



FirstRand



'18 report to society

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REPORT PURPOSE

Every company should seek to ensure its business activities contribute to a more sustainable world whilst at the same time generating value for a broad range of stakeholders, including providers of capital, employees, customers and communities. This report aims to provide some insight into how FirstRand's business activities meet the needs of these stakeholders; it also outlines how the group defines its shared value contract with broader society. FirstRand continues to refine its thinking and processes to better determine and measure this contract.

This report covers the FirstRand group including its subsidiaries. It excludes Aldermore, which became a subsidiary in April 2018. The report links to the annual integrated report (www.firststrand.co.za). All reported data is for the year ended 30 June 2018, unless indicated otherwise. Information in the profiled case studies may relate to events and initiatives that occurred after 30 June 2018 but before the issue date of this report.

Alan Pullinger, CEO

FOREWORD

We find ourselves in particularly challenging times: globally, emerging markets are enduring macroeconomic headwinds in addition to increasing protectionism and nationalism, which are common responses to the migration of people displaced by war and social, political, economic or environmental insecurity. The South African economy is struggling to grow against a backdrop of 27% unemployment, high inequality, a large portion of our population living below the poverty line and a budget deficit of R189.6 billion (4% of GDP, an outlier for an emerging economy) for the 2017/18 fiscal year.

As a systemic integrated financial services group, the nature, size and scale of FirstRand's business activities means it inevitably impacts society, and is, therefore, a natural role player in addressing many of South Africa's, and indeed Africa's, social, economic and environmental needs.

It is at the intersection of financial and societal value creation where FirstRand should strive to operate and we call this zone of intersection our "shared value contract with society."

The idea of business delivering financial returns alongside social and environmental returns is gaining global momentum. Larry Fink, chairman of BlackRock, the largest global institutional investor, forecasts that "We are going to see evidence over the long term that sustainable investing is going to be at least equivalent to core investments. I believe personally it will be higher."

FirstRand understands that delivering shared value requires innovation, deep thinking, constant change and unrelenting commitment. Our journey to that place is starting, and our commitment to the destination is firm. We believe the outcome will be a sustainable, growing business which has proven it consistently delivers value, both financial and social, thus earning the trust of all our stakeholders.

Trust is a deeply held emotion and belief. Without trust, business has no licence to operate, and no amount of innovation or hard work will compensate for a lack of trust. Above all our many capabilities and attributes as a financial services group, our reputation and trust with our stakeholders is the most important to us.

GROUP PROFILE

FirstRand Limited is Africa's largest financial institution by market capitalisation and is listed on the Johannesburg and Namibian stock exchanges. FirstRand is a portfolio of integrated financial services businesses and offers a universal set of transactional, lending, investment and insurance products and services. FirstRand can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel licence, and operating platform available within the portfolio.

The group's customer-facing brands comprise: FNB (retail and commercial bank), RMB (corporate and investment bank), WesBank (instalment and finance provider), Aldermore (UK specialist lender) and Ashburton Investments (asset management).



FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise strongly in both existing and new markets through innovative financial services products and delivery channels, particularly focusing on electronic and digital platforms.



WesBank represents the group's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and the rest of Africa (where represented). WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups, strong point-of-sale presence and innovative channel origination strategies.



RMB represents the group's activities in the corporate and institutional banking segment in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver integrated corporate and investment banking solutions to corporate and institutional clients.



Ashburton Investments is FirstRand's asset management arm. It is a signatory to the United Nations Principles for Responsible Investment (UN PRI), and a member of the Global Impact Investing Network (GIIN). Ashburton Investments has an impact investment strategy that focuses on job creation, affordable housing, renewable energy, water, and assisting states with in-country industrialisation and beneficiation.

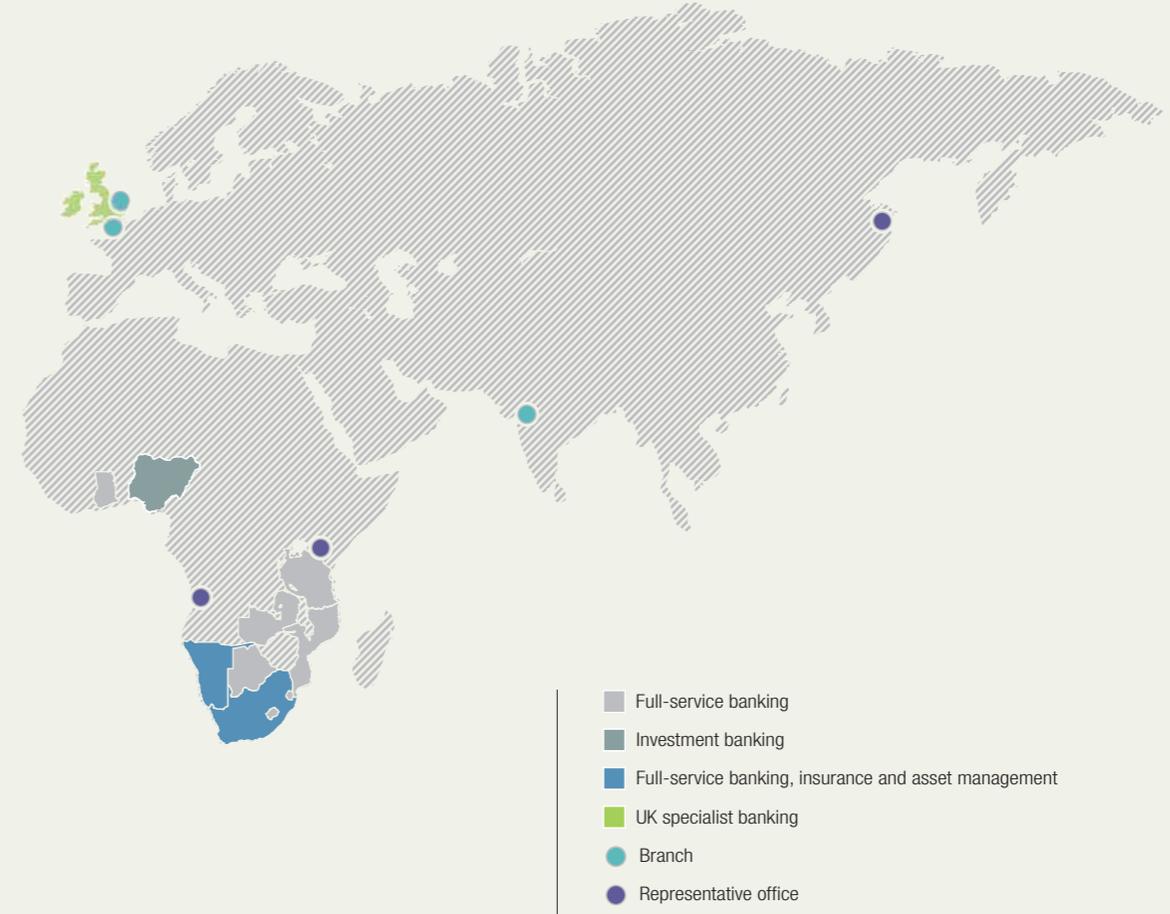


Aldermore is a UK specialist lender and savings bank, which offers simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords and savers.

For a detailed review of the operations refer to the annual integrated report (www.firstrand.co.za)

Whilst the group operates primarily in South Africa it also operates in the markets shown in the graphic below:

Total workforce: 46 284
SA workforce: 37 958
(82% of total workforce)



MACRO-ECONOMIC CONTEXT

80%

of FirstRand's profits are derived from its operations in South Africa. The divide between rich and poor in South Africa is well documented, with the Gini coefficient – a widely-used measure of inequality – placing the country among the most unequal societies in the world.

The coefficient, calculated on an income basis, remains elevated at 0.68, little changed from 0.69 in 2009 and 2011. On a consumption basis, the coefficient was measured at 0.64. The richest 20% of South Africans account for 60.5% of the combined spend in the country.

Government, together with business and labour, has made considerable strides in the fight against poverty, and according to the World Bank, poverty has halved in South Africa since 1996. This was achieved through a combination of social safety nets, including grants, real growth in income, credit expansion and growth in formal housing.

However, progress has slowed as demonstrated in the static Gini coefficient. Unemployment is rising as the economy slows, with youth unemployment, especially, at 39% of the working age population in the third quarter of 2018.

Higher unemployment naturally lowers tax receipts, which impacts on government's ability to widen social safety nets and build housing for the poorest South Africans. It is near impossible to secure employment without an education, appropriate skills or competencies. Incomes cannot grow without similar growth in employment. Credit cannot be extended to a small, overextended workforce. And all these issues cannot be tackled without a growing economy.

Given this backdrop, financial institutions must look to play an active role in driving sustainable and inclusive economic activities. As financial intermediaries they are able to:

- ▶ provide products and services that assist people to create wealth and save for their futures
- ▶ enable investment in major infrastructure
- ▶ provide leverage for businesses to grow, create jobs and improve lives
- ▶ through digital platforms provide low-income consumers access to financial services enabling economic productivity
- ▶ provide a secure and readily available platform for payments
- ▶ alongside the South African Reserve Bank, ensure the stability and efficiency of the financial system

ROLE OF FINANCIAL INSTITUTIONS IN SOCIETY

It is important to explain the financial system within which FirstRand operates to fully understand its contribution to the economy and society. A distinction is made between the real economy and the financial economy.

In the real economy, goods are manufactured, infrastructure built, agricultural production takes place, metals and minerals are mined, and services are provided to individuals, business and government entities.

In the financial economy, monetary services including payments and credit are provided. Financial assets such as deposits, bonds, and shares are traded. These are also valued and priced in the financial economy, which also gauges the risks of these assets.

