been signed with SASBO and SACCAWU. Approximately 14 000 members of staff belong to these unions. Forums exist across the Group to facilitate open communication between management and staff.

Health and safety / Financial services companies are a relatively low-risk environment for health and safety issues. However, committees exist across the Group to monitor health and safety policies on our premises to ensure comprehensive precautions and procedures are in place for emergencies. These committees meet on a regular basis and comprise both management and employee representatives. For example, at RMB committees appoint Health and Safety officers who are their on the ground 'eyes and ears'. External audits of Health and Safety are conducted

annually and identified issues are inspected and reviewed on a quarterly basis.

Employee wellness programmes / Each group company has an Employee Assistance Programme covering stress management, financial and marital counselling and physical and substance abuse (see graphic on RMBAM Employee Assistance Programme).

HIV/Aids / In 2003 the Banking Group participated in an industry wide survey to determine the prevalence of HIV in the banking industry. The survey, based on a sample of 28.65% of the workforce, showed that 3.4% of employees were infected.

We have an HIV/Aids steering committee at banking group level which meets once a month, to provide input on the maintenance of an HIV/Aids policy, compliance with legislation, and comprehensive education and assistance plans across the Group to assist our staff in dealing with the pandemic. Related medical aid costs are covered by the Group company medical aid schemes.

Case studies

EMPLOYMENT EQUITY – SPECIAL INITIATIVES

We are involved in a number of specialised training initiatives aimed at assisting with transformation. These include:

- The Institute of Investment Excellence – the institute is run by RMB Asset Management and is aimed at helping black people to become investment professionals;
- Momentum Insurance and Investment College – this is a post-graduate course sponsored principally by Momentum and aimed at helping black graduates make the transition between university and business;
- RMB Academy – The academy runs specialised courses to upgrade skills for black people to enter the investment banking profession; and
- Trustee Training Programme – RMB Asset Management provide training for pension fund trustees, thereby contributing to good corporate governance within the pensions industry.

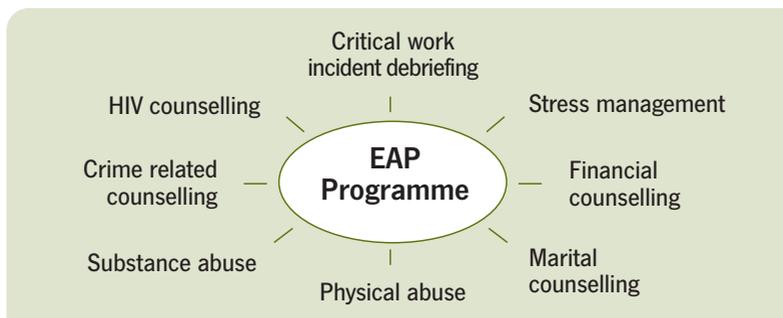
Social impact



Employees *continued*

EMPLOYEE ASSISTANCE PROGRAMMES – RMBAM EXAMPLE

Health and wellbeing is an essential aspect of our approach to employees. Appropriate services are available face to face or telephonically.



CROSS-CULTURAL PROGRAMME

FNB has been running a programme called Vuka, or 'wake up'. Currently more than 8 000 staff have participated in the programme. The unorthodox approach adopted seeks to ensure that the workplace can accommodate people from different backgrounds. It has shown that despite their different pasts blacks and whites share almost identical values. As part of the programme, managers from all backgrounds are sent into black townships via taxis or trains to experience a weekend in the lives of their colleagues and clients. The programme has unearthed some interesting business opportunities and besides helping staff to cope in the workplace, has allowed them to gain a better understanding of certain customer needs. It has also led to some business-unit-level staff initiatives.

PLANNING FOR THE FUTURE – CIDA CITY CAMPUS

A substantial financial grant of R2.5 million per annum has been made by FNB to Cida City Campus. This is a strategic investment in training and development of future potential employees. The funding is enough to pay for the tuition of 1 000 students from historically disadvantaged backgrounds. The Bank has further broadened its partnership with Cida, through the donation of its office block at 37 Harrison Street. The 11-storey, 12 000m² building will be used as a second campus by Cida to accommodate its learnership programmes. Replacement cost of the building is R35 million.

Working together, FNB and Cida have identified further opportunities for support. Some initiatives currently being piloted by FNB involve training students for temporary positions in call centres, branches and operational hubs.

PHILOSOPHY AND VALUES

“It’s all about values – not rules”

“We have always been guided by a strong set of values, and because we trust our people to live by those values, we have never needed a book of rules. In our experience, rules and doing merely what is expected of us always seem to lead to sterile thinking and unimaginative solutions.

We believe in traditional values and are strongly guided by good corporate governance. But we thrive on innovation, complexity and change. We respect the spirit of our agreements and strive to be leaders in corporate citizenship.

We have fun, but at the same time, demand extremely high standards from our colleagues. And everything we do, we do with passion.

We attract interesting and intelligent people, big thinkers who are prepared to challenge existing boundaries, and create new ones, to achieve the very best for our clients and our business. These people are our key asset. Providing our clients with imaginative, destiny-changing solutions is what drives us... and that is not found in any book of rules.”



PAUL HARRIS

CEO: FirstRand Bank

All staff entering the Group participate in induction courses explaining their employment conditions and rights, the structure and nature of the Group, its ethos and code of ethics.

