

08

SUSTAINABILITY REPORT

PRIDE Respect Ubuntu
Accountability **Innovation**



FNB

First National Bank
A division of FirstRand Bank Limited

How can we help you?

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FROM OUR CEO TO OUR STAKEHOLDERS

We are proud to have received **THE BANKER: GLOBAL TOP 500 FINANCIAL BRANDS AWARD, FOR THE “MOST VALUABLE SOUTH AFRICAN BANK BRAND IN THE WORLD”**

At FNB, our sustainable business strategy focuses on creating value for our stakeholders as we execute our vision of helping to create a better world. We do this by placing emphasis on building enduring, rewarding relationships with our stakeholders, driven by the three pillars of people, innovation and efficiencies. This is particularly important in the current economic climate of rising inflation, high interest rates and slower economic growth, which is placing significant pressure on household finances and business' investment capacity alike. We responded to this challenge in 2008 by yet again maintaining our banking fees below inflation for most accounts and continuing to engage in responsible lending practices. We entered into discussions with customers to seek alternatives to home repossessions and encouraged customers to negotiate flexible payment terms for home loan obligations. We also launched a consumer advice campaign offering practical advice on saving, together with debt rehabilitation and counselling service.

As a responsible business, we believe in investing for the long term to manage and respond to the needs of our stakeholders while enhancing shareholder value, taking into account our operating context. This requires us to be mindful of the challenges in our macro-environment by identifying economic, social, governance and environmental risks and opportunities. We present our 2008 Sustainability Report to our stakeholders – our customers, our staff, our suppliers and the communities we serve, detailing our activities and responses as they relate to our stakeholders' needs, including regulatory requirements as well as environmental considerations.

We have reflected on what kind of country we want to be in 2010 and beyond and have set out to build economic, human, social and environmental value for our stakeholders. For us, this begins with a clear realisation that business goals can only be achieved by unlocking the potential of our staff. In this regard, we remain focused on creating a values-based and output-focused culture, enabled by our ability to attract, motivate and retain key competencies, while pursuing the requirements of the Department of Trade and Industry Codes of Good Practice. In the last year, we exceeded Financial Sector Charter (FSC) targets for employment equity of African, Coloured and Indian staff and



women at all management levels, including senior management. We intend to sustain this achievement by understanding and addressing systemic issues to retain and attract high calibre staff as part of our human capital strategy.

Delivering economic and social value requires us to embrace the development and social transformation of our country as an imperative. The extent to which this is undertaken is shown, for example, by the fact that 53% of our sizeable procurement spend was directed towards black businesses in 2008. Another key catalyst for social equity and transformation is the promotion of financial inclusion, to enable access to financial services and opportunities. As one of South Africa's largest retail banks, we continue to provide entry-level access to basic financial services and consumer education for previously unbanked populations, youth and low-income individuals. We supported commercial businesses at various stages of their business life cycle and originated R468 million in loans to previously disadvantaged groups. We also continue to engage, support and develop the communities within which we operate as a good corporate citizen through our community outreach and staff volunteer programmes. This saw us invest R32.8 million, supporting 124 community organisations, and donate a further R2 million to NGOs and other organisations assisting the victims of recent xenophobic attacks.

We are mindful of our responsibility as a good corporate citizen and acknowledge the influential role that we can play to promote responsible environmental behaviour within our operations and our stakeholders. As a signatory member to the Carbon Disclosure Project (CDP), we calculated our carbon footprint to identify our direct and indirect emission-causing activities. This will enable us to develop mitigation strategies and manage the consumption of resources such as electricity, fuel and paper. We also implemented an environmental management system to improve our operational efficiencies. This is part of our participation in the ISO14001 audit to obtain certification for our head office operation at BankCity in Johannesburg.

FNB WAS SHORTLISTED IN THE FINANCIAL TIMES INTERNATIONAL FINANCE CORPORATION SUSTAINABLE BANKING AWARDS 2008 FOR “SUSTAINABLE EMERGING MARKETS BANK OF THE YEAR: AFRICA AND MIDDLE EAST”

While significant strides have been made to address environmental, social and wider economic challenges in a responsible and transparent manner, we recognise that this is only the beginning and that further improvements need to be made to create sustained value for our stakeholders. We view this not only as a challenge but an opportunity to innovate for future growth and create efficiencies as part of our business performance and risk management framework, which complies with statutory and regulatory requirements and is in line with the King II requirements for good governance.

In the coming year, we will maintain focus on the objectives we set ourselves as we continue our goodtoGreat journey, placing greater attention on creating efficiencies and cementing enduring, rewarding relationships as a business advantage to meet our stakeholders' needs. We do this willingly and with commitment, as an integral part of our business strategy. For us, this is simply good management.

A handwritten signature in black ink, appearing to read 'M Jordaan'.

Michael Jordaan, CEO: FNB

FIRST NATIONAL BANK (FNB) SOUTH AFRICA IS A FINANCIAL SERVICES ENTITY WITH A 170-YEAR HERITAGE IN SOUTH AFRICA. WE EMPLOY 30 008 PEOPLE AND PROVIDE SERVICES TO 6,2 MILLION CUSTOMERS, RANGING FROM PREVIOUSLY UNBANKED CONSUMERS TO THE LARGEST LISTED CORPORATES AND PUBLIC SECTOR CLIENTS. OUR BRANCHES AND ACCESS POINTS ARE LOCATED IN 702 LOCATIONS ACROSS THE COUNTRY. WE ARE LISTED ON THE JSE TOP 40 INDEX AND THE SRI THROUGH OUR HOLDING COMPANY, FIRSTRAND LIMITED.

OUR CUSTOMERS

Our goodtoGreat strategy focuses on **BUILDING ENDURING, REWARDING RELATIONSHIPS** with our customers, driven by the **3 pillars of our people, efficiencies and innovation**. Our promise to customers is **“How Can We Help You?”**

CUSTOMER PROFILE

We provide financial services to 6.2 million customers (up from 5.8 million in 2007) across a broad range of innovative, convenient and secure platforms. An average of 1.9 products are held per customer. Our customer base by segment is indicated in the table below.

Mass (Smart)	Consumer (Personal)	Wealth	Commercial	Corporate	Public sector
Focus					
Focuses on mainstream market's financial needs with an income up to Individual Gross R81k p.a.	Fulfills financial needs for consumers earning between R81k and R1 million	Provides lending and investment solutions to clients earning more than R1 million, to improve their net asset value	Provides financial services to the business and mid-corporate sector	Helping corporates such as large companies, financial institutions and State-Owned enterprises optimise their cash flow	Provides transactional banking and other services to National, Provincial and Local Government
Our offering					
<ul style="list-style-type: none"> • Transactional products (accounts) • Savings • Insurance products & policies • Services e.g. prepaid airtime • Loans (home loans, microfinance, etc.) • FNB Life products 	<ul style="list-style-type: none"> • Core banking solutions (accounts, cards, etc.) • Loans (home, personal) • Investment, international & packaged products/solutions • FNB Insurance Brokers • Investment Product House 	<ul style="list-style-type: none"> • Full suite of tailored, flexible financial solutions • Transactional banking • Wealth/portfolio management • Specialist investment services • Fiduciary services (trusts and wills) • Structured lending 	<ul style="list-style-type: none"> • Transactional banking • Loans & other forms of finance • International Banking • Segment-specific products and services (e.g. agricultural, franchising, advice, etc.) • Leveraged finance • Services/solutions (e.g. FirstRand Bank collaborative solutions, SMME support, eBucks, BizNetwork, relationship/credit centres) • Structured lending 	<ul style="list-style-type: none"> • Corporate transactional banking • International banking • Customer dealing • Collaborative products/solutions from FirstRand Banking Group 	<ul style="list-style-type: none"> • Customised service propositions based on each client's financial requirements • Cover both the corporate and commercial offering

MATERIAL ISSUES TO CUSTOMERS

Through ongoing engagement with our customers across various physical and face-to-face channels, and our Buzz Barometer survey, we have identified material issues of importance to each of our customer segments, and have consolidated these below:

- Demonstrating an understanding of difficult financial circumstances in the current economic climate
- Affordable and equitable access to products and services
- Banking convenience and improved service delivery
- Customised and innovative products

OUR OBJECTIVES

In 2007, we committed to the following customer-related objectives. We have reported on our progress in the next section.

Objective	Status	See 'Our progress' item
Entrench personal client relationships, service delivery and refined offerings	Ongoing	"Customer experience"
Improve access to services through further roll-out and upgrade of branch, ATM, bank on wheels and sales centres	Started	"Extended access to banking infrastructure"
Continued roll-out of new branch operating model to improve customer experience at branches, focusing on advice and transactions, service consistency and customer satisfaction	Started	"Customer experience"
Take advantage of opportunities in key sectors such as tourism and construction, enabled by our 2010 FIFA World Cup sponsorship	Started	"Start-ups, new ventures and SMEs"

OUR PROGRESS

Financial access, inclusion and literacy

As one of South Africa's leading retail banks, we are well positioned to act as a catalyst for social equity and transformation. Financial inclusion in South Africa tends to focus more on transformation in terms of the Financial Sector Charter (FSC); however, it is also important to ensure that access by all indigenous communities and sectors such as the physically disabled is considered.

For the period under review we continued to improve financial access for the unbanked population in terms of the FSC by:

- Extending entry-level banking to previously unbanked populations through the Mzansi Account. There were 443 871 active accounts in 2008 (latest unaudited figures), up from 369 506 accounts in 2007. We also undertook national roadshows to inform customers more about the account and its beneficial services, including the use of ATMs and cellphone banking

- Increasing branch network representation points (branches, agencies, sales centres and community banks) located in FSC-designated areas to 27.5% (from 25% in 2007). This includes 4 465 access points (such as retail and mini ATMs) and 32 community banks

We believe that consumer financial literacy is critical for instilling good money management practices and enabling access to opportunities. As a result, we have invested over R40 million in consumer financial literacy projects since 2006. Through the "Be Financially Smart" programme, we provide:

- Media-based awareness
- Classroom-based consumer education in schools and at community level, delivered by professional educators
- Support industry programmes with the South African Insurance Association (SAIA) and Life Offices Association (LOA)

For the 2007/8 period, more than 12 000 participants attended the interactive learning interventions, covering financial concepts such as transacting, saving, insurance and borrowing.

CASE STUDY

Consumer education programme sparks enterprise development opportunity

We look for opportunities to develop small enterprises as part of our consumer education programme. Through an unusual business partnership with the Isibane women's sewing group, based in an Eastern Cape community with a 95% unemployment rate, a contract to deliver 5 000 learner goodie bags resulted in an inflow of R178 000. The bags are distributed as part of our consumer education interventions. The women also joined our "Be Financially Smart" education programme, to give them more information to help them **manage their finances wisely**. **Said Nozuko Lindiwe Sonanzi of her first FNB pay cheque: "I was able to buy school uniforms for my four children, shoes, jerseys, socks, and other things. I was also able to buy dishes, pots, blankets, sheets, food, and some clothes for myself. I am so grateful to be in the project."**



Extended access to banking infrastructure

During the year under review, we continued to roll out infrastructure geared towards making our branches, sales centres and ATMs more accessible for the physically disabled, nation-wide.

At the same time, we took into account geographical distance from banking infrastructure and transportation costs, resulting in 80% of our access points being located within a 10km radius.

We also upgraded our internet banking offering with features to assist physically disabled people. These features included:

- Greater accessibility of our website for the visually and learning impaired, providing options to magnify the size of the webpage, contrasting colours (mostly used by the colour-blind) on the webpage for greater clarity and a functionality to display text only
- Enhanced screen reader functionality, to help users interpret the content on the webpage and then convey what they have interpreted using text-to-speech or Braille output functionality

It is expected that access to financial services will be further broadened with the enactment of the Co-operative Banks Act, which seeks to promote an equitable, accessible marketplace with proper disclosure governing transactions. We have studied the Act to ensure our readiness in mitigating potential risk and business opportunities.

Financing affordable homes

We believe that facilitating affordable homeownership in South Africa can best be achieved through partnerships between the government, the construction and development sector, and the banking and insurance sectors. This is necessary in order to provide the land, resources, skills and finance to build houses to satisfy national demand for affordable housing, estimated at 500 000 units.