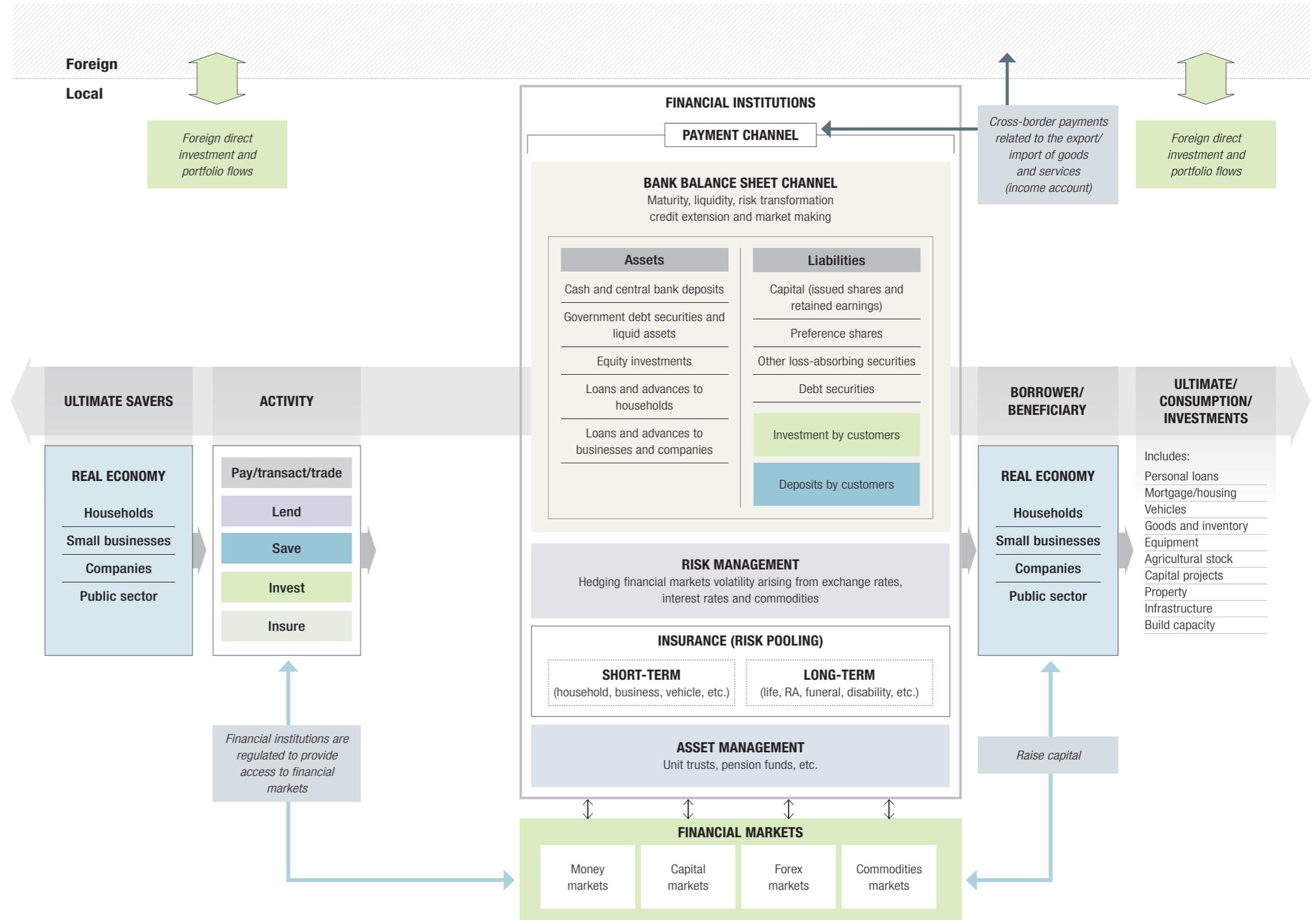
The sole purpose of the financial system is to serve the real economy.

Financial institutions provide many different services which create economic value and contribute to social development. They act as intermediaries in financial transactions, facilitating the flow of funds between participants in the economy. They are also the custodians of financial assets.

These institutions also transfer risk between market participants, either through direct transfer by means of trading and market-making activities, or through the shifting of risk between several market participants, as with insurance activities. This creates stability in the financial system and in society, as risk events are ultimately mitigated through broader distribution, and not concentrated with a single individual or entity.

Banks, in particular, have a further function: ensuring that capital is allocated efficiently throughout the economy between providers of funds (savers) and users of funds (borrowers).

Access to credit increases the supply of money in the system and has a multiplier effect on economic growth. Effectively, borrowers utilise their future income capacity to access current funding available in the financial system, which then enables individuals and businesses to make investments, purchases and build infrastructure much faster than if they had to build up cash reserves. A bank, through the appropriate internal risk management, together with regulators, also ensures that both individuals and entities in these saving and borrowing interactions are protected and are not exposing themselves to excessive risk, thus ensuring the safety and stability of the financial system.



FIRSTRAND'S SHARED VALUE CONTRACT WITH SOCIETY

The nature, size and scale of FirstRand's business activities means that it inevitably impacts society in its broadest sense, as a:

- > systemic provider of credit;
- > keeper of the country's deposits and savings;
- > provider of channels for people to access their funds and spend;
- > material taxpayer; and
- > large employer.

Given this position, FirstRand recognises that it has a responsibility to deliver shared value to multiple stakeholders.

The group's total impact on society extends from the CSI spend by its foundations to how it manages its operations and, most importantly, how it deploys its balance sheet and core business activities.

CSI (FOUNDATIONS)

Focus on sustainable development goals that do not completely align with core business activities

- > Strategic allocation of limited funds

OPERATIONAL FOOTPRINT

Strategic management of resources used in running operations, e.g. energy and water management and procurement

- > Medium scale impact possible
- > Impact limited to group's immediate value chain

CORE BUSINESS ACTIVITIES

Strategically incorporates sustainable development goals that align with core business activities

- > High scale impact possible
- > Ability to impact broader ecosystem and society

Scalability and impact grows

2018 CSI spend
R342 million*

2018 total procurement of
R18 billion

2018 total assets
R1 532 billion

R3 billion**
from black-owned companies

Multiple of 4 400 times

* FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust.

** R3.7 billion using Financial Sector Charter (FSC) multipliers.

The group is working hard to rigorously measure holistic impact to better understand whether products and services are net positive social contributors or net socially extractive. Its long-term aspiration is to use these insights to drive business strategy as equally as conventional economic factors currently do. The group believes that to earn public trust it must, by design, align business priorities with that of society; this will ensure the group's sustainable growth and relevance in the long term.

GOVERNANCE STRUCTURES AND PROCESSES

Ultimate oversight of social and environmental risk and performance of the group rests with the board. The social, ethics and transformation committee supports the board in discharging its duties. Each of the businesses have their own social, ethics and transformation committees, which report into the group committee.

The role of this committee is to assist the board with ensuring responsible business practices within the FirstRand group and monitoring group activities with reference to the Companies Act no 71 of 2008, the committee terms of reference and other legal requirements, and prevailing codes of best practice for social, transformation and economic development matters. It is charged with providing oversight of:

- > all culture and conduct risk programmes in all businesses of the FirstRand group; and
- > the group's shared value proposition.

The business committees are supported by working forums that focus on specific topics.

“FirstRand is a natural role player in addressing many social, economic and environmental needs”

MAKING PROGRESS



1.

Deploying the group's balance sheet to drive economic growth and inclusion.

Investments in small and medium-sized enterprises, which the National Development Plan predicts will generate around 90% of the jobs targeted in the plan, and investment in transformational infrastructure, empowerment transactions, farming ventures led by black people and other similar projects have grown over the last five years.

TRANSFORMATIONAL INFRASTRUCTURE

Infrastructure development is imperative for economic growth and improving living standards. RMB is a leading player in infrastructure and project finance across sub-Saharan Africa, and provides advisory and funding solutions to key sectors: Public Private Partnerships (PPPs), conventional power, renewable energy, road, rail, ports, water, telecommunications, industrial and manufacturing facilities.

RMB also funds transformational infrastructure, as defined by the Financial Sector Code as projects that support economic development in underdeveloped areas and contribute towards equitable access to economic resources. These projects include energy solutions, both Eskom requirements and renewable energy, and loans to municipalities and state-owned entities.

During 2018, RMB's lending towards transformational infrastructure was approximately **R12.7 billion**

CASE STUDY

Roggeveld Wind Project

As sole mandated lead arranger, RMB structured and provided a combination of innovative and traditional funded and unfunded long-term debt facilities for the Roggeveld Wind Project, optimising the project's financing and increasing its competitiveness.

The project is assisting South Africa to meet its green energy commitments and achieved the lowest renewable energy tariffs in South Africa. The long-term senior debt is exclusively inflation-linked: a first for the South African project finance market. The wind farm, located in the Karoo between the Western Cape and Northern Cape, consists of 47 wind turbines and will take three years to build.

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FNB

FNB contributes to economic development and employment through providing innovative funding solutions to small to medium-sized enterprises (SMEs) – the growth engines of the economy.

SMEs lending contributes to increased economic activity and job creation. FNB has extended

R17 billion

in unsecured limits to SMEs (R24 billion including secured funding) – an increase of

13%

from the previous year. Lending to black-owned SMEs is growing at a faster rate than the overall book (19% vs 13%).

This funding creates greater momentum for inclusive growth because there is no requirement for collateral – a major constraint to financing for SMEs which do not have capital to fund their early stage growth.

The SMEs funding team also utilises an alternative credit scoring model which analyses behaviour – instead of audited financial statements – to understand financial and trading history, and applies automation processes which significantly simplify loan application and approval. The financing is primarily to facilitate working capital financing, assisting businesses to maintain healthy cashflow positions.

WESBANK

WesBank understands that one of the biggest challenges faced by SMEs in South Africa is access to credit and finance. Big banks and other financiers have designed their systems and processes to cater for either private individuals or medium-to-large businesses. The small business owner is mostly subjected to stringent and impractical processes, expected to produce excessive documentation and experiences significant delays in decisions.

WesBank has eliminated these pain points through an online application process that enables small business owners to apply anytime, anywhere and get an instant answer. In addition, for all new finance applications below R1 million, bank statements suffice for WesBank to make a decision. WesBank's online application portal is simple and secure. Using a one-time-pin and e-contracting, the small business owner can sign the contract anytime, anywhere.

If clients prefer face-to-face engagement, WesBank continues to have highly skilled asset based finance specialists located across the country.

CASE STUDY

Ashburton

Ashburton has helped unlock investment in SMEs which traditional funding vehicles consider risky, by partnering with National Treasury's Jobs Fund to develop a facility that partially guarantees losses which may arise from these types of investments.

Ashburton's Credit Enhanced Funds (ACEF) I and II emerged from this partnership. The first fund has a multimillion rand Guarantee Mechanism funded by the Jobs Fund, which attracted R750 million in investments from corporates, pension funds and other institutional investors.

The funds were then lent to SMEs through intermediaries. The SMEs which benefited from ACEF I created 9 635 new jobs for previously disadvantaged people, of which 88% were women. Nearly 75% of these jobs were created in underserved provinces such as the Eastern Cape, Limpopo and North West.

From inception, ACEF I has performed ahead of its benchmark of inflation plus 3%, demonstrating that investing in society can be profitable.