Social impact

We attract interesting and intelligent people, **big thinkers** who are prepared to challenge existing boundaries, and create new ones

Employees *continued*

DATA

'Best company to work for' survey conducted by Deloitte Human Capital

2000	2001	2002	2003	2004
1st RMB	2nd RMB	3rd WesBank	3rd WesBank	6th RMB
10th Discovery	4th Discovery	4th RMB	7th RMB	7th WesBank
	5th Momentum	5th FNB Corp	8th FNB Corp	
	10th WesBank			
42 entries	79 entries	85 entries	113 entries	106 entries

Total employment numbers

	2004		2003	
	Number	%	Number	%
South Africa	32 732	91.3	32 110	90.8
Rest of Africa	2 331	6.5	2 305	6.5
Other countries	774	2.2	929	2.7
Total workforce	35 837	100.0	35 344	100.0

SA EMPLOYMENT PROFILE .





Culture and philosophy survey (2003)

Banking Group culture and philosophy survey undertaken by Deloitte Human Capital and Zitha Management Consultants. Where 1 is strongly disagree, 2 disagree, 3 agree and 4 strongly agree

I am proud to belong to the FirstRand Banking Group	3.32
I am proud to belong to my business unit	3.30
The FirstRand philosophy influences 'the way we do things' in my business unit	3.09
I have confidence in the leadership of the FirstRand Group	3.17
I have confidence in the leadership of my business unit	3.10
My business unit provides excellent customer service	3.19
My business unit contributes towards community upliftment	3.10
I can speak freely without fear of victimisation from my business unit management	2.75
My business unit practices diversity	3.04
My business unit is making progress towards achieving employment equity	2.94
Grand mean	3.10

Skills development

The Group's companies have traditionally not kept statistics on training expenditure which distinguishes between races. Following the introduction of the Financial Sector Charter, this has now become necessary. Based on current records, it is estimated that the spend during the six months to 30 June 2004 is as follows:

Cluster	Estimated total training spend R'000	% of payroll spent on training whites	% of payroll spent on training blacks
Corporate	3 953	0.4	0.4
Retail	41 371	2.7	2.3
Wealth	5 543	1.4	1.9
Finance, Risk and Audit	2 028	2.3	3.2
Group totals	52 895	1.8	1.7

Social impact



Employees *continued*

WORKFORCE PROFILE

South African workforce 2004

	AIC		White		Total		Grand total
	Male	Female	Male	Female	Male	Female	
1 Top management	12	6	104	18	116	24	140
2 Senior management	74	35	526	199	600	234	834
3 Professionally qualified and experienced specialists and mid-management	529	458	1 699	1 213	2 228	1 671	3 899
4 Skilled technical and academically qualified workers, junior management, supervisors	1 696	2 816	2 082	3 800	3 778	6 616	10 394
5 Semi-skilled and discretionary decision-making	3 525	7 426	883	4 669	4 408	12 095	16 503
6 Unskilled and defined decision-making	679	276	6	1	685	277	962
Total	6 515	11 017	5 300	9 900	11 815	20 917	32 732

AIC = African, Indian and Coloured

Change in South African workforce

	2004	2003
Staff complement at 1 July	32 110	31 035
New appointments	3 770	3 739
Resignations	(1 993)	(2 246)
Retrenchments	(89)	(120)
Dismissals	(104)	(192)
Deaths or disability	(58)	(106)
Other	(904)	-
Staff complement at 1 July	32 732	32 110



Suppliers

OVERVIEW .

Our procurement is **decentralised** and has been tracked and managed on that basis. Each business has used its own procurement policy and practices, as well as distinct systems.

We have recently established a Group-wide set of procurement guidelines to ensure that we are compliant with the requirements of the Financial Sector Charter and are in a position to meet our targeted commitment of 50% of spend being placed with BEE suppliers by 2008. This process is being driven by the FirstRand Procurement Council, which includes representation from all major business units.

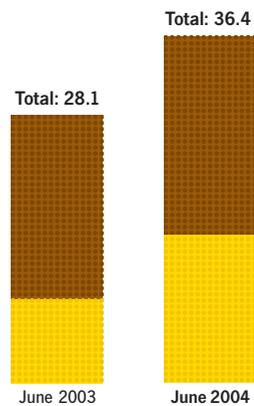
Through the Procurement Council, we have established a process for the accreditation of all our suppliers. This entails verification of ownership status, and operational capacity and a final audit by a FirstRand appointed BEE auditor. We are in the process of aligning systems and developing the capacity to report on our overall spend but are not currently able to measure accurately the extent to which procurement is from accredited BEE suppliers. This is further complicated by the fact that the Charter Council has yet to rule on the status of certain suppliers including parastatals and the IT industry.

Case studies

RMBAM BEE PROCUREMENT STRATEGY

Since December 2002, RMBAM has increased the percentage of its procurement being made through empowered companies from a base of 10% to 31% in June 2003 and 43% in June 2004. This is based on a BEE procurement policy which has two fundamental principles: empowerment of individuals within the supplier's company and the shareholder base being spread among several disadvantaged black individuals rather than a privileged group of individuals.

The knock-on effects of the new strategy are evidenced by the reaction of a number of traditional suppliers, including the travel agent used by RMBAM for 20 years. As a result of the policy, they now have an equity partner and are undertaking skills development, are officially rated and are in turn putting pressure on their own suppliers.



RMB Asset Management procurement (R million)

■ BEE spend
■ Strategic spend

Social impact



Community

OVERVIEW

“Grants during the year totalled **R52 million**”

Our reach as a financial services institution crosses the nation. As a result of this and the focus of our diverse business units, we support a broad range of initiatives across a wide geographical area. While the majority of our giving is done through our Foundation and we have a formalised Volunteer programme, our staff also continue to give through spontaneous initiatives responding to locally identified needs. In a process of interacting with the communities our people gain a better understanding of their financial and other needs. This leads to the development and marketing of appropriately priced products and services.