Since 2005, we have invested R8.7 billion in quality, low-cost housing programmes, resulting in approximately 37 600 much-needed homes to date. Homeownership education is also provided to ensure more effective management of this newly acquired asset.

Our most recent projects include housing developments in Evaton West, Empangeni (Umhlatuze) and Reiger Park as part of our Bulk Housing Finance programme. Another objective of the programme is to create mixed-use developments to promote the development of sustainable communities.

Earlier this year, we submitted a proposal to the National Housing Ministry for all new developments to include proposals from developers about energy saving solutions for homes. We are currently awaiting feedback from the Ministry in this respect.

Consumer savings

Rising inflation and deteriorating economic circumstances as well as market performance hinder people's ability to save. We have undertaken a number of initiatives to assist consumers in difficult times. These included:

- Lowering barriers to high-yielding investment accounts from R40 a month, to ensure the widest possible access to our Growth Fund. The Flexi Fixed Deposit linked to the prime rate requires only a R100 deposit (currently paying 8.75% for balances under R10 000)
- Launching a consumer savings advice campaign, offering customers practical ways to save and take responsibility for their spending.

We discontinued our innovative savings offering, the Million-a-Month (MaMA) Account, following a Supreme Court of Appeal ruling on the grounds that it contravened the National Lotteries Act. Since its launch in 2005, MaMA created approximately 750 000 new savers and paid out more than R57 million. On closure of the account, customers received their full contributions back and had the option of converting their accounts into a 32-Day Interest Plus Notice Account.

Responsible lending

To remain a responsible lender, we have undertaken the following initiatives:

- We are fully compliant with the provisions of the National Credit Act (NCA). We continue to phase in the NCA for customers acquired after 1 June 2007 (customers acquired prior to this remain governed by the Usury Act)
- In line with the NCA, we established a Debt Review Centre and registered our debt counsellors to provide debt counselling and assist customers who are over-indebted. Counsellors assess customers' level of financial difficulty and help them to restructure their debt obligations in line with their level of affordability
- We assess affordability levels of customers before granting credit. We ensure that customers understand the risks and obligations of their lending by integrating a Credit Scoring Model across the card, overdraft and personal loan products, to provide a standardised response based on the affordability level of the consumer
- Of the 5 123 customer-interfacing branch banking staff required to be FAIS (Financial Advisors and Intermediaries Act) – competent by the end of 2008, 25% have been trained in accordance with FAIS to deliver appropriate customer advice
- We remain a signatory to the Banking Association South Africa's Code of Banking Practice, which governs standards of adherence in client relationships

WE LAUNCHED THE FNB HOUSE PRICE INDEX, TO PROVIDE AN INDICATION OF RESIDENTIAL PROPERTY PRICE TRENDS IN SOUTH AFRICA

By focusing on our client contact processes, we are able to engage in discussions with consumers who are experiencing financial difficulties. To assist such consumers, we actively encourage bondholders to discuss their loan service obligations with us. We also offer practical solutions such as extending repayment periods or paying only the interest portion of the home loan until their financial circumstances improve. This has resulted in us mitigating the issue of home repossessions. Since July 2007, we have repossessed only 57 homes, which is relatively low, given current economic circumstances.

Bank fees

For the period under review we maintained our pricing strategy that we have followed since 2002. This strategy is to distinguish our prices and offerings from those of our competitors, by simplifying charge structures and encouraging the use of less costly channels through pricing. As a result:

- Our overall increase for mainstream, personal and business banking fees for the July 2008 review was maintained at 7%, well below inflation

- We introduced the Unlimited Option, which reduces banking fees to R66 per month on personal cheque accounts, the lowest in the market. Electronic service options such as cellphone and internet banking are included, free of monthly subscription costs

In 2008 the Competition Commission published its executive summary with recommendations intended to improve the competitiveness of the banking industry. While we await the publication of the full report, we are currently reviewing the findings and an impact analysis will be conducted to determine implementation requirements. We are pleased that some of our suggestions have been included in the recommendations, such as:

- Replacing existing ATM SASWITCH fees with a Direct Charge to Customer model
- Implementing a switching code by banks, for consumers who want to change to an alternative bank
- Developing a centralised "Know Your Client" repository for the banking industry

Some recommendations will require legislative changes and industry agreements and we envisage an ongoing process of working with the Competition Commission, the regulators and industry bodies to effect the recommendations.

Customer experience

Customer satisfaction is measured through our Buzz Barometer. The outcome is a Net Promoter Score, an indicator of customer satisfaction. An Automated Complaints Management System (ACMS) complements the Buzz Barometer, enabling complaint escalation. Our current net promoter score is 34% (35% in 2007).

Our brand promise “How can we help you?” requires flawless execution in our customer service at every interaction. To help ensure this, we formulated a customer experience strategy and implemented it through our primary direct channel, Branch

Banking. Here we will focus on:

- Rolling out a new branch operating model to improve customer experience
- Implementing self-service machines to reduce customer waiting times in branches
- Instituting direct customer-interfacing transactions such as advice, problem resolution and complex sales
- Encouraging the use of electronic channels and call centres for routine transactions
- Rolling out “Service that Shines” customer experiential workshops and staff training sessions nationally, to inculcate a strong service ethic in line with our Service Charter, which outlines our service delivery approach and standards

We are the proud winner of THE STAR NEWSPAPER’S 2008 YOUR CHOICE AWARDS IN THE “BEST CUSTOMER SERVICE RECEIVED” category, AND RUNNER-UP IN THE The Star newspaper’s 2008 Your Choice Awards in the “BEST MORTGAGE LENDER” category

Safety and security

The issue of safety, particularly when using ATMs and branches, remains a concern for South African consumers. In the last year, approximately 292 ATMs (an increase of 3 000% in the last year alone) have been bombed by criminals, and FNB and the banking industry are extremely concerned. Nevertheless, we remain on course to provide ATMs to under-served areas.

Together with SABRIC (the South African Banking Risk Information Centre), we partnered with the Department of Community Safety to create public awareness and education on ATM crime. The objective was to mobilise communities to actively participate in the prevention of bank-related crime through whistle blowing. In 2009, this initiative will be extended to schools and will include the development of a Safety Promoters Pocket Book, featuring crime prevention related information such as safety tips and emergency contact details.

WE LAUNCHED CRIMEBUSTERS 32183, AN ANONYMOUS SMS TIP-OFF FACILITY TO COMBAT CRIME AND CREATE A SAFER BANKING ENVIRONMENT FOR STAFF AND CUSTOMERS

Branch safety also remains an ongoing priority. In the year under review, we invested R70 million in technology, infrastructure and manpower to improve safety and security in our operations, introducing measures such as:

- Increased security presence in branches
- 24-hour CCTV monitoring of our branches, linked to armed reaction response
- Introduction of more efficient processes in our branch banking environment to limit criminal risk exposure
- Extension of our “Vow of Vigilance” campaign to customers and launch of a zero tolerance rewards initiative, to encourage the reporting of suspicious activity, using our in-branch television network and other media. Information resulting in the prosecution of criminals is rewarded with prizes of up to R100 000
- Continuation of our first-to-market InContact SMS transaction notification service that enables customers to stay abreast of their financial transactions as they occur. Approximately

500 million transaction messages were sent to customers in the year under review.

These initiatives have led to a reduction in robberies and a number of successful arrests. Other measures to enhance security include:

- Ongoing measures such as customer education on safe banking as well as trauma counselling, in instances of branch robberies, continue to be provided
- In 2009, moving from magnetic stripe to chip and PIN-based credit cards, to enhance security and fight card-based fraud. The self-select PIN functionality enables customers to transact at merchants by entering a PIN at point of sale instead of signing a transaction slip
- Developing a crime risk forum to address possible crime challenges related to the 2010 Soccer World Cup

Innovation

Innovation is part of our DNA. Our staff Innovators Campaign, incentivised by a top prize of R1 million after tax, has led to 18 044 ideas being submitted by staff since the competition's inception in 2005. Winning ideas are selected once they have been implemented. For the 2008 campaign, 6 845 innovations have been received thus far and 733 are being implemented.

WE ACHIEVED 2nd PLACE IN SUNDAY TIMES GENERATION X YOUTH BRAND SURVEY COOLEST BANK CATEGORY

CASE STUDY

2007 Innovators campaign winner – Cell Pay Point solution

Cell Pay Point was recognised as the overall winning innovation in our 2007 Staff Innovators Campaign. This new payment solution is offered as an additional payment option on a merchant's website, enabling customers to transact via cell phone without entering any banking information. This makes Cell Pay Point a safe and secure internet shopping option for customers who do not have credit cards, or do not want to use their credit cards for online payments. Cell Pay Point is expected to change the payments space in the online, call centre and physical retail environment the project.

Transformation of commercial businesses

We have segmented our business into four components, namely the Small Business (R0 to R1 million), Feeder (R1 million – R5 million), Upper Business (R5 million – R40 million), and Mid Corporate (R40 million – R600 million) segments to ensure that our customers receive real benefits in a manner relevant to their needs at various stages in their business life cycle.

As at 31 December 2007, we had **achieved 133% of our target for loans originated to previously disadvantaged groups.** In addition, 107% of our targeted loans were extended for the 2008 calendar year. This translates into R468 million already originated against a target of R434 million to be achieved by December 2008.

Over the year, we also financed over R240 million worth of empowerment-related ownership buy-in transactions for businesses earning more than R20 million in turnover a year.

Start-ups, new ventures and SMEs

We support start-ups, new ventures and Small and Medium Enterprises (SMEs) by offering specific value propositions at each business stage.

For example, we have developed the FNB Qwill Instant Accounting package for start-ups and SMEs. Using the business' electronic bank statement, this is an accounting package that generates financial reports and statements, enabling regular,

automated updating of financial books. Business performance can be checked at any point through the internet.

To understand the SME and emerging agricultural markets, we analysed our competencies in 2008 and engaged with alliance partners in areas where we did not have the required competency.

This enabled us to move from traditional involvement of providing working capital and transactional services to established entities with financial history and collateral, to a dynamic intervention at all stages of a businesses life cycle. Our value propositions that demonstrate our ability to develop and support new participants to the economy are summarised below.

Our strategic partnerships provide indemnities, guarantees and financial access and allied support for small businesses, new ventures and start-ups:

- With the Umsobomvu Youth Fund (UYF), we offer funding opportunities for women and youth and disbursed loans of more than R110 million in 2008
- Through our partnership with Khula Enterprise Finance, we provided virtual incubation, mentoring, networking opportunities and financing for new and developing SMEs, equating to R138 million
- With NURCHA, a quasi-government body supporting infrastructure development in the construction industry, we facilitate access to finance to a R200 million pool, for emerging construction contractors

- We partnered with USAID (United States Agency for International Development) to fund, mentor, and assist with transactions and skills transfer for emerging black farmers who have been given land through the restitution process. A R300 million guarantee now complements the existing R53 million we extended over the last year
- We developed a franchise toolkit to assist customers with completion of funding applications. This resulted in R278 million worth of finance extended to franchises in 2008
- As part of our strategy to support the tourism sector and in preparation for the FIFA 2010 World Cup, we will provide merchant acquisition, insurance and commercial property finance solutions to the Protea Hotels chain

IN 2009 WE WILL

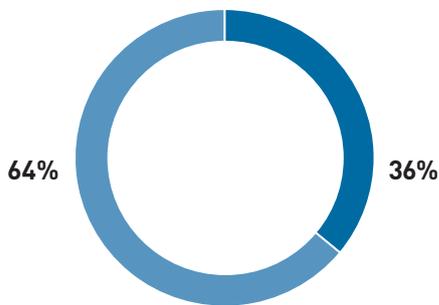
Objective	Activity	Target
Meet customer demand for accessible and convenient banking service	Ongoing repositioning and upgrading of branch network to align service demand and supply, and promote alternative and more convenient delivery channels such as online banking, ATMs and call centres	May 2009
Reinforce customer service in branches	Introduce a staff reward and recognition programme	October 2008
Continue collaborations with stakeholders to address critical shortage of housing stock	Roll out Bulk Housing Finance programme, which also aims to create mixed-use developments to promote the development of sustainable communities	5 000 homes
Continue efforts to provide a safe and secure banking environment	Develop crime prevention booklet in collaboration with SABRIC	April 2009
	Develop a crime risk forum to address possible crime challenges related to the 2010 Soccer World Cup	June 2009

OUR PEOPLE

We are intent on **ACHIEVING OUR BUSINESS GOAL** of transforming from goodtoGreat by **ATTRACTING, MOTIVATING AND RETAINING** (or managing out) the profile of **people suitable for our business**

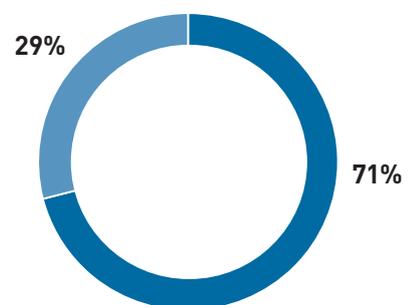
STAFF PROFILE

We have 30 008 staff Our workforce composition by gender and race is included below.