ACEF II, which launched in May 2018, has an initial target of 4 200 jobs. Backed by another Guarantee Mechanism developed in partnership with the Jobs Fund, it has raised its first tranche of capital from institutional investors that is already invested in job-creating initiatives.

CASE STUDY

Supporting SMEs in corporate supply chains

RMB's Trade and Working Capital business has an innovative offering called Supply Chain Finance (SCF) that assists corporate clients to pay their suppliers early. This has a knock-on benefit to medium corporates, BEE companies and SMEs that operate in large corporate supply chains.

The SCF structure allows RMB's corporate clients to enhance the cash flow and liquidity requirements of their end suppliers. These suppliers can access cash when they need to, by selling their approved customer invoices at a discount to RMB for early payment. Instead of waiting for payment on the invoice due date, suppliers can sell invoices to RMB earlier and access their cash sooner. This is particularly beneficial for SMEs that would otherwise need to self-fund the cashflow gap with more expensive facilities. This has lowered the cost of doing business for suppliers, whilst ensuring consistent throughput along the supply chain for clients.

To date, over
125 000
 invoices have been discounted (over R3 billion) and over 250 suppliers have been on-boarded.



A key driver of transformation and unlocking inclusive growth in South Africa has been the transfer of ownership of corporate assets through black economic empowerment transactions. RMB is a market leader in advising, funding and structuring BEE transactions. During 2018, **RMB provided R9.6 billion** of financing to BEE transactions.

Notable new BEE transactions in the 2018 financial year include Exxaro and Vodacom's replacement BEE transactions, the Phembani/Engen refinancing and the disposal of New Largo by Anglo American.

CASE STUDIES

EXXARO

RMB acted as sole financial adviser and transaction sponsor to Exxaro for its new
R12.5 billion,
 30% empowerment structure which will replace the company's previous BEE structure which expired at the end of 2016.

Since inception, Exxaro has maintained its status as one of the largest black controlled companies in the South African mining sector. The company's empowerment status and ownership is a significant part of its strategy to ensure sustainable operations.

This transaction has helped to lay the platform for Exxaro's continued growth in the sector. RMB also acted as arranger and funder to the new empowerment vehicle.

VODACOM

RMB played a pivotal role in advising, structuring and arranging the funding for Vodacom's
R16.4 billion
 B-BBEE transaction – the largest yet in the ICT sector.

The new transaction increased Vodacom's effective BEE ownership to approximately 20%. A key component of the transaction was the unwinding of Vodacom's original BEE deal which delivered meaningful value to its participants (R7.1 billion of value, or 6.4 times the original capital that BEE shareholders invested into the 2008 transaction) and benefiting over 85 000 black investors and approximately 8 500 current and past Vodacom employees.

A portion of this capital was reinvested in the new transaction and about R3.3 billion was returned to BEE shareholders in the form of an upfront special dividend.

PHEMBANI

Phembani Group (Pty) Ltd owns approximately 26% of Engen Limited and RMB has been a long-term funder in this ownership structure.

In 2018 RMB was involved, as part of a consortium of funders, in the refinancing of the structure on a long-term and sustainable basis. This preserves the BEE credentials of Engen Limited.

ANGLO AMERICAN

RMB advised Anglo American on the cash sale of its New Largo Coal Project to a consortium of black investors which include Seriti Resources and Coalzar (a consortium that is 80% owned by historically disadvantaged South Africans and 20% by the Industrial Development Corporation (IDC)).

New Largo's principal asset is the 585Mt coal resource which is well positioned and primed to supply Eskom's new Kusile Power Station.

Investment in agriculture is important for food security, industry transformation and for ensuring the sector continues to be an important contributor to South Africa's economy. The agriculture industry in South Africa provides roughly 5.6% of total employment, excluding food processing.

In 2018, the group lent **R929 million** to black-owned companies in the agriculture sector.

FNB

FNB Agriculture supports transformation of the industry and is contributing towards growing a larger base of black commercial farmers. The business division has entered into partnerships with state-owned development finance institutions to enhance existing product offerings.

FNB Agriculture has extended funding of **R539 million** into **130 black agriculture** projects nationwide.

Over the past 12 months there has been an increase in transformation activities. The majority of FNB's commercial farmers are proactively engaging in transformation initiatives with the aim to empower black farmers, their employees and the communities within which they operate and serve.

RMB

RMB is an active financier to the agriculture industry. In addition to on-balance sheet funding to several large participants in the agriculture sector (including over R390 million to black agriculture in 2018), RMB has additional off-balance sheet exposure at 30 June 2018 of R6.7 billion across the grain, sugar and agricultural inputs sector (excluding food processing), with 10% of this specifically for black agriculture.

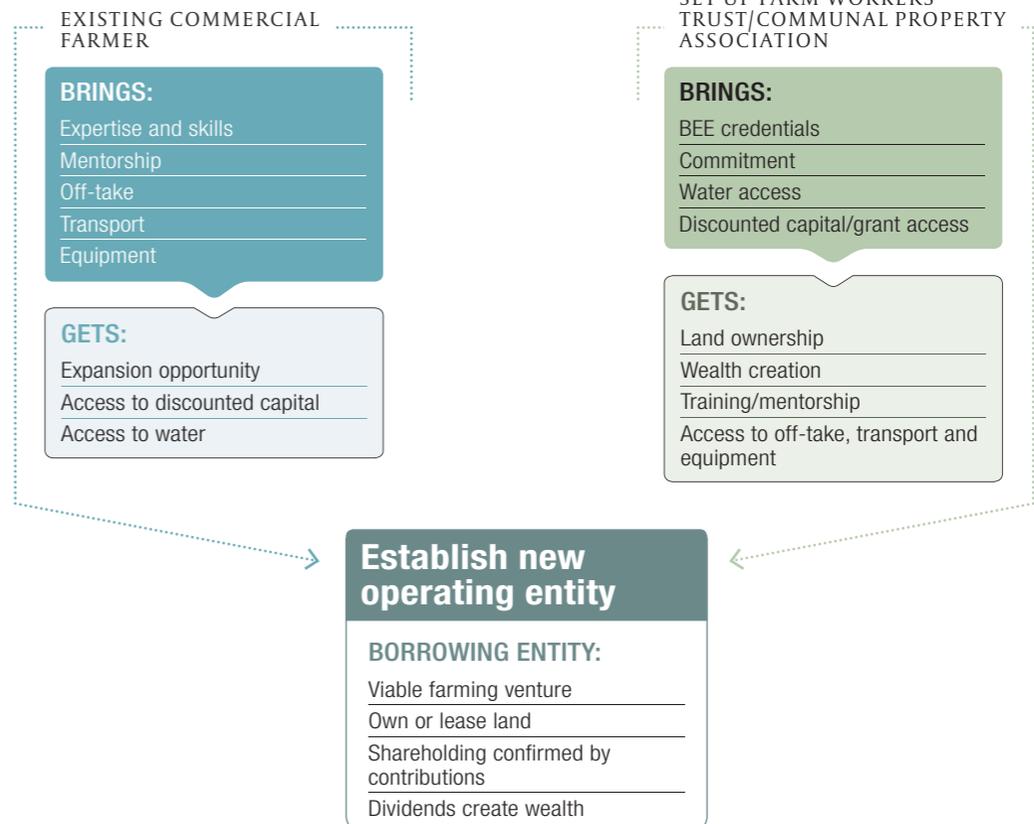
RMB is one of the primary liquidity providers to the grain value chain with exposure peaking at **R6.4 billion** and volumes in excess of **2.2 million tons** during 2018.

RMB's grain solutions ensure that grain can be stored as cost effectively as possible and help to support food security for the South African public. RMB finances predominantly maize, wheat, sunflowers and soya beans which are the inputs into the staple diet of many South Africans.

CASE STUDY

Innovative funding solutions for agricultural transformation

FNB Agriculture has successfully implemented alternative funding solutions to transform the sector. Below is an example of the most common BEE structure, which highlights the value contributed and derived by each party.



CASE STUDIES

Leveraging public-private partnerships to facilitate economic inclusion in agriculture

KHULA CREDIT GUARANTEE

FNB Agriculture has also successfully negotiated a R60 million Khula Credit Guarantee facility at a portfolio level. This indemnity facility will allow the funding of deserving transactions where there are robust business cases, but a lack of collateral. FNB Agriculture has to date deployed R16 million to two projects.

The facility from Khula Credit Guarantee has enabled FNB Agriculture to fund a community project with an established commercial farmer to the value of R15 million to develop a 30-hectare avocado orchard in Limpopo. The commercial farmer assists with skills and mentorship transfers, and makes equipment and machinery available to the project. Once in full production, the project is projected to create 15 permanent employment opportunities, with an additional 170 seasonal employment opportunities during harvesting periods.

The project expects to generate annual income in excess of **R15 million**, with the majority of the produce being exported under the community's own marketing brand to Europe via the commercial farmer's established marketing channels.

Small Enterprise Finance Agency

A funding line from the Small Enterprise Finance Agency (SEFA) has been extended to FNB Agriculture on a deal-by-deal basis for qualifying BEE projects. The funding line is made available to FNB at reduced interest rates over a 15-year period. The reduced cost of funding allows FNB Agriculture to pass the benefit to the project beneficiaries, thereby reducing the actual cost of credit and making credit more affordable.

To date **R60 million** has been deployed to **seven projects** countrywide.

By funding these initiatives, more jobs are created in the agricultural sector, which improves the livelihood of black emerging farmers and communities in the surrounding areas. There is a specific job creation criterion linked to the funding project.

To date, an estimated **113** jobs have been created for men, **103** for woman and youth farmers, with an additional **40** seasonal jobs.

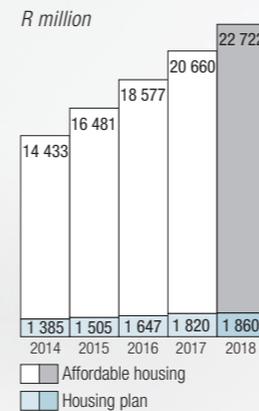
AFFORDABLE HOUSING

Owning a home gives individuals and household's dignity and enhances quality of life, for example: safety, improved living standards, economic empowerment, increased social cohesion, improved educational outcomes and health standards.

FNB has developed affordable housing products to facilitate home ownership providing mortgages to low income communities, who have limited access to collateral to grow their net asset value.

The group's affordable housing book has grown strongly

R24.5 billion representing **95 612** customers



This book is focused on providing access to housing finance to lower household income groups.



CASE STUDY

WesBank's graduate finance programme

In 2018, WesBank announced a new car finance product that enables graduates without a credit history to receive vehicle financing.