FIRSTRAND FOUNDATION

FirstRand Group companies annually contribute 1% of after tax profits to the FirstRand Foundation. Grant making decisions are driven by South Africa's socio-economic needs and, where possible are aligned to strategic company imperatives. The Foundation's operations are overseen by a board of trustees consisting of employees and independent community representatives and its day-to-day activities are administered by an independent, not-for-profit corporate social investment consultancy, Tshikululu Social Investments. The Foundation channels giving through four funds - FNB, RMB, Momentum and Discovery, each focusing on different areas depending on their respective industry and customer segments.

KEY FOCUS AREAS

Education – R14.3 million / The education sector continues to be the primary focus of the Foundation. As with all projects supported by the Foundation, key considerations when reviewing funding applications include innovation, integrity, impact and accountability.

All projects in the education sector are aimed at expanding the learning and skills of South Africa's youth, thereby helping to build a strong base for future economic growth. Key focus areas of the education portfolio include: early childhood education, maths, science and commerce programmes that allow greater access to tertiary studies and academic development and bridging programmes.

Health & HIV/Aids initiatives – R6.5 million /

The Foundation supports a number of community health programmes and initiatives aimed at improving service delivery and care to rural communities. We have also earmarked 10% of funds in support of programmes supporting people infected and affected by HIV/Aids. This includes support for organisations that build the capacity of community caregivers caring for Aids orphans and, through a dedicated programme totalling R1.5 million this year, assistance is provided to hospices country-wide that care for terminally ill Aids patients, programmes offering residential care for Aids babies and educational programmes aimed at reducing the incidence of HIV and Aids.

Skills training and job creation – R4.4 million /

Here preference is given to structured programmes that provide skills training, management support and capacity building for emerging entrepreneurs as well as programmes that promote entrepreneurial values amongst school children.

Community care – R3.6 million / Support in this sector focuses on areas of necessity, which have a lower profile and do not usually attract funding, yet are important in the overall development and wellbeing of society. These include providing care for those outside



of the mainstream, including the homeless, aged, frail and disabled.

The Business Trust – R12.7 million / This is a major national initiative through which business and government have joined hands to support strategic interventions in education and job creation focusing on the critical obstacles hindering progress in these vital areas of development.

Other areas of giving include support for initiatives stimulating debate on national policy issues such as education and land reform, crime and the economy; funding the arts and other cultural activities; support for environmental protection and conservation programmes; funding for programmes that promote ethics in society and safe communities and social re-integration programmes aimed at promoting safer communities and supporting people who are at risk of infringing the law or who are affected by drug, alcohol and physical abuse. Assistance is also provided to youth at risk and juvenile prisoners.

More details on the FirstRand Foundation can be found on the Foundation's website www.firstrandfoundation.org.za.

FIRSTRAND VOLUNTEERS

In 2002 President Thabo Mbeki appealed to South Africans to become a society of volunteers, calling on us to 'Rise up and do something'. FirstRand responded to his call by establishing the FirstRand Volunteers programme, which encourages our people to give of their time and skills to help communities in which they operate. In return the Foundation matches their contribution financially.

Projects included providing food and blankets for the homeless, funding homeless shelters, support for HIV/Aids orphans and orphanages, assisting HIV/Aids care centres, care for the disabled, care for the aged, childcare, funds and food for animal welfare

organisations, support for the CANSA association, visits and support to terminally ill patients in hospitals, support to nursery schools and rural schools, feeding schemes and soup kitchens. During the year a total of R800 000 was donated to charity organisations through employee volunteer initiatives.

Case studies

FIRSTRAND FOUNDATION BURSARY PROGRAMME

This programme aims to increase the number of graduates, especially in the commercial and maths and science sectors, from economically disadvantaged backgrounds. This new initiative provides bursary support and academic mentoring to students pursuing tertiary studies and was introduced during this year. Just over R1 million has been made available to assist 57 students to date. Students are not bound to any work obligations to FirstRand on completion of their studies.

NATAL SCHOOLS PROJECT TRUST

The Natal Schools Project Trust assists rural schools in KwaZulu-Natal to build additional classrooms. A grant of R641 000 was agreed to assist three schools to build additional classrooms. All participating schools are required to contribute towards costs of the building, albeit a nominal amount, thereby ensuring a real commitment to the development of their school environment.

UNIVERSITY OF FORT HARE/RAU

The University of Fort Hare in partnership with the Rand Afrikaans University has embarked on an initiative aimed at improving the standard of the BCom accounting course offered at Fort Hare. The Foundation has committed R500 000 in support of this programme.

Social impact



Community *continued*

VOLUNTEER CHALLENGE

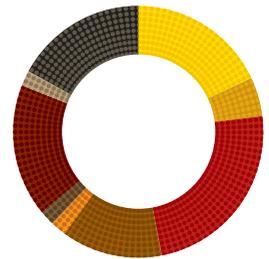
We launched our first Group Volunteer Challenge this year. Employees were challenged to knit a teddy bear for an orphaned, disabled or ill child at Easter. The staff response was incredible, knitting 6 500 teddy bears which were handed over to orphanages, disabled centres, hospitals, schools and nursery schools. Employees also named and bought teddies for a price and proceeds were matched by FirstRand and donated to charities nominated by employees.

DATA



Funding by sector excluding Business Trust

Arts and culture	5%
Community care	9%
Disabled	4%
Education	36%
Environment	3%
Ethics education	6%
Health HIV/Aids	17%
Public policy	2%
Safe communities and social reintegration	7%
Skills training and job creation	11%



Funding by province excluding Business Trust

Eastern Cape	18%
Free State	5%
Gauteng	24%
KwaZulu-Natal	13%
Limpopo	2%
Mpumalanga	2%
National	17%
North West	2%
Western Cape	17%





Government and regulators

OVERVIEW

“We are **committed** to good corporate citizenship”

Our strategic goals are aligned / We engage with the South African Government at all levels to ensure that our strategic goals are aligned as far as possible with those of the nation. It is a two-way street characterised by regular exchanges of views, concerns and objectives. We are also a source of expertise in numerous areas of policy, from privatisation and affordable housing to public private partnerships and we participate where appropriate in implementation. We also offer our services to government through a traditional client-provider relationship.