2008 Workforce Profile by Gender

Male
Female



2008 Workforce Profile by Race

Total ACI
Total W

MATERIAL ISSUES TO OUR PEOPLE

Through a variety of ongoing staff engagement mechanisms and the People Pillar bi-annual survey, we have identified the following issues of importance to staff:

- Improvement of performance management standards (including management of non-performance)
- Facilitation of career development opportunities
- Ensuring equity in reward and remuneration
- Effective management of our talent

71% OF STAFF RESPONDED TO THE LATEST PEOPLE-PILLAR STAFF SURVEY, WHICH DETERMINES ISSUES OF IMPORTANCE TO STAFF

OUR OBJECTIVES

In 2007, we committed to the following staff-related objectives. We have reported on our progress in the next section.

Objective	Status	See 'Our progress' item
Increase pace of transformation	Started	"Transformation and diversity representation"
Improve performance management standards, managing under-performance more effectively and ensure alignment for consistency	Started	"Performance management"
Address retention of BEE skills through leadership development, remuneration, mentorship, training and cultural sensitivity	Started	"Performance management"
Introduce company-wide talent management and promotion process	Started	"Attracting and retaining talent"; "Skills and talent management"
Increase representation of disabled staff to 1%	Started	"Transformation and diversity representation"
Drive employee value proposition further; promote visibility of opportunities across broader FirstRand Group	Started	-
Open a crèche at BankCity to support working parents	Complete	-

OUR PROGRESS

Transformation and diversity representation

Equitable access to the workplace and managing our diverse talent remain a key business imperative for us.

We increased the pace of transformation by including Employment Equity (EE) targets in management's performance measures. We met and, in some cases, exceeded the Financial Sector Charter (FSC) EE targets.

For us, meeting FSC targets is only a starting point. We recognise the need to make further improvements if we are to manage attrition of key ACI staff, increase growth opportunities, and enhance recruitment and promotion of ACI staff, while working towards the Broad Based BEE Codes of Good Practice targets. This must be done while taking into account the morale of all our staff. Our objective to sustain our transformation performance was addressed by:

- Monitoring our progress in terms of FSC and more stringent Department of Trade and Industry targets
- Assessing barriers to employment equity and starting a process to take corrective action
- Providing development and fast-tracking opportunities for key roles, which will be complemented by the necessary mentorship and support
- Ensuring leadership alignment and commitment to change, critical to realise this objective
- Women comprise 69% of our workforce, and 10% of senior management are female

From a broader diversity perspective, increasing the percentage of disabled staff remains a challenge, and will become a greater focus in 2009.

Attracting and retaining talent

We have resolved to adopt an impactful, action-based approach to reduce attrition levels going forward and attract, retain and build the commitment of our talent base. We will do this by emphasising investment in the development of our people, developing a compelling employee value proposition and creating a positive workplace experience.

Accredited as Corporate Research Foundation (CRF) Best Employer in South Africa

In 2009, key initiatives will include:

- A human capital strategy: empirical data and research to grow and develop talent and align our HR strategy with business needs
- Consolidation of payroll data: we are currently developing a business case to transform existing HR processes and legacy systems

We have also implemented a standardised recruiting training programme company-wide and have finalised our methods of engagement with recruitment agencies.

Skills investment and talent management

The global knowledge and service economy is characterised by skills shortages in Information Technology and Telecommunications (ICT), finance, management. Investment in staff skills is one way of addressing the challenge of the war for talent.

While each business segment has developed their own focus on people development, we are putting in place additional measures to improve skills development. These focus on training interventions and recruitment, selection and retention strategies, and will include graduate development and learners. Our additional measures included:

- Investing R81 936 000 (1.6% of payroll) on our skills investment in ACI
- Providing scholarships to 302 candidates in areas related to management and leadership development
- Investing R6 million in our graduate programme

We support the Letsema Learnership, initiated by the Banking Sector Education and Training Authority (BANKSETA) as an accelerated initiative aimed at developing 5 000 learners over the next 3 years. We mentor and monitor the progress of 150 learners, and participate in project governance and management. Through this initiative:

- In 2008, 100 learners benefited from the programme
- 205 have been offered employment since 2007
- 797 learners have benefited from this programme with FirstRand since its inception in 2004

To facilitate identification and proactive development of leaders, we finalised an approach to leadership development. We aligned leadership competencies to this approach, to assess potential leaders and identify their development needs. As a result:

- 70 champions have been trained to roll out our Business Leadership DNA model across the business
- 173 future leaders have been trained through various development programmes at local and international business schools and financial institutions such as Wits Business School, BANKSETA programmes in partnership with Canadian and UK based banks, the University of Free State and INSEAD

Performance management

We recognise the importance of sound performance management if we are to move from good to great. Effective performance management has been highlighted as an area of staff dissatisfaction previously. To address this:

- Management has begun taking a firmer approach to manage underperformance, including at senior management level, but this requires further improvement

- We have reviewed our performance management practices and have begun implementing a standardised approach to performance contracting and personal development plans for all staff. This will include a minimum of bi-annual or monthly performance reviews (depending on business requirements). Performance will determine bonuses. Outcomes will also be linked to career development and succession planning

We continue to work towards implementation of an outcomes-based remuneration, termed "Write Your Own Pay Cheque" (WYOP). This is in line with our Care and Growth philosophy aimed at using results to help grow and develop our people.

WYOP encourages our people to take ownership for what they want to achieve and aligns reward with effort. The focus to date has been on sales areas, with an opportunity for further roll out in the back office. We piloted this approach in four business areas, involving approximately 1 150 employees.

Communication sessions have been held with employees on the implications of job functions and performance contracts. In 2009, greater focus will be placed on the development of a robust measurement system as well as ongoing refinement of the process.

Employee wellness

We recognise the important link between healthy employees and attaining business success. To this end, our comprehensive staff wellness programme offers holistic solutions that focus on all aspects of our employee functioning. We provide assistance and support for a range of issues such as:

- In partnership with Careways, we ensure help employees address issues such as relationship concerns, financial and trauma counselling, substance abuse and legal advice
- Energi Absence Management, a programme that enables us to monitor sick leave and ensure provision for illnesses that may be preventing work attendance
- Personal health and stress assessments conducted countrywide to encourage employees to proactively know and manage their health status in areas such as hypertension, diabetes, cholesterol, obesity and stress. This includes promoting physical activity through our gym and biokinetic centres and healthy eating with our meal range at staff canteens

Our comprehensive HIV/ Aids programme is implemented with a three-pronged focus: policy implementation, Knowledge, Attitudes, Practices and Behaviour (KAPB) surveys. We undertake staff awareness training and communication. Further details of our HIV/ Aids programme are included in the GRI Report at the end of this document.

IN 2009 WE WILL

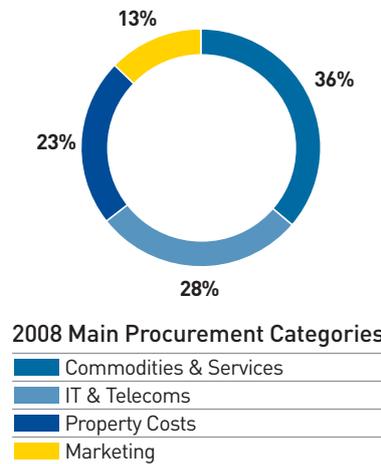
Objective	Activity	Target
Drive transformation objectives	Implementation of specific training interventions and recruitment, selection and retention strategies to meet FSC transformation targets and work towards DTI Code targets	FSC target: December 2008; DTI target: December 2011
Provide a compelling employee value proposition	Develop a human capital strategy focused on effectively growing and developing our talent aligned to business needs and ensuring staff retention	December 2008
Focus on skills development, performance and talent management	Implement HR projects aimed at effectively growing and developing talent, including staff management improvement	April 2009
Improve performance management standards	Roll out implementation of personal development plans for each employee	September 2008
Ensure an integrated HR approach	Complete business case to transform existing HR processes and legacy systems and implement system	April 2009
Extend focus of outcomes-based remuneration strategy	Develop robust measurement system and continue refinement of the WYOP initiative	December 2008

OUR SUPPLIERS

As part of **OUR GOODTOGREAT STRATEGY, WE ARE FOCUSING ON ACHIEVING WORLD-CLASS, SUSTAINABLE PURCHASING EFFICIENCIES, WHILE USING OUR procurement spend to create value for our stakeholders**

SUPPLIER PROFILE

Our approximately 29 000 suppliers range from emerging and micro enterprises to large corporates. We use 35% of these on a regular basis. A record of all suppliers that are not specifically contracted, but are actively used by our business units within a 12-month period, is maintained for possible future business opportunities. Our main procurement spend categories are indicated below.



MATERIAL ISSUES TO SUPPLIERS

Ongoing engagement with our suppliers and a supplier satisfaction survey, have shown that our suppliers value:

- A transparent tendering process
- An efficient ordering and payments system
- Maintaining an enduring and rewarding relationship with us

OUR OBJECTIVES

In 2007, we committed to the following supplier-related objectives. We have reported on our progress in the next section.

Objective	Status	See 'Our progress' item
Implement an integrated procurement solution underpinned by procurement standards, policies and processes company-wide	Started	"Procurement governance"
Continue to build enduring relationships with contracted suppliers by sharing procurement opportunities and transforming supplier base in terms of the FSC	Started	"Transformation"
Conduct formal supplier satisfaction assessments	Completed	"Procurement Governance"
Establish centre-led Service Level Management Department	Started	"Efficiencies and savings"
Increased focus on enterprise development with emphasis on black- and women-owned businesses	Ongoing	"Transformation"
Increase sustainability in supply chain by developing an approach to work with our suppliers on social and environmental issues	Started	-

OUR PROGRESS

Transformation and enterprise development

Preferential procurement is a key thrust to empowerment, significantly encouraging transformation of the economy.

We exceeded the industry procurement target of 50% by 3% and we are confident that the Department of Trade and Industry (DTI) Codes of Good Practice targets for procurement are similarly achievable. Our substantive growth of small businesses included R2 432 699 958 (unaudited figures) spent with broad-based black empowered contributors, including emerging micro enterprises and qualifying small enterprises.

While we have made efforts to transform our supplier base, we recognise that greater attention needs to be placed on providing supplier development support to enable our suppliers to grow and remain competitive. We therefore provide commercial enterprise development support in the form of:

- Funding at various stages of the business life cycle to enable growth, ongoing operation and expansion
- Non-financial support such as access to skills, knowledge and information aimed at assisting or accelerating business development (please refer to "Our customers" section for more information on how we assist start-ups and SMEs)

Efficiencies and savings

We established centres of expertise to provide beneficial services to our business units in the areas of commodities and services,

information technology and telecommunications, property, marketing, and communications purchasing. This approach enables us to develop and implement strategies that will result in:

- Sustainable efficiencies
- Attainment of BEE targets
- Improved supplier service levels

Our ongoing drive to improve efficiencies enables us to capture savings on all non-personnel-related capital and operational expenditure, by avoiding costs and saving in all our business segments. As a result, since 2007, we **have saved more than R212 million (R92.6 million in 2008) in procurement efficiencies.**

Addressing procurement governance

We have established a governance framework that sets out ethical and sound procurement practices to be followed by staff members involved in the procurement of goods and services. This has enabled us to standardise procurement practices across our business. Our initiatives in this regard include:

- Implementing a common FNB-wide procurement system that captures all our non-personnel spend to deliver a single platform for contract and cost management process in line with supplier expectations
- Centralising some support functions, such as creditors control, to enable efficient processing
- Ensuring supplier contracts are drafted in accordance with our code of ethics and comply with pertinent legislation such as the Companies Act, and adherence to confidentiality and accuracy of information

We are currently implementing the Integrated Procurement and Creditors System (IPS), to help ensure efficient management of our supplier relationships and more control over our procurement spend. This will facilitate greater compliance and risk reduction.