Where credit providers traditionally consider both credit history and affordability before allowing prospective customers access to finance, WesBank's graduate finance programme is aimed at those who may not yet have a credit history.

This will include competitive interest rates, tailor-made packages on selected car models, as well as customised and affordable insurance.

Furthermore, the entire application process can be accessed and fulfilled online – from start to finish in line with the needs of graduates today.

WesBank's graduate finance is designed for graduates who:

- > have a university degree, three-year diploma or NQF 6 qualification;
- > have graduated within the past three years;
- > are under the age of 31;
- > can provide proof of employment;
- > hold a valid driver's licence; and
- > are SA citizens or permanent residents.

WesBank customised an affordable insurance product, to complement the programme that offers graduates a saving of up to 40% in their insurance premium if they are a WesBank customer.

To date, WesBank has empowered
24 641
graduates with vehicle finance.

CASE STUDY

Two firsts in the green bond market

As a signatory to the Paris Agreement, South Africa has committed to addressing climate change. The South African government has issued draft legislation relating to carbon reporting, carbon tax and climate change in general.

One of the key challenges identified is financing the transition to a low carbon and climate resilient economy. The implementation of these regulations, coupled with growing awareness of climate risks, is likely to add much needed impetus to the development of South Africa's own green finance market where green bonds are expected to play a prominent role.

In 2017, the Johannesburg Stock Exchange (JSE) joined the growing list of stock exchanges with a dedicated Green Bond segment which provides a platform for issuers to raise funding to be applied towards low-carbon initiatives. The platform is also intended to satisfy investors' environmental social governance (ESG) mandates and address climate risks as a part of their portfolio construction.

In the South African context, green bonds are still an emerging asset class with only five listed bonds currently. RMB is a pioneer in the South African green bond market.

CITY OF CAPE TOWN: FIRST CERTIFIED GREEN BOND

In 2017, the severe drought in the Western Cape compelled the City of Cape Town to seek alternate funding for water solutions – a climate conscious bond. RMB was appointed as the lead arranger in South Africa's first certified green bond accredited with the Climate Bonds Initiative.

This **R1 billion** deal was raised at an exceptionally competitive rate, with the proceeds used to help alleviate climate challenges by upgrading the municipality's water infrastructure, such as, supply network upgrades, pressure management, waste water treatment upgrades and meter replacements.

GROWTHPOINT: FIRST CORPORATE GREEN BOND

In 2018, RMB auctioned the first Corporate Green Bond to be listed on the JSE's Green Bond Segment for Growthpoint Properties – a local market first in that the Green Building Council of South Africa assessed the Green Star Rating of the buildings refinanced by the debt raised.

The **R1.1 billion** Green Bond issued by Growthpoint will be used to fund the green buildings and green initiatives of South Africa's leading real estate investment trust and form part of Growthpoint's R20 billion Domestic Medium Term Note (DMTN) Programme. The auction was 2.9 times oversubscribed and included Growthpoint's first 10-year instrument in over four years. In addition to Growthpoint's usual diverse investor base, the auction attracted bids from ESG-specific funds as well as international investors looking to access green instruments in emerging markets.

CASE STUDY

FIRST fund

The Facility for Investment in Renewable Small Transactions (FIRST) is a

R1.3 billion

fund, established by RMB and KfW Development Bank (KfW) in the second half of 2017, that was structured to enable the funding of small renewable energy projects.

RMB has contributed senior debt to the fund while KfW set up a first-loss debt facility as well as grant-type funding to fill the development finance role in the fund. The fund aims to overcome the hurdles that small projects typically face when trying to attract funding. The core offering focuses on projects needing funding of R50 million or more, but will also consider projects as small as 200kW where a different funding response is necessary.

New entrants traditionally do not have the track record and balance-sheet support to raise finance from commercial banks. In addition, a small project of 5MW or less will incur the same transaction costs as a 50MW plant, which a small project cannot afford. FIRST tries to overcome these challenges by having the development funding included in the debt mix, as well as having a fund manager to conduct the detailed project assessment and build up a portfolio of projects that could share the burden of closing the financing.

It is expected that private power plants will find FIRST a useful funding partner that could enable projects that otherwise may not meet board approval for the electricity off-takers or allow independent developers to achieve a suitable equity return.

While initially intended to finance 10 to 20 projects based on size, the fund is expected to grow and attract other lenders once a portfolio of renewable energy projects is receiving steady cashflow and has built a track record. Renewable energy has a crucial role to play in South Africa's energy future, and the country needs practical and implementable funding projects to facilitate this. FIRST hopes to be such a platform and, together with RMB and KfW, will help unlock a sector that has struggled to break into the growing renewable energy space. No projects have been funded yet, but FIRST is in the closing stages with a few projects.



CASE STUDY

Funding for emerging BEE renewable energy providers

RMB structured an innovative funding solution for emerging BEE renewable energy providers. These businesses previously struggled to secure their role in the government's Renewable Energy Independent Power Producers Procurement (REIPPP) Programme due to a lack of financial support.

RMB deployed close to R1 billion to five BEE shareholding groups, between November 2014 and June 2017. Each transaction was structured on the back of nine underlying projects – five wind and four solar across the first three rounds of the REIPPP bidding programme.

Through this funding, RMB has empowered energy enterprises and helped to fast-track the transformation of the energy sector.

2.

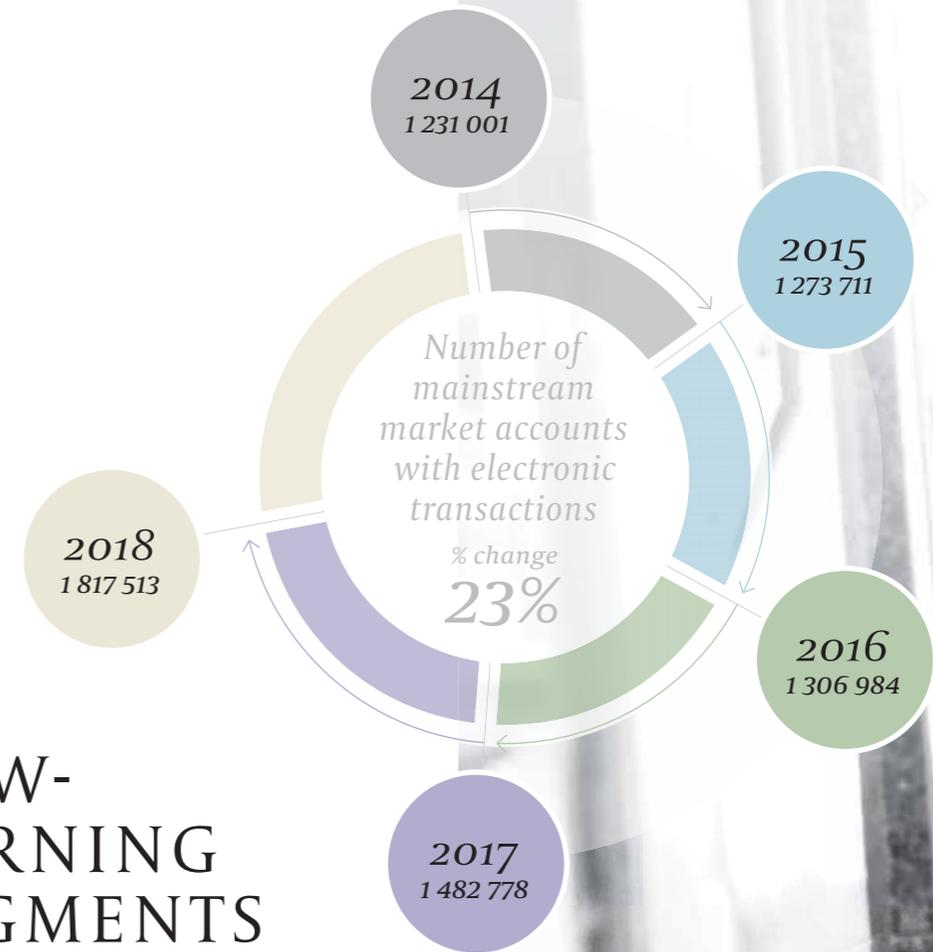
How the group's transactional platforms deliver financial inclusion to broader society

Rapid technological developments have allowed financial institutions to reach previously unbanked and under-banked segments of the population. Financial inclusion for individuals and small and medium-sized enterprises is vital to transform and scale the informal economy.

LOW-EARNING SEGMENTS USING E-CHANNELS

This graphic shows the steady growth in the number of people in the LSM 1 – 5 population category using electronic channels for banking.

Electronic access is more economical and does not require transport costs to get to a physical branch. Prepaid purchases and money transfers are popular transactions.



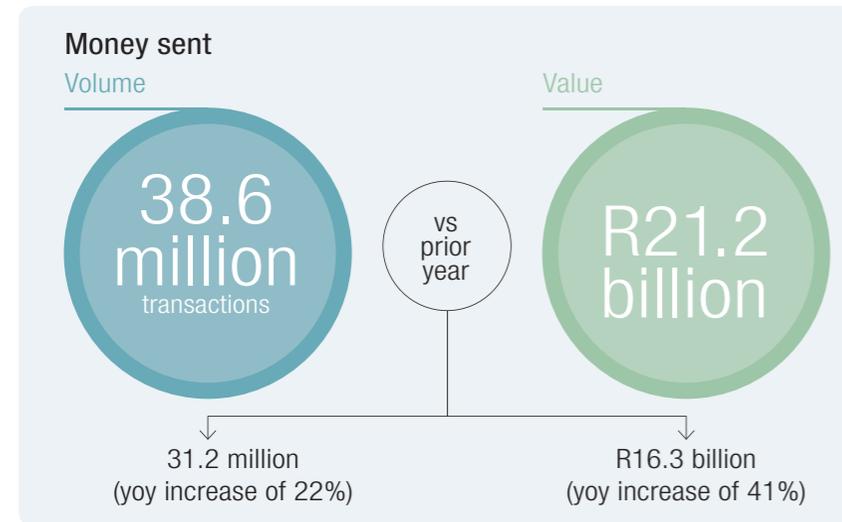
GROWTH IN eWALLET

FNB provides access to financial services for the unbanked through digital innovation and its flagship eWallet offering is an extension of the bank's digitisation strategy. eWallet provides a secure and efficient payment solution to the un-banked segments of the population.

eWallet allows FNB customers to send money to recipients, who may not have a bank account. The money can be drawn at FNB ATMs or at selected SPAR stores.

eWallets also facilitate informal employment within the economy, enabling payments from employer to employee, or payment for goods and services rendered.