Infrastructure development / Our infrastructure investments in South Africa and across the continent support the New Economic Partnership for African Development (NEPAD) initiative. Through RMB and Momentum, the Group has a 45% interest in INCA, a BEE company, which is the largest private financier of municipal infrastructure in South Africa.

Promoting democracy / Through the FirstRand Foundation we are involved in initiatives which promote learning and understanding of democracy. We are not aligned to any particular political party and do not make any donations to any party.

Business – Government dialogue / The Chief Executive is a member of the Big Business Group which meets with the State President on a quarterly basis to discuss topics of interest to the government and the South African business community.

We are represented on the South African Banking Council, the Life Offices' Association, the Association of Collective Investment Schemes and the Investment Management Association of South Africa, all of which interact with government on an ongoing basis in relation to topics affecting their respective sectors. The Group has actively encouraged the amalgamation of the AHI, SACOB, NAFCOC to form CHAMSA.

Compliance with regulation and policy / Group companies interact with a wide spectrum of regulatory bodies including the South African Reserve Bank and the Financial Services Board. The relationship we seek is one of compliance and constructive participation in committees to improve the standards within the respective industries in which we operate.

Financial Sector Charter . / While the Charter is a voluntary industry initiative, and as such is not 'regulated' by government, the Group is required to submit returns to the Charter Council made up of representatives from government, civil society and business who assume responsibility for measuring the Group's compliance.

This year several intensive in-house communication campaigns were launched by divisional compliance departments to ensure staff are up to speed with new legislation.

Social impact



Government *continued*

This legislation includes:

- **Financial Intelligence Centre Act (FICA)** / Aimed at preventing money laundering and other criminal activities requiring us to:
 - re-establish and verify a client's identity
 - keep records of their transactions
 - report suspicious transactions
- **Financial Advisory and Intermediary Services Act (FAIS)** / This aims to ensure that persons giving advice have to show integrity and be properly qualified and experienced, and requires all FirstRand companies who purport to offer people financial advice to be properly licensed.

Case studies

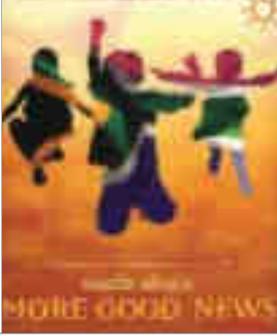
KHAYELITSHA BUSINESS DISTRICT

Futuregrowth, a RMBAM Associate, manages this project as part of the government's Urban Renewal Programme. It is the largest public private partnership of its kind with a project value of R300 million, of which R250 million is to be funded by the private sector and the balance by the public sector. The first phase includes a retail centre, service station, bus and taxi rank, multi-purpose centre, municipal offices, sports facilities and 1 500 residential units.

A unique empowerment framework has been designed for this project that is based on the formation of the Khayelitsha Community Trust. The Trust's beneficiaries are the residents of Khayelitsha who are represented by ward councillors from the City of Cape Town and business. Once financial obligations are paid off, the ownership of all the project components will vest with the KCT.

NATION BUILDING INITIATIVES

We have aligned a number of our marketing campaigns with a nation building theme. These include sending an abridged version of 'South Africa - The Good News' to all of our shareholders and the use of our ATMs to enable voters to confirm their registration on the national voters' roll. We also printed 10 million copies of the National Anthem and distributed these to schools throughout the country, challenging school children to ensure that their parents could sing the National Anthem.

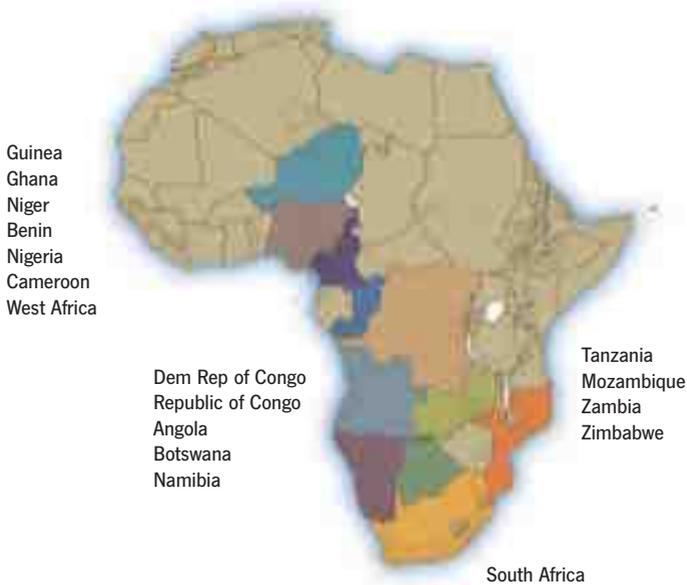


DATA

INITIATIVES SUPPORTING NEPAD

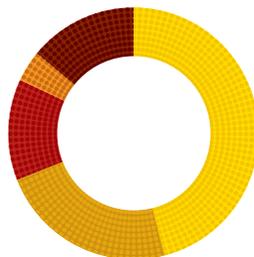
Our infrastructure investments in South Africa and across the continent support the government's NEPAD initiative.

The map below shows where our project finance team have been involved in creating infrastructure and assisting development.