In 2008, we conducted a supplier satisfaction assessment to determine our suppliers' satisfaction levels. 82% of suppliers who participated indicated that they are satisfied with our business relationship across a broad measure of variables such as tendering criteria, contract management, order/payments system and relationship management.

IN 2009 WE WILL

Objective	Activity	Target
Drive attainment of transformation goals and meet procurement spend targets	<ul style="list-style-type: none"> • Set strategic direction ensuring that sustainable strategies and plans are in place to achieve stated objectives • Continue with our ongoing activities to meet the DTI Codes of Good Practice targets for BEE procurement spend 	50% FSC target aligned with DTI codes target (also 50%)
Supplier development support	Identify mechanisms to provide further support for suppliers to improve their productivity to remain competitive	Ongoing
Ensure efficient procurement systems and processes are in place	Implement a central, transparent tracking process accessible to all business units	June 2009

THE ENVIRONMENT

As a large employer with **OPERATIONS IN MULTIPLE LOCATIONS**, we have an obligation to reduce our **ENVIRONMENTAL FOOTPRINT**. We accept our **OBLIGATION TO ENGAGE IN OUR FINANCING ACTIVITIES in a responsible manner**

OUR ENVIRONMENTAL IMPACT

Our direct impact

Our response below is based predominantly on the scope of our carbon footprint assessment. This covered most of FNB’s largest building operations, including our head office (BankCity in Johannesburg), sample branches and a representative sample of the impact of 2 ATMs. Together, these represent 90% of owned and leased properties of operations.

Our indirect impact

As a provider of financial services, we enable goods and services to be developed, accessed and consumed. Goods, services and solutions offered by our commercial clients in particular may have both positive environmental benefits (e.g. clean energy productions) and negative impacts (e.g. printing operations). We accept that the activities of some of our clients may have a direct impact on the environment and, through considered lending criteria, adherence to environmental guidelines and discussions with clients as appropriate, we aim to minimise our indirect impact.

OUR OBJECTIVES

In 2007, we committed to the following environmental-related objectives. We have reported on our progress in the next section.

Objective	Status	See 'Our progress' item
Undertake an ISO 14001 audit of BankCity	Started	"EMS, ISO14001 and NEMA"
Research or implement further environmental conservation projects	Complete	
Implement total waste management solution at BankCity	Complete	"Waste management"
Initiate a staff competition to encourage energy saving ideas from staff	Complete	"Environmental education and knowledge sharing"
Review the Environmental Risk Policy and consider how to improve our application of environmental impact assessments	In progress	"Environmental and social risks"

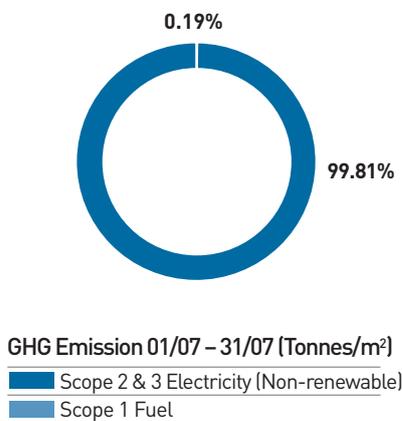
OUR PROGRESS

Carbon footprint

Completed 3rd Carbon Disclosure Project submission (CDP 6) as part of FirstRand Ltd response to measuring its carbon footprint

FirstRand, as a signatory member to the Carbon Disclosure Project (CDP), contracted PriceWaterhouseCoopers to calculate its carbon footprint. We identified our direct and indirect emission-causing activities categorised in accordance with the Greenhouse Gas (GHG) Protocol and ISO14064-1, for the period January 2007 to December 2007 (Baseline 1a). We are extending the baseline of our first CO₂ footprint calculation (process to commence in 2009). As a result, we expect that the results may show a slight increase compared to figures reported for 2008.

At 98%, electricity is the major contributor to FNB's GHG emissions. For the period January 2007 to December 2007, aggregate emissions associated with business operations equal 264 808 metric tonnes (valued at R60 376 312).



BankCity Management's "Greening Buildings" project achieved runner-up position in the FNB Innovators Campaign

We will consider these results in the development of mitigation and reduction strategies. These include responsibly managing our consumption of a number of resources, including paper and fuel. The carbon footprint exercise has provided us with a baseline and a view of the areas in which we may further reduce our environmental impact. Our next step is to develop a Climate Change Management strategy to address findings, expected to be drafted by October 2008.

The strategy is likely to include a programme for energy reduction. This will focus on energy efficiency and maximised employee participation and engagement relating to the planning of business trips, the use of tele- and video-conferencing, and the use of remote PC access as alternative options.

As a result of the limited scope of application that was used for our Baseline 1A carbon footprint calculation it is expected that our carbon footprint may become larger in the first two to three years and energy reduction targets will take this into consideration. Emission reduction targets will be influenced by:

- Regulation
- The fact that FirstRand's business is still growing and the first baseline calculation of the carbon footprint was subjected to a limited scope of application (although the largest impact, electricity consumption, has been incorporated in the Baseline 1a scope). Our new energy efficient building in Johannesburg will be incorporated into the GHG emission calculation in baseline 1b.

While FirstRand has not as yet set emission reduction targets, we will ensure that these targets are conservative, realistic and achievable, taking into consideration our operations in many developing countries, including our own.

The Climate Change Strategy is likely to focus on a phased approach and a medium- to long-term solution. This may include the development of engineering solutions, driving behavioural change through awareness and education interventions, and offsetting carbon emissions.

EMS, ISO14001 and NEMA

We implemented an Environmental Management System (EMS) to improve our operational efficiencies. This forms part of our participation in the ISO14001 audit to obtain certification for BankCity, which houses our head office operations and approximately 6 500 staff, thereby comprising 17.5 % of our total operations.

The EMS requires us to conduct environmental risk assessments and put in place mitigating actions such as health and safety management. The implementation of an EMS will help us to go beyond compliance requirements and adhere to the National Environmental Management Act (NEMA) 1998, aimed at addressing environmental impact issues. Our EMS-related activities over 2008 included:

- As part of a gap analysis and our planning process, developing an environmental aspect and impact register (as defined in the ISO 14001:2004 standard), to highlight our significant environmental risks that could arise during normal operations or emergency conditions. We researched all legal requirements and industry best practice
- Conducting an internal audit to ensure proper implementation and maintenance of the EMS in accordance with the ISO 14001:2004 standard

We have set objectives and targets as key performance indicators in the elimination and/or mitigation of our identified significant environmental risks.

Electricity use

As a result of South Africa's electricity shortage, we have had to increase our consumption of diesel for critical operations. This reinforces our need to reduce our electricity consumption (whether sourced from Eskom or through the use of diesel-powered generators).

As a start, we have been researching energy efficiency options on an ongoing basis, and this has resulted in savings of just under R11 million over the last 3.5 years at BankCity alone.

Initiatives that have been under way for more than 5 years include:

- Agreements with Eskom's Demand Side Management programme, which sought to help energy users reduce their electricity consumption
- Changing technologies such as lighting and air-conditioning, and converting to gas
- Rightsizing equipment for use (e.g. fridges)
- Improving the energy efficiency of lifts
- Using motion detection lighting and new drives for basement carbon monoxide extraction fans

The Facility Management Team set an objective to convert BankCity into a green precinct with environmentally friendly characteristics, while providing essential services to the building. The team's task was to significantly reduce energy and water consumption (valued at R3 506 000) without patent and adverse effects on the office environment. The process consisted of a combination of ideas to reduce our carbon footprint and operating costs.

Other energy efficiency initiatives include the following:

- We are in early discussions with the William J. Clinton C40 Partnership for Climate Change Initiative, as part of an Energy Efficiency Building Retrofit Programme for Johannesburg (one of the first 16 global cities to participate in this programme). In line with this programme, we will undertake 2 pilots in FNB-owned buildings, using an investment grade energy audit to determine the most suitable model for achieving energy savings. Discussions with business units are at an early stage, and we will report back on our progress next year
- We have created a new role of Group Energy Manager and work has commenced on further defining an energy management strategy for the Group
- We will be retrofitting our branch facilities with energy efficient measures such as a reduction in electronic display boards and the installation of energy saving light bulbs and motion sensors to control lighting after hours. This will form part of ongoing branch refurbishments in 2009

Water use

As a result of climate change, South Africa is expected to experience severe water shortages in the near future. To help address water saving in our operations, we are actively investigating the possibility of re-using grey water in our business operations. In 2008, we focused on two of our major buildings in Fairland and BankCity (both in Johannesburg). Our water saving initiatives at these two buildings are as follows:

- At our home loans building in Fairland, which incorporates an environmentally friendly design, we are recovering used water from our chillers and air conditioning system and damming this water for use for landscape irrigation
- At BankCity, we re-use water in various processes, including aesthetic purposes in our fountains. In various systems that use water, engineering controls have been investigated to change from water systems or to change the systems to recycle and re-use water, to avoid using potable water from our water supply
- Our on-site maintenance teams ensure that water features are maintained at high standards and identify any leakages in the water system through daily monitoring

In 2009, we will roll-out an employee awareness programme on water conservation.

Waste management

We implemented a waste management programme in BankCity and appointed a waste management service provider.

The programme involves managing, recycling and disposing of various waste products, and is in line with our ISO14001 commitments and the National Environmental Management Act, 1998 (NEMA). It also takes into account the new Waste Management Bill, 2007, expected to be promulgated within the next year.

Environmental education and knowledge sharing

Our initiatives to address environmental education among our staff include:

- Two FNB staff members and one FirstRand staff member completed the United Nations Environmental Programme Finance Initiative (UNEP FI) programme on Environmental and Social Risks Analysis
- Conducting a training needs analysis on safety, health and environment awareness for management, various levels of staff, service providers, contractors and tenants. Competence is based on appropriate education, training, skills and experience. A basic awareness training guide on the importance of environmental management and our initiatives is also available on our intranet, and is a pre-requisite for safety, health and environment representatives, and compulsory for all new employees to review

- Increasing the scope of environmental initiatives discussed at our Group Environmental Forum, constituted last year. These initiatives seek to address both our direct and indirect environmental risks and commercial opportunities
- Featuring responsible energy consumption in our internal monthly magazine, and incentivising staff to consider how they could change their personal consumption by offering a prize in return for suggesting suitable ideas

Environmental and social risks

The banking sector has an environmental risk policy that is aligned with the requirements of the Equator Principles. This policy is currently under its second review and is aimed at effectively addressing climate change, impacts on biodiversity and the prevention of air, water and ground pollution in lending criteria and decision making.

Should the FirstRand Group decide to become a signatory to the Equator Principles, these guidelines would initially apply only to the Structured Finance Division within Rand Merchant Bank (RMB). The reason is that this division focuses on the financing of all projects that could have an environmental impact in line with regulation and international standards.

Management of environmental risks

We update our Risk Universe to reflect current strategic macro financial, environmental, and social risks and opportunities where necessary. The Group's Strategic and Business Risk reporting dashboard is updated monthly, and presented to executive management and the FirstRand Banking Group Audit, Risk and Compliance Committee. Issues relating to sustainable business practices and the Group's status as a good corporate citizen are monitored by this committee.