Overall FNB has **6.1 million** active users of its eWallet product, representing a **28% increase** from the previous year. During the 2018 financial year, these customers sent money through **38.6 million transactions**. The value of these transactions was **R21.2 billion**.



CASE STUDY

eWallet eXtra

In August 2018 FNB launched eWallet eXtra, a digital mobile account that offers basic banking to its customers.

Consumers can open the mobile account using a feature phone or smart phone without needing to enter a branch. All consumers over the age of 16 can open a FNB bank account in less than three minutes and will not need a bank card to transact.

FEATURES

- no monthly account fees
- no application processes
- bank anywhere, anytime, on any phone
- receive money instantly
- no debit orders

POINTS OF PRESENCE

FNB's strategy is to provide the same level of service regardless of physical infrastructure or location.

At the financial year end, FNB had **5 837 ATMs** in South Africa,

2 018 of which are located at branches. The rest are situated at alternate locations. These offer the following functionalities:

- Cash withdrawals
- Transfers and payments
- Purchase of prepaid airtime, electricity and Lotto tickets
- Moneygram remittances
- Opening of savings and investment accounts
- eWallet transactions
- Registration for online/cellphone banking and verification of the FNB app
- Cancellation of debit or cheque cards
- Payment of traffic fines
- Cardless services
- Account balances and statements
- Loan applications
- Cashpoint deposits (only available for Cashpoint+)

Cashpoint+
1 877 devices

Cashpoint
3 146 devices

Touchpoint
814 devices

FNB constantly looks for opportunities to improve the richness of its offerings to customers particularly utilising its digital platform.

FNB nav»

provides helpful solutions for customers to navigate their finances and life. FNB nav» leverages the capabilities across the group's various transact, credit, invest and insure platforms to collaboratively and innovatively deliver helpful solutions.

Key functionality in the nav» applet on the FNB app includes:

nav»Money

Launched in May 2018, it assists customers to manage their money. By the end of June 2018, within one and a half months after the launch, **nav»Money** reached **130 000** unique users.

Data analysis shows that customers who have engaged with **nav»Money**, demonstrate **lower arrears** and **increased cash savings**.

FEATURES

- Track my spend** – helps customers keep tabs on their monthly spend.
- My available funds** – helps customers proactively plan for the month by indicating what is left to spend for the month after all known upcoming payments.
- My credit status** – helps customers understand their credit management and specific actions to take to improve their credit health.

nav»Home

As the most mature stream **nav»Home** has made significant inroads representing **18%** of the total home loan application intake volume in June 2018. Since inception, in May 2016, there have been

one million unique visitors to nav»Home.

During 2018, the total payouts for nav»Home was

R2.5 billion compared to R765 million in the previous year (226% growth).

Since **nav»Home** can process applications cheaper compared to alternate home loan channels, FNB is passing some of these savings back to customers through the following value adds:

- > **50% of first instalment** back in eBucks; and
- > **50% discount** on registration fees on a selected panel of attorneys, which enhances buying power and affordability.

FEATURES

- Property value estimate** – helps customers to not sell for too little or buy for too much.
- Free instant pre-approvals** – helps customers make an offer with confidence.
- Property reports** – helps customers compare prices and neighbourhoods.
- Property search** – house hunting is made easy from the comfort of a customer's couch.
- Home loan calculators** – calculates affordability and monthly repayments; and highlights additional costs involved.
- On-app home loan application** – available 24/7.
- Home service providers** – convenient access to FNB banked businesses through home services in customer's area.

3.

Treating customers fairly

Financial products and services are, at times, complex. The group believes that ethical and responsible business practice is more than just compliance, and has embedded how customers are treated at the centre of business strategy and daily interactions.

This section provides detail on the group's philosophy and governance of treating customers fairly and provides insight into the financial literacy education programmes that help existing and potential customers make informed financial decisions.

TREATING CUSTOMERS FAIRLY

The group aims to offer fair value to customers. Its products and services are provided through suitable channels, underpinned by an entrenched organisational culture of helpfulness and responsible business leadership.

The principles of Treating Customers Fairly (TCF) are important throughout the product life cycle.

1 CULTURE AND GOVERNANCE

The board of directors and senior executives are held accountable to ensure that the group "does the right thing". The culture of doing the right thing is embedded in the organisation through conduct pillars.

Robust governance forums have been implemented, where TCF principles are considered for application in day-to-day business decision-making.

- The group:
- > communicates its TCF values internally through formal online training for employees at all levels.
 - > chooses its partners carefully, taking care to avoid any conflicts of interest.
 - > has implemented internal control room governance to proactively detect and mitigate the risks of insider trading.

2 PRODUCT DESIGN

Customer centricity is at the core of the group's business model; products and services consider the needs of intended target markets.

Products and services are distributed through the most suitable channels – informed by extensive customer research.

Constant innovation ensures products drive financial inclusion, great customer experience and value for money. Examples of these are FNB eWallet, eWallet Extra, Easy accounts, WesBank iContract and cellphone banking.

Product reviews have focused on: collections and settlement procedures, responsible lending, rewards programmes, fees and incentives paid to third party suppliers, and product providers.

3 CLEAR DISCLOSURE

The group invests significantly in consumer education initiatives.

There are dedicated teams who review business documents to ensure that information provided is clear, simple and easy to understand.

Ongoing quality assurance measures have been implemented to independently evaluate whether or not the group is providing correct and appropriate product information to customers.

Staff retraining is provided or telesales scripts are revisited, where process gaps are identified.

The group uses complaints data to enhance disclosure.

4 SUITABLE ADVICE

The group has outcomes-based remuneration governance frameworks and committees that review staff remuneration and reward programmes to ensure that TCF and market conduct outcomes are considered within remuneration models.

Staff are trained to assess and provide products which meet the needs of the customer and offer appropriate benefits at the right price. The quality of advice provided is evaluated by independent quality assurance teams.

FAIS product-specific training modules ensure staff are aware of the product features, benefits and pricing and can easily explain these to customers.

Continuous professional development programmes, which will ensure ongoing learning and upskilling, will be implemented in 2019.

5 SERVICE LEVELS AND PRODUCT PERFORMANCE

Products are reviewed on an ongoing basis to ensure that they continue to deliver fair value.

Internal stakeholders evaluate and ensure that investment product decision-making is aligned to customer mandates and risk profiles.

The group proactively monitors service levels and addresses service failures. Service concerns in the value chain that may result in product failures are promptly dealt with.

6 NO BARRIERS TO CLAIM OR COMPLAIN

Customers are informed of the varied channels that they may use to submit claims or complaints.

Claims and complaints are handled through face-to-face and electronic channels, including branches and dealer networks.

Dedicated teams manage complaints and engage with business units to resolve the root causes of complaints. Complaints are tracked and analysed at the various business unit executive committees.

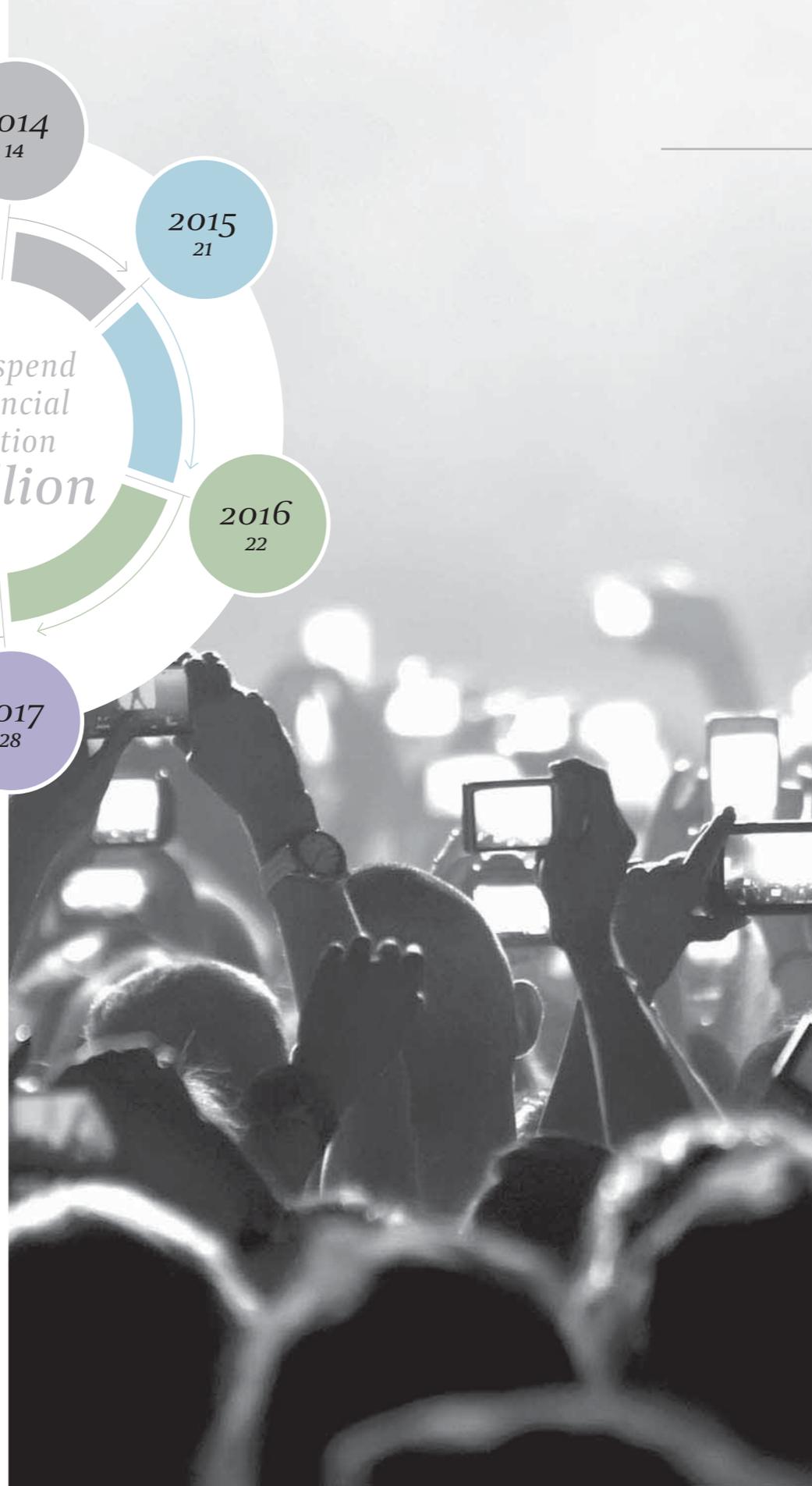
Claims paid and rejected are monitored to ensure TCF principles are applied, and where necessary product benefits are revised.