RMB's participation in public sector, infrastructure and development finance (1997 – 2004)

State-owned enterprises	46%
Public private partnerships	23%
National government	13%
Municipalities	4%
Water authorities	14%



Environmental impact



OVERVIEW

The 2002 World Summit on Sustainable Development highlighted the need for financial institutions to take greater cognisance of the impact of their operational activities and lending on the environment. Since then we have made **considerable progress** within the Group to introduce policies and to begin addressing this issue. Our task is now to formalise this important aspect of corporate governance at board level. In the process of creating awareness there is also an opportunity for us to ensure that our staff and customers are encouraged to preserve water and energy and to recycle waste products where possible.

As a lender and facilitator / We are aware that addressing our indirect impact on the environment through our lending operations, is a critical imperative. As such we are participating in an ongoing dialogue among a range of South African financial institutions to exchange information and agree a shared approach to environmental and social development standards for our project financing operations. This initiative, which is the local aspect of the UNEP FI Task Team, includes representation from the major banks, African Bank, DBSA, UNISA (Centre for Corporate Citizenship) and the IDC. It is an open forum and all major financial institutions are being encouraged to participate.

Environmental management systems have been established in our merchant banking operations to ensure that established policies, procedures and resources are appropriately applied to limit environmental risk, aligned with current environmental legislation and promote the sustainability of projects in which the Group is involved. All credit applications go through a rigorous process which also educates the borrower on all the risks involved. This takes four fundamental factors into account:

- economic factors;
- technical features of the proposed development;
- financial issues; and
- potential and actual environmental impacts.

This part of the process is not exhaustive as there are also mandatory Environmental Impact Assessments

carried out on all developments and projects deemed to have actual or potential environmental impacts.

Our environmental risk policy aligns itself with the IFC Safeguard Policies for private sector credit extension and World Bank Guidelines for public sector funding.

As an owner / The Group's principal buildings include Bank City in Johannesburg CBD, Merchant Place and Discovery's offices in Sandton and the Momentum Head Office in Centurion. The management of each building are focusing on methods to improve the consumption of various resources. For example consumable and paper recycling are undertaken at the Momentum Head Office and RMB's Merchant Place headquarters, while BankCity has implemented a comprehensive electricity conservation programme (see case study).

In line with our federal structure, group companies are each developing their own approaches and policies towards the environment.

As a manager / RMB Properties manages a portfolio of commercial and industrial properties with a value of approximately R5 billion. It has an environmental policy which commits it to 'a continual environmental improvement process' and ensures that the buildings in its portfolio are managed in an environmentally friendly way. This requires ongoing education of staff regarding the National Environmental Management Act and the execution of environmental impact assessments before starting new projects and decommissioning or leaving sites.



Case studies

BANKCITY ENERGY SAVINGS

During this year, the management of BankCity have entered a joint venture with Eskom focused on seeking ways to reduce energy consumption in the complex. This has included the reconfiguring of the system which manages lights, fans and airconditioning, the installation of low energy consumption light fittings and new control equipment, and the installation of a system to measure energy consumption trends over time. Management also elected to discontinue an automated message delivery system to further reduce energy usage.

These initiatives have resulted in a 35% decrease in electricity consumption at BankCity, which has also saved FNB approximately R1.5 million in the first six months.

WESBANK'S 'KILL THE PINK FILE' PROJECT

Every year WesBank signs around 200 000 new motor finance transactions. Each of these transactions has up to 30 different documents which are contained in a file, affectionately referred to in WesBank as a 'Pink file', due to the colour of the file being pink dating back 20 odd years. This file was originated at the point of sale, the contracts were drawn up and signed and then sent through to our centralised processing units via courier where they were scanned and filed. This process of moving over six million pieces of paper around South Africa, was reviewed and wanting in terms of environmental and business impact. Thanks to technology and the advance of legal systems through the ACT Bill, these files have been eliminated and all documents are now stored electronically.

ANNUAL REPORT INITIATIVE

This year, to reduce costs and paper consumption, we have offered to contribute R100 to a charity of their choice to shareholders who elect not to receive a hard copy of our annual report. More than 1 000 shareholders have taken up the offer and Hospice, READ Education Trust and the World Wild-Life Fund SA will benefit to the extent of R100 000.

DATA



Impact of energy conservation initiatives at BankCity over first six months of implementation (Kwh)

Economic impact



Statement of value-added

OVERVIEW

We have deemed it appropriate to include in this report a value-added statement which consolidates our insurance and banking operations. For the sake of completeness we have also shown on this page some important financial statistics extracted from the annual report to shareholders which reflect our **growth in sustainable earnings** since our formation in 1998.

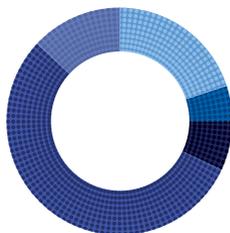
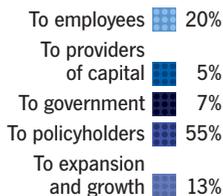
Our annual report to shareholders deals comprehensively with our financial results, corporate governance and risk management and should be read in conjunction with this sustainability report.