IN 2009 WE WILL

Objective	Activity	Target
Extend baseline of carbon footprint assessment	Commence Baseline 1B assessment	August 2008
Manage our environmental footprint and maintain focus on reducing our resource consumption	<ul style="list-style-type: none"> • Implement an environmental management system • Implement e-waste and metal waste solutions at BankCity 	May 2009 August 2008
Manage significant environmental risks	Develop energy management strategy in line with Group activities	December 2008
Report back on Clinton Initiative	Develop Climate Change Strategy	October 2008
Determine implementation issues for FNB following FirstRand's Climate Change Strategy (draft)	FirstRand Group's Climate Change Strategy, that will include GHG emission reduction targets, expected to be developed by October 2008. Determine what the implementation requirements are for FNB as an operating division of FirstRand	June 2009
Continue education and knowledge sharing initiatives	Roll out an employee awareness campaign focusing on water conservation	April 2009

OUR COMMUNITY

We aspire to help create a **BETTER WORLD AS PART OF OUR GOODTOGREAT STRATEGY**. In line with **OUR COMMITMENT TO CREATE A BETTER WORLD**, we need to develop and maintain excellent community relationships, addressing, **within our scope of influence**, issues of importance to society

PROFILE OF OUR COMMUNITIES

The FirstRand Foundation and the FirstRand Volunteers Programme are the 2 main vehicles for the Group’s Corporate Social Investment (CSI). Under the FirstRand Foundation, there are 4 funds for each major FirstRand operating division and subsidiary (excluding OUTsurance, whose contribution is managed directly by the FirstRand Foundation). Each fund has its own focus and policy, running parallel and operating in complementary ways.

The FNB Volunteers Programme matches employee efforts with a monetary contribution, to the same value as that effort.

The FNB Fund and Volunteers Programme focus areas are depicted below.

FIRSTRAND FOUNDATION HAS CONTRIBUTED R550 MILLION TO COMMUNITY PROJECTS SINCE ITS INCEPTION IN 1998

 <p>Bursary Hospice Early Childhood Development Community Care</p>	 <p>Agricultural livelihoods Substance Abuse Community Care Sustainable thinking</p>	 <p>Disability Community OVC HIV/ Aids</p>	 <p>Arts, Culture, Heritage Environment Education – Maths focus</p>
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OUR COMMUNITY OBJECTIVES

In 2007, we committed to the following community-related objectives. We have reported on our progress in the next section.

Objective	Status	See 'Our Progress' Item
Increase long-term engagement through multi-year grants by FNB Fund, aligned to our renewed focus areas	Complete; now ongoing	"Programmatic approach to sustainability"
Undertake second impact and measurement study to assess application and community impact of FNB Fund contributions	Started	"Measuring our CSI impact"
Increase internal communication and awareness of Volunteers Programme	Complete; now ongoing	"Volunteers Programme governance and awareness"

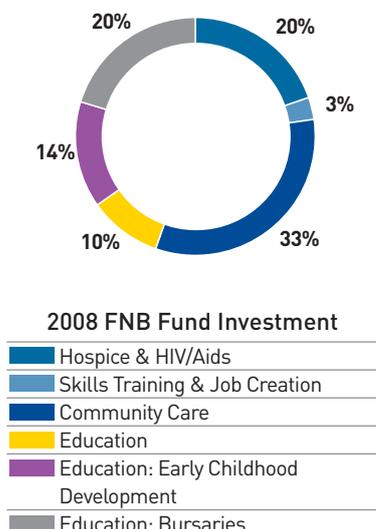
OUR PROGRESS

Programmatic approach to sustainability

Following a strategic review in 2006, we decided to streamline the FNB Fund's CSI, resulting in the following:

- Introduction of a programmatic approach of longer-term community partnerships, with an increased focus on flagship projects with established non-profit organisations (NPOs)
- Move away from smaller, once-off grants
- Programmes in specific fields of development benefit from the Fund's support
- By extending financial support to three-year grants, improves our beneficiaries' strategic and financial planning ability
- To ensure we did not place any organisation at risk as a result of our funding approach transition, we held discussions with previous beneficiary organisations that no longer aligned with the programmatic strategy and our selected focus areas. Exit grants were made where appropriate

The diagram below shows how our CSI funding allocation of R32 850 350 was applied by sector.



Supporting Hospice, our bursary programme and community care

Hospice programme

The FNB Hospice Programme has been operational since 2006 and has committed over R16 million to 25 hospices across seven provinces. Together these hospices provide home-based care, programmes for orphans and vulnerable children, support groups and day care to more than 20 000 beneficiaries.

As part of our programmatic approach is to facilitate learning, we undertook the first knowledge sharing workshop, encouraging discussions between different hospices. We also sponsored the first day of a conference in August to workshop best practices.

Bursary programme

The FNB Bursary Programme helps financially disadvantaged students to enter and complete tertiary studies. Extensive mentoring and ongoing support is provided to bursars. This programme has resulted in:

- Since 2003, almost R16 million being approved to support 200 bursars
- This year, the hosting of a successful workshop with bursary service providers. A second workshop, to ensure engagement and sharing of best practices among service suppliers, will be held in the forthcoming year
- Inclusion of 3 additional service providers in the bursary programme, enabling 40 more students to be accommodated

Community care

In the community care field, we focus on addressing crime (partnering with Nicro), support for children and youth (partnering with Childline South Africa), and gender-based violence working with centres of excellence.

We donated R2 million to organisations assisting victims of xenophobic attacks

Measuring our CSI impact

For the FNB Fund’s investments, we have recently obtained the following baseline data for our early childhood development, bursaries and hospice focus areas: provincial and sectoral splits, beneficiary profiles (in terms of direct and indirect beneficiaries), race, gender, and the racial composition of the recipient organisation’s board.

Other data pertaining to monitoring evaluation and reporting has also been collected. Specifically, this relates to services to be rendered and how the impact of interventions will be measured.

The next step is to ensure the organisations we fund report on how funding has been used, and to determine the impact of project funding over a certain time.

Volunteers programme governance and awareness

We introduced monthly training sessions for all volunteer co-ordinators (new and existing), explaining the Volunteers

Programme rules, policies and procedures. As a result of the high turnover of volunteer co-ordinators, succession planning has been introduced in our policies, requiring each co-ordinator to identify both an alternate and a financial administrator.

During the year, we also increased staff awareness of the programme through provincial road shows, newsletters, plasma screens in branches, business broadcasts, quarterly meetings, policies and procedures training, and introduction of the Annual Volunteer Recognition Awards Programme. We encouraged use of the intranet and internet to log volunteer initiatives, apply for matched funding and source the volunteer calendar.

Sustainable volunteer engagements

The mission of the Volunteers Programme is “to help people to help themselves”. We therefore encourage our volunteers to work with organisations for a period of 1 to 2 years, to enable them to sustain their efforts, extend their impact and help projects become self-empowered. This is emphasised with volunteers at the FirstRand Volunteers Quarterly Committee meetings and is a requirement for entries into the FirstRand Volunteers Recognition Awards Programme.

CASE STUDY

In line with our vision of being “a great business helping to create a better world”, **our staff volunteers from Interbank, Risk and Compliance helped the community of the Andeon Plot in Danville, Pretoria, which houses 20 homeless families, to help themselves.** Through fundraising, staff donations and team members giving their time, 5 veggie tunnels have been donated, including an irrigation system and the purchase of seed potatoes. The community can now grow its own vegetables and generate an income through the sale of produce to the public and businesses. This project has contributed to poverty reduction and given hope to a community that was without.

CASE STUDY

“I attend so many year-end award ceremonies and functions and this “celebration of giving” is by far the most memorable and moving in a long time” – Paul Harris, FirstRand Group Chief Executive Officer, Inaugural FirstRand Chairman’s Volunteer Awards Evening to recognise outstanding volunteers



IN 2009 WE WILL

Objective	Activity	Target
Facilitate best practice sharing and discussions between hospices	Fund first day of 3-day HPCA conference	R297 000 in August 2008
Conduct bursary service providers engagement workshop	Identify best practices and facilitate discussions among bursary service providers	July 2008
Assess application of FNB Funding	Conduct second measurement and evaluation assessment	June 2009
Refine FNB Fund focus areas	Continue community investments in community care, Bursary Programme, Hospice Programme, early childhood development and education. Exit initiatives in fields of maths education, policy and advocacy, skills training and job creation, and welfare and development	
Assess Volunteers Programme impact on community	Host workshop with Non-Profit Organisations (NPOs) supported by volunteers over the past 3 years to get NPO feedback	August 2008
Encourage payroll giving	Encourage divisional teams to implement payroll giving where people cannot volunteer their time	June 2009
Encourage more staff members to volunteer for Volunteers Programme	Encourage more individuals to volunteer their time. We would like to offer them financial support and acknowledge their efforts	June 2009

REGULATORY SUMMARY

As a result of the long-term nature of the regulatory formulation and implementation process, we have provided a summary of the most significant regulatory movements affecting our stakeholders over the last year. A number of regulatory developments have already been addressed in the past financial year.

The National Credit Act (NCA)

The NCA has had an impact on the way the financial services industry attracts and prices services to customers. We have absorbed the impact of complying with the NCA as part of our ongoing business and will continue to phase in new customers under the Act's provisions (relationships acquired before 1 June 2007 continue to be governed by the Usury Act). We are currently addressing reporting to the regulator in terms of the NCA, to ensure process and data accuracy.

Financial Intelligence Centre Act (FICA)

We continue to comply with the Act. We maintain a focus on enhancing our client take-on process to ensure that our "Know your Customer" (KYC) processes are streamlined, integrated and automated. In 2009, we will refresh our efforts on staff awareness training on the basic FICA and KYC controls, in preparation for the Financial Action Task Force audit to be conducted by the IMF. A transaction reporting system will also be implemented in line with requirements.

Financial Advisors and Intermediaries Act (FAIS)

This continues to be a major focus to ensure that our people are "Fit and Proper" and appropriately skilled in giving customer advice, shown through proper advice recording. This is in line with regulatory requirements for our staff to meet a higher standard of knowledge.

Public Finance Management Act and Municipal Finance Management Act

The Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA) place particular requirements on the public sector dealing with financial service providers. We continue to comply with these in areas relating to borrowing being done through National Treasury and pre-approvals by the Member of the Executive Committee (MEC) for Finance of public schools.

Home Loans and Mortgages Disclosure Act (HLMD)

This Act has been promulgated in an effort to address the backlog in the housing market as well as promote fair lending practices, which require disclosure of information by financial institutions relating to the provision of home loans. We are

currently performing a gap analysis of the system information available to ensure readiness in compliance with the Act.

Housing Development Agency Bill

The Housing Development Agency Bill of 2007 was introduced in May 2008 to establish a Housing Development Agency as a statutory body. Its objective would be to address the shortage of well-located land, facilitate the development of sustainable human settlements through inter-governmental relations, minimise red tape in the approval of developments by government and the private sector, and address the shortage of project management capacity for government projects. We maintain a constructive relationship with all tiers of government to contribute to this initiative going forward.

National Environmental Management Act

The National Environmental Management Act (NEMA) sets out Government's commitment to address environmental issues and requires the development and implementation of environmental management plans to address environmental impact considerations. We have begun a process of developing and implementing such plans in compliance with the Act. Please refer to the "Our environment" section for more details.

Financial Sector Charter

The FSC is currently undergoing a process to align to the Department of Trade and Industry (DTI) Codes of Good Conduct. The majority of this alignment has been completed, with issues related to direct and indirect ownership percentages still pending resolution. The DTI targets represent, on average, 20% higher than the original FSC targets in areas such as employment equity. We have begun the process of aligning to the DTI Codes and are working towards the attainment of such targets, albeit more stringent.

Money Laundering

We continue to ensure compliance with money laundering requirements and have put in place plans and projects to this effect to stay abreast of ongoing requirements. We will invest in resources such as systems and people to ensure compliance.

For a more comprehensive report on who our regulators are and why they matter to us, please refer to the 2007 Sustainability Report archived on the website www.firststrandsustain.co.za/ FNB

SUSTAINABILITY IN NUMBERS

We have set out a quantitative view of our sustainability performance below. We have continued to grow our measurement and reporting processes, and data for previous years may therefore not always be available. Please refer to the Group Annual Financial Statement for our economic performance and Group Transformation Scorecard.