FINANCIAL LITERACY: EDUCATION SPEND AND PROGRAMMES

FNB, WesBank and Direct Axis run financial education initiatives which target the low-income market. The programmes aim to help customers make informed financial decisions. An ongoing focus is providing basic financial literacy education on digital platforms.

During 2018, the group deliberately selected radio coverage to reach people in rural areas, in their home languages. These included: Motswedding FM, Lesedi FM, Umhlobo Wene FM and Ukhozi FM.

Direct Axis ran a programme, Get Financially Fit, published in booklet format in City Press. This campaign covered basic budgeting, saving and what a credit rating is. It also had interactive quizzes and featured well-known local sports people. FNB continued with effective face-to-face training.



CASE STUDY

WESBANK

#LearnSomethingNew programme

WesBank has spent **R7.3 million** on an interactive consumer education campaign, which made it into the final round of the 2018 Loerie Awards for creativity.

The campaign included a chatbot which served curated educational content in the direct messaging window on Twitter, remaining in the person's conversation history for further engagement. The chatbot reached

20 262 consumers.

The campaign targeted people with incomes below R250 000 per year, mostly outside metropolitan areas. It was conveyed through a microsite reaching

83 774 consumers

in eight months. "How To" videos were released in three languages on Facebook, reaching a combined audience of

630 802 consumers,

with **252 336**

engaging with the posts.

There were also interactive quizzes, which played a key role in achieving the education element of the campaign, while creating a fun element to encourage engagement.

Additional video content labelled "**Learn the Lingo**" worked in tandem with the How To videos with rational messaging packaged in a fun and humorous style. The more emotive part of the campaign was designed to resonate with communities through world-class cinematography and storytelling which identified heroes that would inspire viewers by reaching them on a deeper level.

Together, these videos reached

1.3 million

consumers.

Additional consumers were reached through local radio stations catering for the target audience, as well as a cell phone USSD competition.

An additional **36 088** consumers were reached via Twitter.

This is only the beginning of the consumer education journey, as WesBank strives to empower South African consumers with knowledge which will help them make the right decisions about their personal finances.

<https://learnsomethingnew.co.za/>

4.

Addressing transformation and employment equity

South Africa has emerged from a difficult and hurtful past of racial and economic apartheid. The government has instituted reforms to address some of these past inequalities, through broad-based black economic empowerment (B-BBEE) legislation and scorecards.

FirstRand is proud to have achieved a Level 1 BEE rating under the Financial Sector Charter (FSC) scorecard for the 2018 financial year. This was achieved as a result of concerted efforts by the businesses, as well as a strong empowerment strategy, which is hard-wired into the group. Notwithstanding this achievement, the group acknowledges that true transformation is much broader than scorecards and that it still has more to do.

BLACK OWNERSHIP

FirstRand Limited's direct black ownership economic interest, measured per the FSC principles as at June 2018, is 25.86% and black women participation 12.85%.

The BEE partners continue to participate and are represented on the FirstRand Limited board. Partners include Mineworkers Investment Trust, Mineworkers Investment Company management services, Kagiso Charitable Trust, Women's Development Business, FirstRand Staff Assistance Trust and FirstRand Empowerment Trust.

PREFERENTIAL PROCUREMENT (B-BBEE)

The group exceeded the targets of preferential procurement on the B-BBEE scorecard for the financial year and is the leader in the banking sector. There has been continued focus during the year on shifting procurement from larger suppliers to small entities with substantial black ownership.

	Procurement from QSE* and EMEs**	Black-owned	Black women-owned
2014 <i>R million</i>	2 264	1 438	699
2015 <i>R million</i>	2 664	1 779	845
2016 <i>R million</i>	3 113	3 006	1 660
2017 <i>R million</i>	3 169	2 848	1 491
2018 <i>R million</i>	3 371	3 703	2 307
<i>% change</i>	6%	30%	55%

The numbers disclosed above are measured in terms of the FSC:
 * Qualifying small enterprises.
 ** Exempt micro enterprises.

Spend with black-owned suppliers increased by 30% year-on-year and spend with black women-owned suppliers increased by 55%. 25% of spend in the 2018 financial year was with black-owned suppliers while black women-owned suppliers received 15% of the spend. Furthermore, the group is committed to support SMEs and 22% of spend in the 2018 financial year was with SME suppliers, which was a 6% increase in spend compared to the 2017 financial year.

The group embarked on a supplier development programme where black-owned SME suppliers are upskilled to enable them to increase their service offering to the group. Suppliers classified as exempt micro enterprise suppliers also received preferential payment terms to assist them with their working capital management.

The group supported designated group suppliers, as defined in the Codes of Good Practice (CoGP), as well as black intermediate professional service providers.

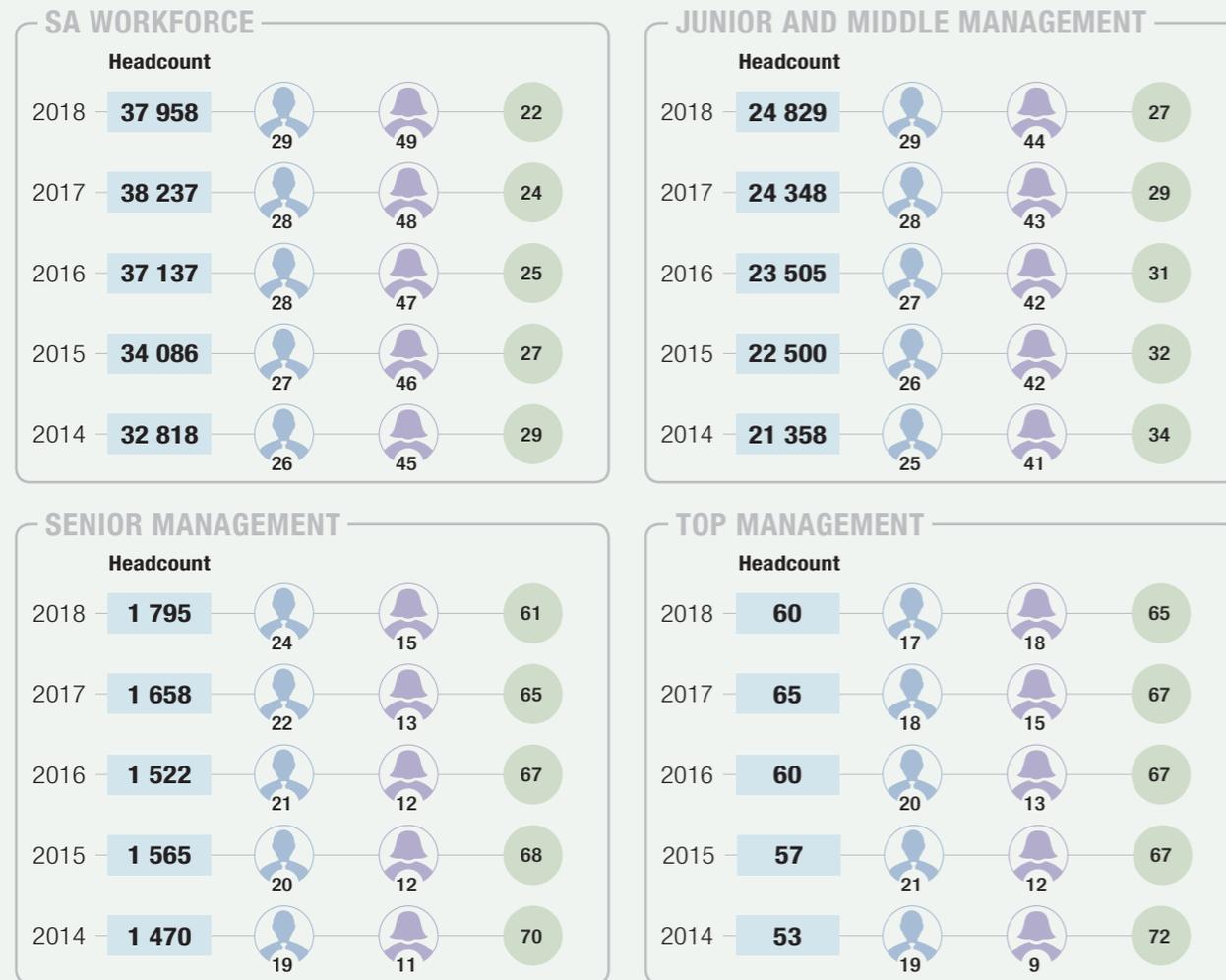
The group continues to execute on its preferential procurement strategy in the following manner:

- > assisting qualifying suppliers to obtain their B-BBEE certificates;
- > constantly focusing on finding opportunities to increase spend with black-owned, black women-owned, SMEs, as well as black intermediate professional service provider suppliers;
- > liaising with relevant funds in the group on the ownership transformation of qualifying suppliers;
- > identifying and introducing new black-owned and black-women owned suppliers in the supply chain; and
- > continue to support black-owned SME suppliers through supplier development programmes across the group.

EMPLOYMENT EQUITY

The group's total workforce, including African and international operations, is 46 284 (2017: 44 916) and overall female representation is 60% (2017: 61%).

The analysis below provides workforce diversity information for the group's South African operations and is disclosed on a financial year basis as reported for Department of Labour and FSC purposes.



ACI male %
 ACI female %
 White and foreign national %

ACI: African, Coloured and Indian.

Whilst good progress has been made at senior, middle and junior management, the representation of African and coloured female employees in top management remains a challenge, although the appointment of two black females to group Stratco were made recently at this level, namely the Group COO and Head of Social Investing. The group is in the process of developing its employment equity plan for 2018-2021 which includes setting new targets and strategies for improvement.

The decline in white males and foreign nationals from 2017 is due to attrition. The group utilises opportunities created by attrition to transform by giving preference to ACI, women and persons with disabilities.

PROMOTING INCOME EQUALITY

Benchmarking of guaranteed pay across different roles in the group has been performed in consultation with employee representatives. Benchmarking is conducted against the same or substantially the same roles.

Pay principles for all roles include:

- > guaranteed pay is market related and reflects the skills, responsibilities and expertise required by the role; and
- > outcomes-based compensation based on performance measured after adjusting for amount of risk taken on and cost of capital incurred.

The remuneration committee has taken deliberate steps to ensure that it understands internal pay gaps within the group. The principle of equal pay for work of equal value is applied. In a performance-based company culture, supported by robust performance evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees feel that outperformance can and will be compensated.