Value-added statement

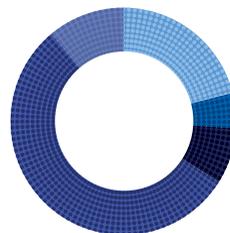
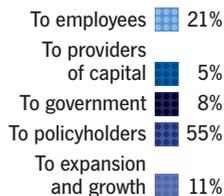
for the year ended 30 June 2004

	Group	
	2004 R million	2003 R million
Value-added by Group	36 000	30 940
To employees		
Salaries, wages and other benefits	7 058	6 360
To providers of capital		
Dividends to shareholders	1 956	1 647
To government	2 664	2 611
Normal taxation	1 766	1 903
Value-added tax	423	396
Regional Services Levy	152	155
Capital Gains Tax	73	62
Other	250	95
To policyholders		
Policyholder claims and benefits	19 577	16 940
Insurance contracts	7 209	6 794
Investment contracts	6 579	6 572
Adjustment to liabilities under investment and insurance contracts	5 789	3 574
To expansion and growth	4 745	3 382
Retained income	3 715	2 869
Depreciation	676	737
Deferred taxation	354	-224
	36 000	30 940

Value-added 2004



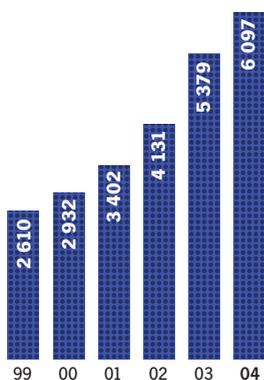
Value-added 2003



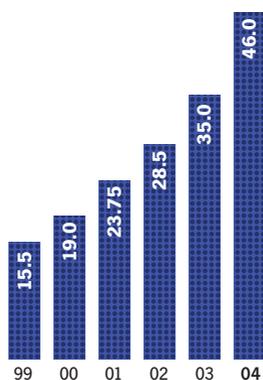
VALUE RATIOS 30 JUNE

	Share price cents	Mkt cap R million	NAV R million	Mkt cap/Nav	EPS cents	PE ratio
2004	1 019	55 805	23 912	2.33	110.3	9.2
2003	764	41 714	20 973	1.99	92.5	8.3
2002	765	41 654	17 919	2.33	76.6	9.9
2001	861	46 881	13 237	3.54	63.4	13.6
2000	700	38 115	12 807	2.98	54.2	12.9
1999	690	37 570	10 079	3.73	46.2	14.9

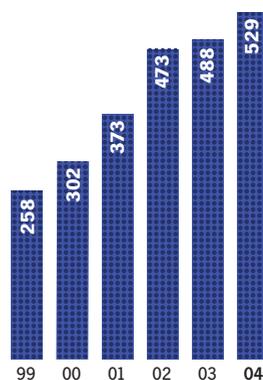
HEADLINE EARNINGS, DIVIDENDS PER SHARE AND ASSETS UNDER MANAGEMENT



Headline earnings excluding currency translation losses/gains (R million)



Dividends per share (cents)



Assets under management (R billion)

“FirstRand is **obsessive** about real governance”

Strict corporate governance / FirstRand endorses the principles of the Code of Corporate Practices and Conduct (the ‘King Code 2002’) contained within the King Report on Corporate Governance for South Africa 2002 (the ‘King Report 2002’).

The FirstRand Board of directors, which oversees the activities of the Group, comprises 14 directors appointed for three year periods, with the appropriate skills, knowledge and values to safeguard the interests of all stakeholders. The directors appoint specialists from amongst their members to committees addressing matters relating to remuneration policies, audit risk and compliance, governance and the appointment of new directors. Following the signing of the Financial Sector Charter, an additional committee comprising both executives and non-executive directors from across the Group was established to monitor the implementation of its objectives.

The boards of the major subsidiaries are similarly structured with appropriate committees and governance practices.

Embracing risk responsibly / Our group companies adopt a rigorous approach to risk management at FirstRand, taking nothing at face value, and examining every strategic business decision with the rigour that one would expect of the financial services group that we are. We do not avoid risk; indeed, we actively embrace it – but we do make sure it’s priced, measured and managed properly.

Through a system of interlocking audit, risk and compliance and actuarial committees in our major subsidiaries, we ensure that risks across the Group are

appropriately monitored. These include the management of strategy, reputation, human resources, competitive positioning, all financial risks, tax, market and credit risk, capital management, liquidity, technology, business continuity, information security, legal and compliance risks, criminal activities, processes and systems risks and external factors. Insurance arrangements are in place to protect the Group and its subsidiaries in the event of major losses or catastrophes.

We adopt a zero-tolerance attitude towards fraud, dishonesty and payment and acceptance of bribes, requiring all our directors and employees to conform to a code of ethics. Appropriate mechanisms exist to encourage vigilance and whistle-blowing.

Case studies

FOCUS ON FRAUD

FNB Corporate runs a Focus on Fraud initiative that focuses on awareness raising and education around Commercial Fraud.

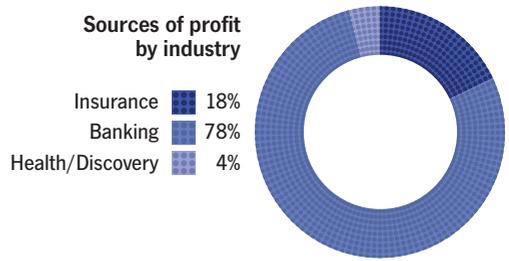
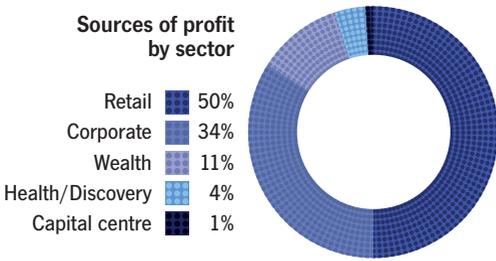
Staff can consult an intranet site with case studies, easy access to our code of ethics and code of conduct and information about what to do in the case of fraud.

VOW OF VIGILANCE

To encourage our people to report suspicious activities, First National Bank has initiated a Vow of Vigilance programme amongst its staff. Staff who report irregularities are eligible to participate in a lucky draw with the winner receiving a prize of R1 million.