Indicator	Note	Unit	2008	2007	2006
No. of customers		Number	6 264 430	5 800 000	5 100 000
Average product holding/ Customer		Number	1.97	2.9	1.43
Customer satisfaction	1	%	34%	35%	43%
Customer complaints to Ombudsman	2	Number	Not available		
<i>FNB (19% assets)</i>				1 104	886
<i>ABSA (23% assets)</i>				1 346	1 034
<i>Standard Bank (25% assets)</i>				1 427	1133
<i>Nedbank (17% assets)</i>				1 077	772
<i>African Bank (4% assets)</i>				331	242
Other (NA% assets)				203	117
Innovation (ideas proposed)	3	Number	6 845	6 346	3 531
Innovation (ideas implemented)	3	Number	733	530	360
Infrastructure access		Number	5 177	5 259	4 880
<i>No. of branches & agencies</i>			664	649	651
<i>No. of ATMs & retail ATMs</i>			3 156	3 266	2 733
<i>No. of mini-ATMs</i>			1 309	1 295	1 455
<i>No. of mini FNBs</i>			21	26	29
<i>No. of banks on wheels</i>			10	10	10
<i>No. of sales centres</i>			17	13	2
Basic financial access (first time banked)		Number	443 871	369 506	280 381
People					
Total Staff by Gender	4; 5	Number	30 008	25 924	23 825
<i>Total Male</i>	4		10 738	9 457	8 339
<i>Total Female</i>	4		19 270	16 467	15 486
Total Staff by Race	4; 6	Number	29 999	25 886	23 825
<i>Total ACI</i>	4		21 151	16 939	15 486
<i>Total W</i>	4		8 848	8 947	8 339

Indicator	Note	Unit	2008	2007	2006
People (continued)					
Total Staff by Occupational Level	4	Number	30 008	25 924	23 825
<i>Top Management</i>	4; 7; 8		6	20	Not available
<i>Senior Management</i>	4; 7		770	511	Not available
<i>Professionally qualified and experienced specialists and mid-management</i>	4; 7		4 583	4 062	Not available
<i>Skilled technical and academically qualified workers junior management, supervisors, foremen, and superintendents,</i>	4; 7		9 820	7 260	Not available
<i>Semi-skilled and discretionary decision making</i>	4; 7		11 419	10 990	Not available
<i>Unskilled and defined decision making</i>	4; 7		624	674	Not available
<i>Non-permanent</i>	4; 7		2 786	2 407	Not available
Staff Development Investment (All Incl. ACI Staff)	9; 10	R'000	81 936	134 390	100 170
Staff Development Investment (ACI Staff)	9; 10	R'000	51 838	81 653	58 383
Staff Development (of Payroll)	9	%	1.6	2.2	1.2
Learnerships (of Total Staff)		%	0.35	0.75	0.56
Learnerships (Letsema)	11		100	244	185
Disabled Staff	12	Number	Not available	159	188
Working environment: fatalities		Number	-	-	-
Working environment: injuries		Number	57	264	207
Working environment: days lost to injury		Number	127	211	257
Average staff age		Number	34	34	34
Staff satisfaction:		Score out of 10	7.3	7.5	7.2
<i>I encourage talented friends to join</i>			7.5	7.7	7.6
<i>I have confidence & trust in our leadership</i>			8.0	8.1	8.1
<i>I have confidence in SA</i>			7.5	8.1	7.7
<i>Management doesn't tolerate poor performance</i>			6.7	6.6	6.1

Indicator	Note	Unit	2008	2007	2006
People (continued)					
<i>If another company made me an offer I would consider it</i>			7.8	7.7	7.3
<i>My manager gives me direct and honest feedback on my performance so that I know where I stand</i>			7.9	7.9	7.8
<i>I am satisfied with my reward & recognition</i>			6.0	6.1	6.0
Staff participation in satisfaction survey	9	Number	20 328	19 878	16 000
Average length of service		Years	6.7	Not available	Not available
Supplier					
Main procurement Categories	10; 15	R'000	4 556	4 062	3 640
<i>Commodities & services</i>	15		1 650	1 456	1 327
<i>IT & telecoms</i>	15		1 286	1 161	1 031
<i>Property costs</i>	15		1 038	843	782
<i>Marketing</i>	15		582	602	500
Active suppliers		Number	10 584	9 600	12 710
Environment					
GHG emissions Baseline 1a		Tonnes/m ²	264 808	Not available	Not available
<i>Scope 1 Emissions Business Travel</i>	11; 11A		–		
<i>Scope 1 Emissions Fuel</i>			503		
<i>Scope 2 & 3 Electricity (non-renewable)</i>			263 305		
Scope 3 Paper			–	Not available	Not available
Water consumption (municipal) – Bank City	12	KL	156 000	Not available	Not available
Water consumption (municipal)	13; 15	R '000	3 600	Not available	Not available
Recycling	13			Not available	Not available
<i>Waste</i>	13	Tonnes	40 521		
<i>Paper purchased (% of total)</i>			Not available		
<i>Furniture, carpets, fixtures</i>			Not available		
<i>Other materials</i>			Not available		

Indicator	Note	Unit	2008	2007	2006
Community					
FNB Fund community investment	15	R'000	32 850	38 502	23 350
<i>Hospice & HIV/ Aids</i>			6 473	5 396	1 405
<i>Skills training & job creation</i>			986	2 227	3 775
<i>Community care</i>			10 731	9 538	9 514
<i>Education</i>	14		3 240	21 341	8 656
<i>Education: Early childhood development</i>	14		4 755		
<i>Education: Bursaries</i>	14		6 665		
Volunteers: cash raised and matched	15	R'000	878	1 416	1 840
Volunteer community investment:	15	R'000	878	Not available	Not available
<i>Community care</i>			465		
<i>Education</i>			53		
<i>The disabled</i>			96		
<i>Health</i>			53		
<i>HIV/ Aids</i>			184		
<i>Environment</i>			-		
<i>Animal welfare</i>			9		
<i>The elderly</i>			18		

Note:

- Customer satisfaction is measured quarterly. Figures indicated here represent the 2nd Quarter to end June
- The Banking Ombudsman reports customer complaints by calendar year, not financial year. The calendar year ends on 31 December
- Innovations are reported for the period September to August, not financial year
- Per Department of Labour Annual Report. For detailed workforce profile breakdown refer to the Group Annual Financial Report
- 2007 staff figure of 32 785 was restated this year to reflect internal changes in DOL reporting
- 2007 and 2008 figures for staff by race category exclude foreign nationals
- Due to a change in DOL reporting 2006 figures cannot be provided here. For 2006 staff profile figures see 2006 FNB Sustainability Report
- Top management data as reported in 2007 now changed in 2008 for 2007 due to DOL reporting definition structure change. Previously reporting 113, now reporting 6
- Unaudited for 2008
- 2006 and 2007 figures rounded to the nearest 100 or 1000
- For Calendar Year not Financial Year
- Not available at the time of report compilation
- Surveys conducted at May 07 and May 08
- In 2008 we have deleted the procurement category 'Other' as it is not sufficiently descriptive. In doing this, the total for 2006 and 2007 have been restated down
- We are extending the baseline of our first CO₂ footprint calculation (Baseline 1B process to commence in 2009). As a result, we expect that the results may show a slight increase compared to figures reported in 2007
- This is for the period 01/01/07 – 31/01/07 [calendar year including first 6 months of 2008]
- For Head Office BankCity comprising about 17.5 % of total workforce. We are unable to calculate water consumption for the full financial year but have available consumption for the period January – June 2008
- For Head Office BankCity comprising 17.5 % of total workforce
- In 2008 we distinguish between general education, early childhood development, and bursaries. This distinction was not reported in previous years

ENGAGING OUR STAKEHOLDERS

WHO OUR STAKEHOLDERS ARE

Our stakeholders include 6.2 million customers, 30 008 staff, 29 000 suppliers, 124 community and non-governmental organisations that we support, shareholders and investors, and a number of regulatory authorities.

We also work with industry bodies and special interest groups, including our industry peers, to address specific issues of interest.

The key stakeholders with whom we engage include our customers (individuals, small business, large corporates and parastatals), staff, suppliers, the communities we support and invest in, the natural environment, our regulators and related authorities, and FirstRand Holding's investors and shareholders. While the variety and scale of our stakeholder group leads to complexity, it is also an opportunity for innovation.

The table below indicates how we engage with our stakeholders.

Stakeholder	Face-To-Face	Electronic communication (email, telephony, internet, networks)	Transaction channels **	Surveys , forums, road shows, conferences , AGMs. summits, other forms of dialogue	Internal communication media & forums	External communication media & forums	Briefings & releases (e.g. media, SENS)
Staff	•	•	•	•	•	•	•
Suppliers	•	•	•	•		•	
Customers	•	•	•	•		•	•
Brokers, agents, dealers	•	•	•	•	•	•	
Community (including NGOs, CBOs, civil society)	•	•		•		•	•
Environment (including NGOs & civil society)	•	•		•		•	•
Regulatory authorities (including Ombudsmen)	•	•		•		•	•
Government	•	•		•		•	•
Industry associations	•	•		•		•	•
Shareholders, investors & analysts	•	•		•		•	•

SOME OF THE QUESTIONS OUR STAKEHOLDERS FREQUENTLY ASK, AND OUR RESPONSE

1. What are you doing to improve customer service, particularly at your branches?

As part of our journey to move from goodtoGreat, we are focused on improving our level of service to deliver on our brand promise of “How can we help you?” We are intent on being a values-based company where our employees share one job description – to serve our customers and build enduring, rewarding relationships at every touch point – over the phone, via email and in our banking halls. We launched the ‘service that Shines’ challenge at the beginning of 2008, which is inspired by our company values to ensure that the needs of our customers are met through excellent customer service and innovative products. As part of this initiative, we launched the FNB Service Charter which outlines what we will deliver in terms of service, the mechanisms to monitor our service as well as a complaints procedure to address cases where service fails. A rigorous training programme to address service as a concept and an action-oriented tool has been developed to support staff through all levels to deliver on the customer service commitment outlined in our Service Charter. This challenge is a process that we are passionate about and one that should never have an end point.

2. Are banking fees reasonable and transparent?

Transparency, simplicity and the promotion of financial literacy among customers underpins our pricing philosophy to enable customers to make informed decisions. We maintain focus on simplifying our pricing and improving pricing transparency through our pricing hotline on 0860 11 22 44 or through the Online Fee Calculator on our website at www.fnb.co.za to assist our customers to choose the pricing option that best suits their transacting behaviour, and helps them to save on bank charges. We review our pricing annually and we publish a pricing guide to help customers to understand our pricing as well as assist them in making banking choices in line with their lifestyle and budget. We also believe in giving our customers the choice of how to do their banking, so we do not charge any subscription fees for Telephone, Online or Cellphone Banking.

3. What are you doing to assist customers in these tough economic times to keep up with bond repayments?

We recognise that these are tough times given the deteriorated interest rate outlook, compounded by rising fuel and food costs. As part of our helpfulness culture, we launched an advice-driven campaign aimed at empowering customers with effective ways of aligning their financial behaviour with the changing times. The campaign runs in conjunction with our debt helpline and counselling service at our branches. We encourage home buyers during this time to factor in spare capacity into their financial planning to ensure they can keep up with repayments if interest rates keep rising. For hard-pressed bondholders who are facing difficulty in servicing their obligations, we offer assistance to customers by assessing their individual financial situation to find

workable solutions such as extending repayment periods or paying only the interest portion of the homeloan until their financial circumstances improve.

4. As a responsible lender, how do you continue extending more credit given rising levels of debt?

From 1 June 2007 all new agreements (including renewal/renegotiated agreements) are governed by the National Credit Act (NCA). The Act requires us to engage in responsible lending and take into account the total affordability of credit by the applicant before credit is extended. Debt counselling is provided to over-indebted customers, and we can facilitate debt restructuring through our Debt Review Centre. To remain a responsible credit lender we complete reasonable affordability assessments first, using all information at our disposal before granting credit. We implemented automated scoring models ensuring customers are treated consistently. We moved away from the historical process of issuing credit on a product level, allowing us to build enduring rewarding relationships with the entire customer profile in mind. We also support our customers and their dependents against unexpected events through our Automatic Debt Protection and optional Debt Protection Plan to cover outstanding credit card values. We are also signatories to the Banking Association Code of Banking Practice, which sets out minimum standards that banks must adhere to in the relationship with a client and is aimed at providing valuable safeguard to our customers.