What can, however, never be justified is inequity of pay that is not defensible or is based on arbitrary grounds such as race or gender. The group has robust processes aimed at identifying and correcting any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base, such as performance and experience. The rigour of the group's process is validated through an annual review which identifies and assesses cases of potential income differentials. The 2018 review identified unjustifiable income differential cases representing only 1.5% of the total workforce. These were adjusted as part of the annual salary review and the cost to align the affected individuals' guaranteed packages was R15 million. During the year, the group's income differential model was reviewed by PwC and found to be acceptable and ahead of market practice.

A member of the social, ethics and transformation committee is a member of the remuneration committee to assist the board in overseeing that remuneration is fair and responsible in the context of overall employee remuneration, addressing the gap between the remuneration of executives and those at the lower end of the pay scale.

Outcomes-based compensation programmes have been implemented for areas of the group requiring large volumes of clerical or procedural work. Employee development plans exist to help employees who show potential for adding more value to the group.

Almost 20 outcomes-based remuneration schemes are in place across the group, affecting around 15 000 employees, which give lower-earning employees the opportunity to earn variable pay for performance. These schemes have significantly assisted the group in narrowing internal pay gaps, while further entrenching a culture of pay for performance.

In addition to these checks and balances, FirstRand is party to a collective bargaining agreement. The majority of employees are covered by the outcome of those negotiated settlements. The unionised employees are guaranteed a bonus if they demonstrate strong performance during the year. The group ensures that people get paid fairly for their work and that no employees are paid less than a living wage.

CASE STUDY

FirstJob Work experience initiative

Recognising the need to give the youth work experience, FirstRand launched a programme currently committed to providing

1 425

graduate internships and unskilled learnerships for unemployed youth this year.

To date, the group has provided

1 272 positions.

Through the initiative,

86 graduates

have been placed with FCC, WesBank, RMB and Ashburton Investments, while

1 186

matriculants were placed with FNB, WesBank and RMB.

The total cost of FirstRand's graduate programme for the 2018-19 financial year is

R163 million

including both stipends and training.

A leading business school has partnered with FirstRand for the graduate programme, and has designed its part of this programme to incorporate the ten skills the World Economic Forum has identified as necessary for the fourth industrial revolution. It consists of six modules spread over a ten-month period and a total of 25 days of class.

The programme incorporates research projects that consider the question: "when considering the current South African context and disparate socio-economic landscape, how can the financial services sector contribute to creating economic participation and a more inclusive society?"

Four topics were selected for the graduates to research, including education and literacy strategies to broaden the financial services market at the bottom end of the market; the role of financial services in solving the unemployment issue in South Africa; building a society with a saving mentality; the role of investment societies and financial services; and access to credit: is this a key to economic development and improvement in the lives of the poor?

The aim of these projects, which are being conducted by 12 teams comprising graduate programme participants, with the assistance of a FirstRand sponsor, is to encourage complex problem solving, critical thinking, creativity and innovation, among other skills.

The learnership programme targets unemployed youth with a matric certificate who are economically excluded and at risk of not finding permanent employment.

It has mainly attracted matriculants from the Harambee Youth Employment Accelerator, which put them through a two-month work readiness programme – with training in competence and fluency in English, resilience and dealing with feedback, basic computer skills, discipline and time keeping, and attitude.

The rest of the matriculants underwent a five-day work readiness programme before being deployed to the FirstRand businesses.

Besides the learnerships, an in-house entrepreneurship course is being piloted for all the FNB learners. The aim is to enable these learners to effectively set up and manage small businesses in the event they cannot successfully find employment after their year-long FirstRand contract.

CASE STUDY

Athena's Wonderwomen on the Rise

Gender diversity is a key part of RMB's overall transformation strategy.

A Young Women's Career Day was held at RMB to support Grade 10 and 11 girls to make informed decisions about their future. The initiative supported 60 girls and their teachers from some of the least resourced schools in Johannesburg, giving them access to role models, information on career paths, personal development and insight into how to go about accessing bursaries and other support mechanisms.

5.

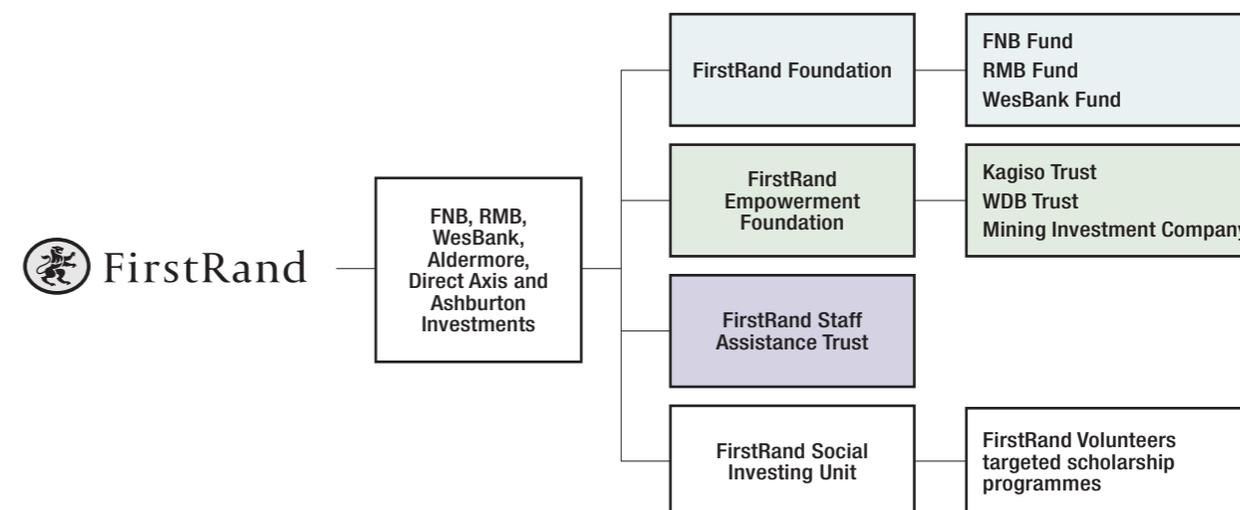
A CSI strategy designed to contribute to upliftment

Social investing (or CSI) occurs through the FirstRand Foundation, FirstRand Empowerment Foundation, FirstRand Staff Assistance Trust and, additionally, directly through the franchise businesses.

In 2018, the group appointed the Head of Social Investing to develop an overarching strategic framework to guide the work of the foundations.

The group's systemic social investing strategy is designed to confront the root causes of South Africa's social ills, and develop new scalable and replicable models for development. The initial portfolio of areas supported by the foundations was broad. The group is acutely aware that an economy cannot hope to grow without an educated workforce. In response, over the past few years the foundations have shifted the bulk of their attention to systemic education initiatives, on which they spent R243 million in 2018 (2017: R284 million). The group's education programmes cover the whole education continuum from early childhood development (ECD), to primary and secondary schooling, tertiary education and workplace readiness, with the aim to increase employability and productive livelihoods.

THE FIRSTRAND SOCIAL INVESTING ECOSYSTEM:



THE FOUNDATIONS - THE BASICS:

	FirstRand Foundation (including fund and trust)	FirstRand Empowerment Foundation	FirstRand Staff Assistance Trust
Established	1998*	2005	2005
Type	CSI/SED foundation	BEE ownership trust	Staff assistance trust
Number of trustees	10 (7 independent)	6 (3 independent)	6
Funding based on**	1% net profit after tax of FirstRand Limited, excluding Aldermore and Africa	Dividends from endowment	Dividends from endowment
Value of endowment at 30 June 2018	Not applicable	Approximately R7 billion	Approximately R1 billion
Registered PBO	Yes	Yes	No

* Originally established as the Southern Life Foundation in 1988; changed to the FirstRand Foundation in 1998.

** In terms of SARS regulations, the FRF Trust is required to distribute at least 50% of all funds received by way of donation (i.e. FirstRand's 1% NPAT) within 12 months of the end of the year in which the donation was received; in addition, investment income earned by the Trust must be spent within five years of earning it. As FREF is financed through dividend income (and not via a donation), it does not face spending requirements of this sort.

ESTABLISHMENT OF THE FIRSTRAND FOUNDATION

The FirstRand Foundation was established in 1998 as the legal vehicle through which FirstRand Limited and its major franchises (FNB, RMB and WesBank) direct their individual and collective corporate social investment. From inception, the FirstRand Foundation received 1% of FirstRand Limited's net profit after tax (NPAT).

Legally, there are two disbursing structures – the FirstRand Foundation, through which donations are made to public benefit organisations who do not qualify for section 18A tax deductible status, and the FirstRand Educational Trust, for payments to educational projects and institutions that do qualify. All disbursement decisions are made by the trustees.

Currently the FirstRand Foundation strategy is to be the foremost corporate social investor and knowledge collaborator committed to contributing to the development of a better South Africa through: mainstreaming disability, capacity building, leveraging partnerships and knowledge sharing.

FirstRand Foundation CSI spend (R million)



Community development consists of investment in:

- > the creative economy;
- > the green economy;
- > food security and agriculture livelihoods;
- > FirstRand Volunteers programme;
- > mainstreaming disability; and
- > thought leadership

* The reported CSI number is the audited, contributed spend for the FirstRand financial year. It is based on 1% of NPAT of FirstRand Limited.

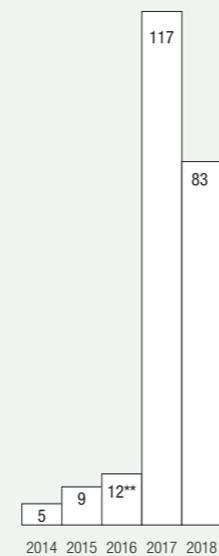
ESTABLISHMENT OF THE FIRSTRAND EMPOWERMENT FOUNDATION

The FirstRand Empowerment Foundation was established in 2005 as part of the FirstRand Broad-Based Black Economic Empowerment (B-BBEE) transaction. The parties to the foundation are FirstRand Limited, FirstRand Bank Limited, Kagiso Charitable Trust, The WDB Trust, WDB Investment Holdings (Proprietary) Limited, Mineworkers Investment Trust and MIC Financial Holdings (Proprietary) Limited. The founding objective was to facilitate the transformation of FirstRand through the acquisition by the BEE beneficiaries of a meaningful equity interest in the group.

The majority of trustees are black persons as defined in the Financial Sector Charter.