DIVERSE EARNINGS BASE

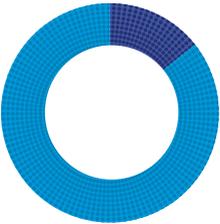
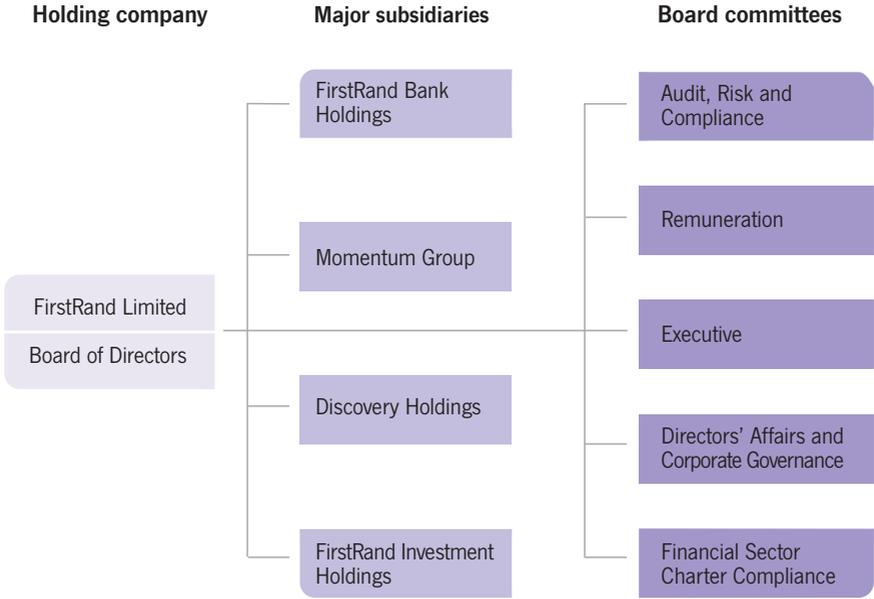
Our diverse earnings base ensures that the Group's earnings are spread across a number of industries.



Credit ratings

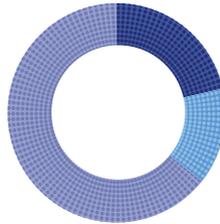
Standard & Poor's – Jan 2004	FirstRand Bank Limited
<ul style="list-style-type: none"> Local currency – long-term Local currency – outlook Local currency – short-term Foreign currency – long-term Foreign currency – outlook Foreign currency – short-term 	BBB Stable A-2 BBB Stable A-3
Fitch Ratings – April 2004	FirstRand Bank Holdings Limited
Foreign currency <ul style="list-style-type: none"> Long-term Short-term Outlook 	BBB F3 Stable
National	
<ul style="list-style-type: none"> Long-term Short-term Individual Support 	AA- F1+ B/C 5
Sovereign Risk	Republic of South Africa
<ul style="list-style-type: none"> Foreign long-term Local short-term Outlook 	BBB A- Stable

GOVERNANCE STRUCTURE



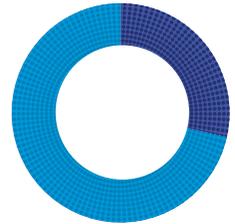
Board composition (gender)

Female 2
Male 12



Board composition (independence)

Executive 3
Non-executive 2
Independent non-executive 9



Board composition (race)

Black 4
White 10

DIRECTORS' CODE OF ETHICS

The FirstRand board charter includes a code of ethics which covers the following with regard to fiduciary duties:

- honesty and integrity
- personal transactions
- acceptance of gifts
- disclosure of personal interests
- directors' trading
- confidentiality



Shareholders

“Capital is allocated on the basis of best return bearing in mind portfolio risk”

Reporting to shareholders and their advisers /

We are committed to regular, transparent and accurate communication with our shareholders so that they can make informed decisions regarding the Group. The Annual Report to shareholders is our principal means of communication.

The executive team meets with local analysts twice yearly to report on interim and final results, as well as meeting industry experts and the financial press on a one on one basis. The presentation to local analysts is broadcast on satellite television and is available to international shareholders via a live web broadcast, thus giving access to the local and international investment community. International roadshows are undertaken three times a year to meet with overseas investors.

A comprehensive website provides access to annual reports and shareholder communications (www.firststrand.co.za).

Broad based ownership . /

The major investors in FirstRand are the financial institutions and pension funds who are the custodians of the savings of millions of South Africans – black and white. A greater proportion of these savings will, over time, come from historically disadvantaged persons as economic growth increases their levels of discretionary income.

We have made significant progress towards finalising an empowerment transaction with four broad based partners and hope to announce the detailed terms of the transaction during the fourth quarter of 2004, with implementation shortly thereafter. The transaction will ensure that over a period of time 10% of the company's value and earnings are owned by previously disadvantaged communities.

Auditors / Our external auditors are an internationally recognised accounting firm and our financial results are prepared in accordance with South African Generally Accepted Accounting Practices.

Case studies

HELPING SHAREHOLDERS

During the year the company offered shareholders owning less than 100 shares the opportunity to dispose of their shares at a 5% premium to market value at no cost. Approximately 1 900 shareholders took advantage of the offer.

Steps are being taken to allow shareholders to vote electronically at general meetings.

SUPPORTING SHAREHOLDER ACTIVISM

RMB Asset Management has established a separate shareholder activism department to provide pension fund trustees and other clients with an efficient channel designed to encourage shareholders to take a direct interest in the affairs of the companies in which they are invested and to promote shareholders' interests.