5. What are you doing to engender social transformation for the benefit of all your stakeholders?

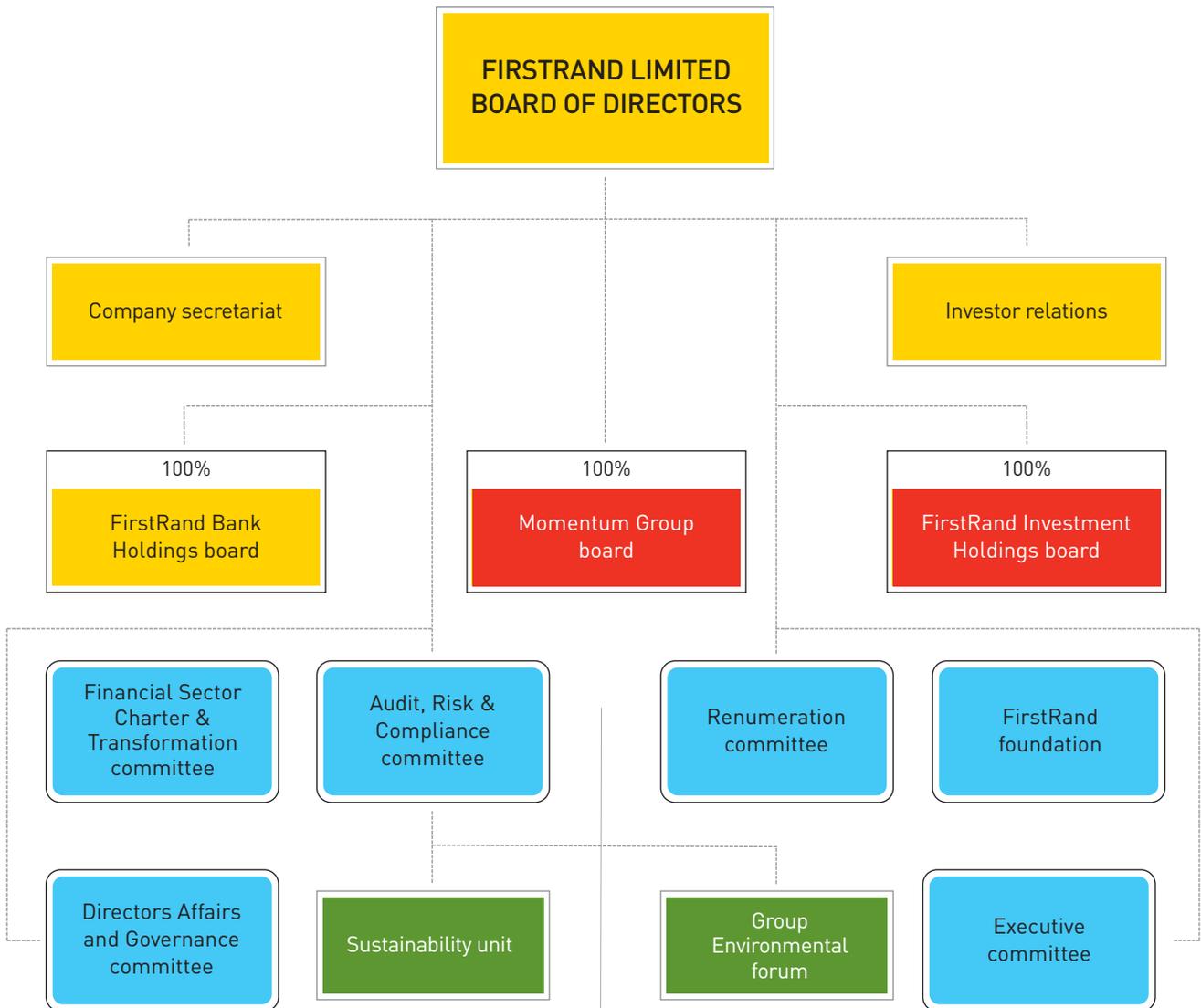
As one of South Africa’s largest financial service institutions, we work with multiple stakeholders to effect sustainable change. Our brand promise of “How can we help you?” and our vision of “Being a great company helping create a better world” is realised through a strategy of creating enduring, rewarding relationships. It requires us to take practical action, set targets, work collaboratively and account for delivery. It requires us to integrate the opportunities and risks posed by the demands for sustainable development within the context of our operating environment. We acknowledge the scale of this ongoing challenge and we remain committed to realising the objectives of social equity and transformation as envisioned by the Financial Services Charter and in alignment to the DTI Codes of Good Practice not only as a set of rules but as an opportunity to help create a better South Africa. This includes providing affordable access to agricultural and housing finance, diversity recognition through affirmative recruitment and procurement, corporate social investment and consumer education. We believe that by applying our values to make notable differences to the lives of our stakeholders will continue to help us realise our vision.

SUSTAINABLE BUSINESS PRACTICE GOVERNANCE

IMPLEMENTATION OF FIRSTRAND'S BUSINESS SUSTAINABILITY PRACTICES

The FirstRand federated business model enables each of its operating divisions to develop their own strategies. This is based on the belief that each division is informed by common values and beliefs which are articulated in the FirstRand business philosophy. This philosophy remains the compass for expected practices across the Group. The governance structure is shown below.

GROUP GOVERNANCE OF SUSTAINABILITY



The Board of subsidiary companies are subject to the same corporate governance criteria as the holding company. FirstRand board committees include representatives from the subsidiary board committees and where appropriate divisional executive management

GOVERNANCE

Risk management

We updated our Risk Universe to reflect strategic macro financial, environmental and social risks and opportunities where necessary. The Group's Strategic and Business reporting dashboard is updated monthly, and presented to executive management and the FirstRand Banking Group Audit, Risk and Compliance Committee.

Issues relating to sustainable business practices and the Group's status as a good corporate citizen are monitored by this committee. The reporting dashboard is also presented at the quarterly Board meetings. Key issues tracked include social and environmental risks, and business competitiveness.

The integrity of the Group's Sustainability Report is reviewed by the Group's internal audit.

ENVIRONMENTAL GOVERNANCE

The Group Environmental Forum was mandated by the Board in early 2007 to set strategic objectives and direction on environmental issues. The Environmental Forum, attended by representatives from major operating divisions, addresses issues of relevance to FirstRand as a financial services institution. The Forum reports to the FirstRand board through the Audit, Risk and Compliance Committee. The Forum is chaired by the Group Environmental Health and Safety manager and is accountable on delivering on planned targets and objectives that have been identified from business expectation, market demands and the Group's overall commitment to the planet.

The Environmental Forum is chaired by the Group Environmental, Health and Safety Manager. It has accountability for delivering on planned targets and objectives that have been identified from business expectations, market demands and the Group's overall commitment.

Sizwe Nxasana, in his capacity as Chief Executive Officer of FirstRand Bank and a member of the FirstRand board is

responsible for environmental issues, and the approval of international and national submissions and the Climate Change Strategy that will be drafted in October 2008.

SOCIAL GOVERNANCE

Transformation

FNB's BEE transformation progress is monitored monthly by executive management. Detailed monthly reports are submitted to the FirstRand Transformation Unit. BEE transformation appears on the agenda of each Manco and Exco as well as at FirstRand board level. Group performance, progress, activities and challenges are reviewed quarterly by the FirstRand Financial Sector Charter (FSC) and Transformation Monitoring Committee, whose composition is indicated in our Annual Report.

Corporate Social Investment

Group companies contribute 1% of after-tax profits to the FirstRand Foundation, the vehicle used by the Group to oversee its Corporate Social Investment activities. The work of the Foundation is subject to the oversight of a board of trustees comprising a cross-section of members of executive management and independent trustees are subject to the same FirstRand Code of Ethics as that which applies to directors.

The day-to-day running of the Foundation is outsourced to Tshikukulu Social Investments, a not-for-profit corporate social investment consultancy. Together with the trustees, they oversee compliance with relevant legislation, the implementation and monitoring of risk protocols related to the approval and payment of grants, and the measuring of the impact of the Foundations work.

The FNB Fund is governed by the high level policy, approach and authorisation limits set by the FirstRand Foundation. The Fund focuses on areas aligned to business operations and culture.

INTERNAL COMMUNICATION

Internal communication and education is an integral aspect of mainstreaming sustainability in our business practice.

Following the publication of the annual sustainability report, we engage with staff through various communication channels such as internal newsletters, bulk mail and the website to create awareness about sustainability issues and how these relate to our business.

More focused engagement is also conducted through stakeholder presentations with business units to instil an understanding of sustainability as it relates to specific business areas. Another objective is to identify initiatives aimed at addressing our sustainability risks and opportunities.

ABOUT THIS YEAR'S REPORT

FOCUS AND MATERIALITY

There are a large number of challenges in our operating environment. To ensure a focused report to our stakeholders, we have been guided by the reporting principles of materiality, relevance, the context for sustainability in our business, and responsiveness.

This year, key issues that characterised our activities, as set out in our report, include:

- Impact of higher interest rates and increasing inflation on our clients' financial positions
- Increasing demand from clients for innovative products and service excellence
- Our focus on transformation as a critical building block to becoming an employer of choice
- The war for talent, in particular for specialist skills
- Suppliers' need to transform their organisations in terms of BEE
- Importance of addressing our environmental impact
- Playing a responsible and supportive role in our community

CHANGES TO THIS YEAR'S REPORT

- We focused on only the most material issues per stakeholder, thereby reducing the volume of commentary
- We presented a more data-driven, comparative year view of our sustainability data at the end of this report
- We aimed to present a more concise, user-friendly report, bearing the online reader in mind
- To avoid duplication, we retained our risk and governance report in the Group Annual Financial Report
- We undertook a stakeholder review of this report

SCOPE OF REPORT

The scope of this report covers our entire operation in South Africa. It excludes Africa segment operations located in Botswana, Lesotho, Namibia and Swaziland, which are reported separately in the FNB Africa section.

SUSTAINABILITY GUIDELINES AND STANDARDS INDEX

In preparing this report and presenting data, we were guided by, among other things, the standards below, to which we subscribe. These are:

- King III Report on Corporate Governance for South Africa
- JSE SRI
- UN Global Reporting Initiative (GRI G3)
- UN Global Compact
- Financial Sector Charter

We continue to expand the range of sustainability indicators measured and considered in our business and, over time, we continue to work on improving the quantity and depth of meaningful data presented in these reports.

Note: The JSE SRI, King II and UN Global Compact are affiliations at FirstRand Limited Group level, of which FNB is an operating division. Please refer to pages 70 to 73 in the Group Annual Financial Statement for the detailed schedule.

In 2007 we used the results of an actuarial study undertaken in 2006 – 2007 to update our HIV/ Aids programme for staff. Using the GRI GR3 reporting format, we described our activities on the following pages. Due to the length of this table, it has not been included in the Group Annual Financial Statement indicated above.

Performance indicators	Topic	Description
Good governance		
HIV1	Description of HIV/ Aids policy	<ul style="list-style-type: none"> • HIV/ Aids is not only a personal challenge for those who suffer from the virus, but also a business challenge for all South African organisations. We recognise this challenge and manage it strategically and proactively through our HIV/ Aids programme • Our HIV/ Aids policy emphasises non-discrimination, confidentiality, support for Voluntary Counselling and Testing (VCT) and Employee Assistance Programmes (EAPs), incapacity management, safety measures to prevent spread in the workplace, sick leave entitlement, aimed at protecting the rights of employees and respecting the Codes of Good Practice • A key component of the policy is the implementation of an HIV/ Aids programme, designed to ensure that our employees are well looked after and have access to a comprehensive, holistic and sustainable health programme
HIV2	Strategy for managing HIV/ Aids risk	<ul style="list-style-type: none"> • Our strategy is targeted at all bank employees and their families to prevent the spread of HIV/ Aids and provide support to those employees who are already infected or are affected by the illness. Our intervention is both direct, through our education, training and support, and indirect, through third party service providers such as Bankmed (our medical aid service provider), Energi (attendance management) and Careways (our employee well-being provider) • We implemented interventions aimed at reducing potential new infection, undertook awareness and training projects, and focused on getting managers to be "HIV literate and competent", including how to manage affected and infected staff. A variety of communication platforms were used, such as DVDs, the in-house magazine Roots and industrial theatre.
HIV3	Preparedness and contingency planning in anticipation of expected HIV/ Aids impacts	<ul style="list-style-type: none"> • Based on the actuarial analysis completed, we quantify the impact of HIV/ Aids and assist our leadership in understanding prevalence by stages, financial impact of prevalence found and skills profile. The skills profile results are used to guide the HR team in succession planning, leadership pipeline, and training and development interventions • A "Knowledge, Attitudes and Practices" (KAP) study was also completed, which helped us benchmark the knowledge, attitudes and practices within FNB. The KAP survey identified gaps in the HIV/ Aids programme and acts as a monitoring and evaluation tool to determine the effectiveness and success of our HIV/ Aids management initiatives • Educational programmes are structured to motivate HIV negative staff to stay negative and HIV positive individuals to change their lifestyle and live positively
HIV4	Monitoring of progress and reports in respect of indicators 1-3 above	<ul style="list-style-type: none"> • HIV/ Aids issues and disclosure, initiatives and commentary appear in the Group's Annual Financial Statements • HIV/ Aids remains a standing item, either directly or through associated topics, on every board and/ or leadership team meeting agenda • HIV/ Aids is identified as a risk in the FirstRand Banking Group Business Performance and Risk Management Framework • The Steering and Working Committees are responsible for ensuring initiatives are rolled out and reported on • The KAP study is also used as a key monitoring and evaluation tool: it will be repeated in November 2008, following our 2006 survey, to assess differences in knowledge, attitudes and practices/behaviour