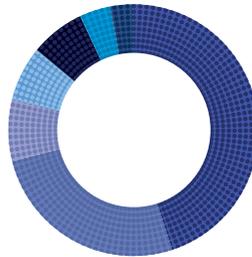
RECOGNITION FOR EXCELLENCE

FirstRand was ranked first in the financial sector companies quoted on the JSE Securities Exchange in the 30 June 2004 survey conducted by Campbell Belman amongst investment analysts, fund managers and the financial press. The rankings covered the financial strength of the Group, its products and services, the quality of its people, ethical behaviour, communications, social responsibility and future potential.

DATA

Ownership by shareholder type

Corporates	45%
Pension funds	26%
Individuals	8%
Insurance companies	7%
Unit trusts	7%
Other funds	4%
Other managed funds	3%



Geographic distribution of ownership

South Africa	91
International	9
Total	100
Total number of shareholders	26 000
Percentage of shareholders who voted at the 2003 annual general meeting	79%

GRI indicators



Appendix

The schedule below references the GRI indices to the annual report to shareholders and this sustainability report.

GRI indicator	Topic	Page	
		Annual report	Sustainability report
Vision and strategy			
1.1	Vision and strategy	5/9	2
1.2	Key elements of report	Indexes	IFC
Profile			
2.1	Name of organisation	357	obc
2.2	Major products and services	22	2
2.3	Operating structure	13	2/3
2.4	Description of major divisions	22	2
2.5	Countries in which the organisation is located	22	3
2.6	Nature of ownership	355	30
2.7	Nature of markets served	22	4
2.8	Scale of organisation	15	25
2.9	List of stakeholders	355	2
2.10	Contact details	357	3/obc
2.11	Reporting period	Y/E 30/06/04	Y/E 30/06/04
2.12	Date of previous report	Y/E 30/06/03	Y/E 30/06/03
2.13	Scope of report	71	3
2.14	Significant changes to Group	15	-
2.15	Basis for reporting	15	2/29
2.16	Restatement of information	15	-
2.17	Decisions not to apply GRI principles	not applicable	not applicable
2.18	Definitions	209	-
2.19	Significant changes in measurement methods	not applicable	not applicable
2.20	Practices to enhance quality reporting	-	3
2.21	Independent assurance	70	none
2.22	Access to additional information	-	2
Governance structure and management systems			
3.1	Governance structures	60	28
3.2	Independence of directors	54/60	28
3.3	Expertise of board members	54/60	26
3.4	Board processes	60	26
3.5	Executive compensation	107	8
3.6	Organisational structure and key responsible individuals	13/22	28
3.7	Value statements	53	1/11
3.8	Communication with shareholders	356	29
3.9	Identification of major shareholders	355	30
3.10	Stakeholder consultation	60	1/4/9/19/29
3.11	Information from stakeholder consultations	-	1/29
3.12	Use of stakeholder consultation information	-	-
3.13	Precautionary principle	not applicable	not applicable

GRI Indicator	Topic	Page	
		Annual Report	Sustainability report
3.14	Charters and principles	60	28
3.15	Membership of industry and business association	-	19
3.16	Procurement	53	15
3.17	Approach to managing indirect impacts of activities	-	22
3.18	Decisions regarding location and change	not applicable	not applicable
3.19	Performance improvement	15	25
3.20	Certification status	70	-
Economic performance indicators			
EC1	Net sales/income	not applicable	not applicable
EC2	Geographic breakdown of markets	21	-
EC3	Costs of all goods and material purchased	not available	not available
EC4	Percentage of contract paid in accordance to terms	not applicable	not applicable
EC5	Payroll and benefits	53	24
EC6	Distribution to providers of capital	53	24/25
EC7	Increase/decrease in retained earnings	79	25
EC8	Total taxes	53	24
EC9	Subsidies received	not applicable	not applicable
EC10	Donations to community and other groups	-	16
EC12	Total spend on non-core business infrastructure	not available	not available
EC13	Indirect economic impacts	not available	not available
Environmental performance indicators			
E1, E2, E4-E16		not material	not material
E3		-	23
Labour practices			
LA1	Breakdown of workforce	66	12/14
LA2	Net employment creation	66	14
LA3	Union representation	-	9
LA4	Consultation with employees	-	9
LA5	Notification of accidents and diseases	-	9
LA6	Health and safety committees	-	9
LA7	Work days lost	not available	not available
LA8	Policies and programmes on Aids	-	9/10
LA9	Training per employee	not available	not available
LA10	Employment equity	66	8/14
LA11	Categorisation of staff	66	14
LA12	Employee benefits	64	8
LA13	Worker representation	-	9
LA14	Compliance with ILO	-	-
LA15	Formal agreement with trade unions	-	9
LA16	Ongoing employment	-	-
LA17	Skills management	-	13
Society			
S01	Policies to manage impacts on communities	-	4
S02	Bribery and corruption	-	26
S03	Political contributions	-	19
S04	Awards received	22	7
S05	Contributions to political parties	-	19
S06	Anti-trust and monopoly regulations	not applicable	not applicable
S07	Anti-competitive behaviour	not applicable	not applicable
Product responsibility			
PR1	Customer health and safety	-	4
PR2	Product information	22	-
PR3	Consumer privacy	-	4

www.firstrand.co.za

FirstRand Limited

(Registration No 1966/010753/06)

Share code: FSR ISIN code ZAE0000 14973 ('FSR')

Registered office

17th floor, 1 Merchant Place

Cnr Fredman Drive and Rivonia Road

Sandton 2196

Postal address

PO Box 786273, Sandton 2146

Telephone

National (011) 282 1808

International +27 11 282 1808

Telefax

National (011) 282 8088

International +27 11 282 8088



The text of this report is printed on paper made from bagasse – fibrous residue of sugar cane processing. It is completely wood and acid free.

Thanks to the Centre for Corporate Citizenship (UNISA) for their input.



www.firstrand.co.za



FIRSTRAND