Performance indicators	Topic	Description
Good governance		
HIV5	Stakeholder involvement in formulation of policy, strategy and implementation	The HIV/ Aids strategies form part of an overall FNB Wellness Committee, comprising different business units across the bank, including HR, Risk, Finance, Brand and Communication, Health Services, external medical practitioner and one executive member. The forum convenes every month. It provides input on a variety of health and wellness topics and addresses the main problems presenting themselves within the bank. The committee's intention is to implement a sustainable framework to manage the organisational, operational and individual health risks posed to FNB, as a consequence on an individual's health status.
Measurement, monitoring and evaluation		
HIV6	Prevalence rates	<ul style="list-style-type: none"> Based on the results of an actuarial study, 5.3% of FNB staff are HIV positive, and this rate has been maintained over the past 2 years. The average South African workforce rate is estimated at 19%
HIV7	HIV/ Aids-associated costs and losses	<ul style="list-style-type: none"> The actuarial study has helped FNB quantify associated costs up to 2015. We will be updating the relevant insurance and pension schemes
HIV8	Total assumed HIV/ Aids associated costs/ losses	<ul style="list-style-type: none"> As per HIV7
HIV9	Workplace-related HIV/ Aids programmes and interventions	<ul style="list-style-type: none"> Please refer to our 2005 Sustainability Report for a complete list of all our workplace-related HIV/ Aids interventions and programmes Our programmes are holistic and structured, comprising ongoing awareness, training and education through mass communication, staff training, attitude and sensitivity awareness and videos. Staff are encouraged to participate in voluntary and confidential counselling and testing as well as care and treatment for HIV-positive employees through our medical aid company (Bankmed). Bankmed offers treatment to HIV-positive employees through its Disease Management Programme for HIV/ Aids. Staff members and the registered dependants have access to this treatment. Provision is made for chronic medication out of insured benefits and the medical aid provides a support structure for the employees and their dependants as well. They also have a dedicated toll-free AIDS line A central component of the strategy is to educate, share knowledge, explain legal considerations and provide training with regards to HIV/ Aids in the bank. In the last year, we opted to review our training programme offered to managers and are developing a more holistic approach to wellness issues. The revised programme will be rolled out in 2009 Our Employee Assistance Programme (EAP) addressing staff well-being includes telephonic and face-to-face counselling on various psycho-social issues. HIV/ Aids is one of the elements of this programme, ensuring staff are well looked after and have access to a comprehensive, holistic and sustainable programme. Clinical support and counselling is provided for related issues such as emotional and personal difficulties, family and relationship concerns, substance abuse, career, legal and general health concerns, and bereavement and loss. This support is available telephonically 24 hours a day and through face-to-face sessions

Performance indicators	Topic	Description
Workplace conditions and HIV/ Aids management		
HIV10 (FNB)	Budget allocation	<ul style="list-style-type: none"> Financial resources have been made available as indicated in the strategy
Depth quality/sustainability of programme		
HIV11	Voluntary counselling and testing	<ul style="list-style-type: none"> VCCT (Voluntary Confidential Counselling and Testing) is a key element of promoting awareness of the pandemic and “knowing your status” acts as an important behavioural change agent. A project plan is in place to roll out VCCT across the country in 2009, in partnership with Primecure, an accredited managed healthcare organisation. The test is funded by Bankmed medical aid and staff can undergo an HIV test at on-site clinics at specific locations (e.g. head office) or at their preferred doctor. Pre-test and post-test counselling are part of the VCCT process
HIV12	Other support programmes	<ul style="list-style-type: none"> Employee Assistance Programme
HIV13	HIV/ Aids education and training programmes	<p>One of the main contributing factors to the increasing HIV/ Aids prevalence rate in Sub-Saharan Africa is lack of education, and gender inequality. We developed an integrated, innovative awareness campaign communicated through various internal media and forums and focused on HIV literacy and training. Our leadership team, including management and non-management staff, have undergone various education and training programmes. These include Exco briefings, management training and awareness sessions on topics such as the basics e.g. a healthy and HIV infected immune system, stages and opportunistic infections, the economic impact, life skills, treatment, and rights and legal aspects</p>
HIV14	Condom and Femidom distribution programme	<ul style="list-style-type: none"> Condoms are distributed at BankCity’s on-site clinic for employees
HIV15	General healthcare provision	<ul style="list-style-type: none"> Health-days, information drives and communication campaigns that address HIV/ Aids or associated issues such as healthy living, weight and stress management as well as correct nutrition are a regular feature of our staff wellness programme
HIV16 (FNB)	Additional benefits for employees sick, dying or deceased from HIV-related conditions	<ul style="list-style-type: none"> VCCT tests are paid for by medical aid schemes with which we have partnered Treatment (anti-retroviral benefits) is included as a PMB (prescribed minimum benefit) A comprehensive disease management plan that includes the following is available to HIV/ Aids employees: <ul style="list-style-type: none"> – Lifestyle and HIV/ Aids-specific education – Highly Active Anti-Retroviral Therapy (HAART) application and approval – Education on HAART and assistance in the member’s choice of medication delivery – Compliance monitoring to ensure that the HAART is effective. This includes follow-up calls to the member to assist in management of HAART – Management of hospitalisation for HIV/ Aids-related illnesses – Education and counselling for members requiring prophylactic antiretroviral therapy – Ensuring appropriate claims are funded by medical schemes

ASSURANCE STATEMENT

INTERNAL AUDIT STATEMENT

FirstRand Group Internal Audit performed a review of the statements and quantitative data reflected in FNB's 2008 Sustainability Report. Based on the work performed, in our opinion, the FNB 2008 Sustainability Report:

- Is a fair statement of FNB's corporate responsibility; and
- The quantitative data in the FNB 2008 Sustainability Report was transposed correctly and accurately from the supporting source documentation.

STAKEHOLDER REVIEW STATEMENT

We, the staff, suppliers and customers that have reviewed this report, find that:

- The material issues of importance to us have been adequately reported on
- We are satisfied that the company has coherently and consistently accounted for these issues
- The company should undertake the necessary action steps to present a rolling view of the initiatives and their state of implementation over the last few years and long-term engagements going forward

We also find the company should, going forward, pay more attention to the following issues:

- The need to unlock the energy within staff as a result of the federated model, empowerment and underlying belief system of leaders in the value of people as a competitive advantage
- Greater attention and visibility of commitment to the transformation imperative and development opportunities for staff, suppliers and community stakeholders. This should include an indication of management accountability for progress made (or lack thereof)
- Engage in "business unusual" given the war for talent, skills shortages and working towards achieving the DTI Codes of Good Practice targets
- Retention (and recruitment) of high calibre staff, without compromising the morale of the whole staff complement
- Tolerance of non-performance by staff, especially of senior managers
- Environmentalism – a major cost/profit issue in years to come

GLOSSARY

Term	Description
BEE	Black Economic Empowerment
Codes	Department of Trade and Industry's Broad Based Black Economic Empowerment Codes of Good Practice
CAGR	Compound Annual Growth Rate
CFL	Consumer financial literacy
CO ₂ e	Carbon Dioxide equivalent
Direct Charge Model	A charge levied by the ATM owner where the acquiring bank (on whose ATM the transaction occurs) will recover a fee from the issuing bank's customers instead of the issuing bank
ECD	Early childhood development
EME	Emerging micro enterprise, defined by the DTI as an enterprise with an annual turnover of less than R5 million, including start-ups in the first year of business
EMS	Environmental management system
EXCO	Executive Committee
FSC	Financial Sector Charter
GHG	Greenhouse gases
HPCA	Hospice Palliative Care Association
LOA	Life Officers Association
MaMA	Million-a-Month Account
MANCO	Management Committee
NPO	Non-profit organisation
USAID	United States Agency for International Development
SABRIC	South African Banking Risk Information Centre
SAIA	South African Insurance Association
SASWITCH	An inter-bank operator that facilitates transactions and/or fund withdrawals at ATMs across the country
SME	Small and medium enterprise, defined as an enterprise with an annual turnover ranging between R500 000 and R20 million
QSE	Qualifying small enterprises, defined by the DTI as an enterprise with an annual turnover of between R5 million and R35 million

OUR DETAILS

COMPANY INFORMATION

Directors

GT Ferreira (Chairman), PK Harris (CEO), VW Bartlett, DJA Craig (British), LL Dippenaar, DM Falck, PM Goss, Dr NN Gwagwa, G Moloji, AP Nkuna, SE Nxasana, T Nzimande, KB Schoeman, KC Shubane, RK Store, BJ van der Ross, Dr F van Zyl Slabbert, RA Williams.

Secretary and registered office

A H Arnott, BCom, CA(SA)
4th Floor, 4 Merchant Place
1 Fredman Drive, Sandton, 2196

Postal Address

P O Box 786273, Sandton, 2146
Telephone: +27 11 282 1808
Telefax: +27 11 282 8088
Web address: www.firstrand.co.za

Sponsor

(In terms of JSE requirements)
Rand Merchant Bank (a division of FirstRand Bank)
Corporate Finance
1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
Telephone: +27 11 282 1075
Telefax: +27 11 282 8215

Transfer secretaries – South Africa

Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street, Johannesburg, 2001

Postal Address

PO Box 61051, Marshalltown, 2107
Telephone: +27 11 370 5000
Telefac: +27 11 688 5221

Transfer Secretaries – Namibia

Transfer Secretaries (Pty) Limited
Shop No 12, Kaiserkrone Centre
Post Street Mal, Windhoek

Postal Address

PO Box 2401, Windhoek, Namibia
Telephone: +264 61227647
Telefax: +264 612 48531

STOCK EXCHANGES

JSE Limited (“JSE”)

Ordinary shares	Share code	ISIN code
– FirstRand Limited	FSR	ZAE 000066304

Non cumulative non redeemable preference shares

– “B”	FSRP	ZAE 000060141
– “B1”	FSPP	ZAE 000070900

Namibian Securities Exchange (“NSE”)

Ordinary shares	Share code	ISIN code
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange of South Africa (“JSE”)

Ordinary shares	Share code	ISIN code
FNB Botswana Holdings Limited	FNBB	BW 000000066

Bond Exchange of South Africa (“BESA”)

Subordinated debt

Issuer	Code	ISIN Code
FirstRand Bank Limited	FRB01	ZAG 000021585
FirstRand Bank Limited	FRB02	ZAG 000021593
FirstRand Bank Limited	FRB03	ZAG 000026774
FirstRand Bank Limited	FRB05	ZAG 000031337
FirstRand Bank Limited	FRB06	ZAG 000045758
FirstRand Bank Limited	FRB07	ZAG 000047598
FirstRand Bank Limited	FRB08	ZAG 000047796
FirstRand Bank Limited	FRB08	ZAG 000047804
Momentum Group Limited	MGL01	ZAG 000029935

Upper Tier 2

FirstRand Bank Limited	FRBC21	ZAG 000052283
FirstRand Bank Limited	FRBC22	ZAG 000052390

FOR QUERIES OR COMMENTS REGARDING FIRSTRAND’S SUSTAINABILITY EFFORTS, PLEASE EMAIL FIRSTRAND.SUSTAIN@FNB.CO.ZA

FOR QUERIES OR COMMENTS REGARDING FIRSTRAND’S TRANSFORMATION EFFORTS, PLEASE EMAIL TRANSFORMATION@FIRSTRAND.CO.ZA