The B-BBEE transaction vested in 2005, and following its vesting, FREF has a significant unencumbered endowment of FirstRand, MMI and Discovery shares. The dividend income on these shares is used to address poverty, unemployment and inequality through systemic social investments in the education sector. Specifically, FREF's mandate is to provide, promote and fund educational development in relation to disadvantaged South Africans, particularly but not limited to, the financial services industry.

FirstRand Empowerment Foundation CSI spend* (education) (R million)



* The foundation's financial year is January – December. The reported CSI number is the audited spend for the previous calendar year.

** The significant increase noted from 2016 is due to the debt being fully paid up and the full dividend being distributed to the trust for CSI initiatives.

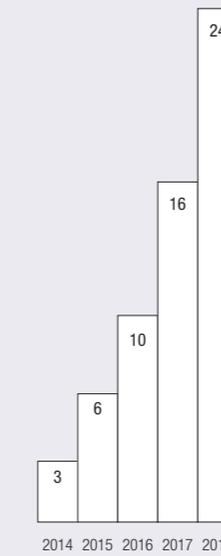
ESTABLISHMENT OF THE FIRSTRAND STAFF ASSISTANCE TRUST

The FirstRand Staff Assistance Trust is constituted as a perpetual trust registered with the Master of the High Court and SA Revenue Service, and is governed by a trust deed.

The trust's mandate is to assist black employees of the companies within the FirstRand group and their immediate families with their educational, healthcare, and other needs.

For the 2018 school cycle, the trust offered assistance to employees' children where employees earned less than R300 000 per annum as at 28 February 2017, and the employees were in full-time employment on 1 January 2017. Support for learners from grade R to 12 was considered, and qualifying expenses included school fees, transport, books and uniforms.

FirstRand Staff Assistance Trust CSI spend (education)* (R million)



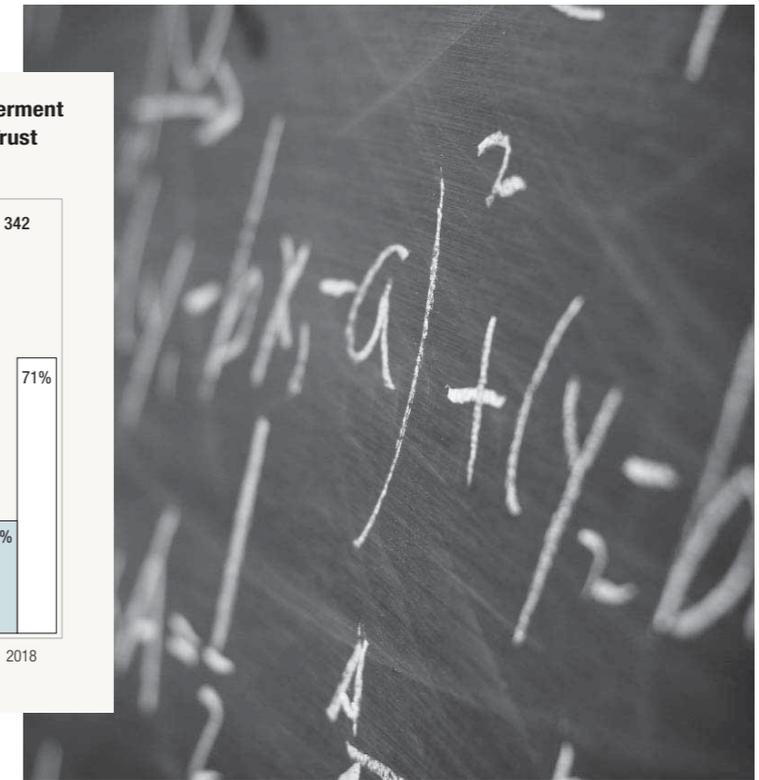
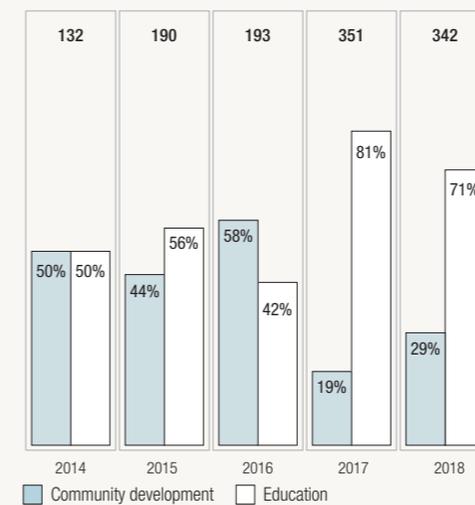
* The trust's financial year is January – December. The reported CSI number is the audited spend for the previous calendar year.

For the 2017 school cycle the trust assisted 3 662 employees with their children's school expenses, to the value of

R23.6 million.

This represents a fulfilment rate of **97%** of total staff applications.

FirstRand Foundation + FirstRand Empowerment Foundation + FirstRand Staff Assistance Trust (R million)



The group's education programmes cover the whole education continuum, with the aim to increase employability and productive livelihoods. The following case studies demonstrate the FirstRand Foundation's contributions to education at various levels.

CASE STUDY

Supporting students to graduate

In the wake of the Fees Must Fall movement at campuses across the country, the trustees of the FirstRand Foundation approved a grant to students of the class of 2016 and 2017 who were unable to graduate due to financial constraints. An amount of **R30 million** was made available for this purpose.

The FirstRand Foundation's social investment service provider, Tshikululu Social Investments, worked with the student financial aid offices of seven Ikusasa Student Financial Aid Programme pilot universities to identify students eligible for this funding. Ikusasa aims to develop a sustainable funding model for SA's missing middle students.

Ikusasa's seven pilot universities are the Universities of Cape Town, Pretoria, the Witwatersrand, Venda, Walter Sisulu, the University of KwaZulu-Natal, and the Tshwane University of Technology.

The trustees found that the financial need was greater and ended up disbursing a total of **R36.9 million** to ten higher education institutions, benefiting **1 860** students. A further **R2.5 million** has been set aside for one university but is still to be allocated to needy students.

CASE STUDY

Black academics

"Education is a societal issue and requires government to work with the private sector, non-governmental organisations and civil society in addressing our challenges."

Sizwe Nxasana, chairman, FirstRand Foundation and FirstRand Empowerment Foundation

The FirstRand Foundation has joined forces with the National Research Foundation (NRF) to promote the development of Black African South African academics to become nationally and internationally recognised researchers.

The FirstRand Foundation sees the strategic importance of the programme in developing human capacity and achieving the country's transformation goals. The private sector has an integral role to play in improving education and academia, and ensuring transformation and research excellence in pursuit of a more sustainable higher education system.

The programme endeavours to achieve this by supporting academics, particularly black African women, employed at public universities to attain doctoral and postdoctoral qualifications. This programme also promotes the attainment of an NRF-rating by black African early-career academics, especially black female researchers, three to five years after this grant.

The intake is modelled at ensuring all institutions benefit. Ideally, two awards will be made every year to each university that submits applications. Although the programme has a developmental focus, only quality proposals that are scientifically sound and obtain a favourable independent merit review will be considered for funding.

Together, the FirstRand Foundation and the NRF have committed **R165 million** over five years to support **75** doctoral candidates and **100** postdoctoral candidates.

The FirstRand Foundation and NRF made awards for the first time this year after receiving **67** applications from **25** institutions. A total of **21** awards were given to doctoral candidates and **17** to postdoctoral candidates, with a total value of just more than **R10 million.**

CASE STUDY

Mathematics education chairs initiative

The mathematics education chairs initiative was started in 2010 by the FirstRand Foundation, in partnership with the Anglo American Chairman's Fund and the Department of Science and Technology.

The initiative's aims to improve the quality of teaching and learner performance in schools, research sustainable and practical solutions to South Africa's mathematics challenges, and to provide leadership and increase dialogue in mathematics education. The programme constitutes two components – mathematics education chairs and the South African numeracy chairs, with both components administered by the National Research Foundation (NRF).

Into its ninth year of implementation and second five-year cycle of funding, the mathematics education chairs programme has made great strides in its goal of improving mathematics teaching and learning in South Africa.



CASE STUDY

The Ikusasa Student Financial Aid Programme

The Ikusasa Student Financial Aid Programme (ISFAP) was established in 2016 in response to the South African government's call for a sustainable funding model for the tertiary education of the country's poor and "missing middle" students. ISFAP aims to create such a model and fast-track skills production for the 21st century by bringing together the public and private sectors to fund students pursuing careers in scarce-skill professions such as actuaries, accountants, artisans, engineers and medical doctors, for example. These are professions that have been identified as crucial to driving economic development.

The FirstRand Foundation's aim has been to play a leadership role in this initiative, and has been a founding member in line with the following systemic social investment objectives:

- > focusing on the structure and underlying causes of the problem (not individuals and events);
- > using dynamic (not linear) thinking and ways of working;
- > establishing a long-term commitment to "shifting the system" (10 to 15 years); and
- > identifying key leverage points that can produce significant, enduring improvements.

The FirstRand Foundation is currently supporting **484** of the **1 303 students** on the ISFAP system (**37%**). It has also been instrumental in contributing to the setup and ongoing operational costs for designing and building ISFAP's systems and processes.

INVESTMENT IN ISFAP SINCE 2016

ISFAP funding by year and component	2016/2017 (R million)	2018 (R million)
Student costs	40	40
Operational costs	14.82	–
Total	54.82	40
FirstRand Foundation % of total student costs	29%	37%
FirstRand Foundation % of total operational costs	58%*	~40%**

* Previously reported as 35%, but this excluded interest earned on FNB funding and FRF/FNB surplus income from the 2017 cohort (approximately R14.1 million).

** Currently 37%, but will increase to 40% if the current request is approved.

“Poverty is not an accident. Like slavery and apartheid, it is man-made and can be removed by the actions of human beings.”

Nelson Mandela, former state president, South Africa

CASE STUDY

FirstRand Volunteers

The group launched the FirstRand Volunteers Programme in 2003 to facilitate and support employee community involvement. This programme provides employees from across the entire group with the opportunity to make a real difference, by matching employees' donations of both their time and money to their chosen organisation or school.

The volunteer programme is governed by clear guidelines, policies and procedures aligned to those of the FirstRand Foundation.

Since launch, FirstRand Volunteers have donated over **R71 million** to organisations and schools across the country. During the year to June 2018, employees across the group donated **R11.9 million** in both time and money. Volunteer initiatives and activities in the past year have focused on education, support for people with disabilities and nutrition.

Over the past three years, more than
2 800 employees have donated an average of
12 400 hours of their time each year to their chosen projects.

In 2018, employees across the divisions of the group registered and supported
101 schools,
40 ECD centres
and **106 non-profit organisations** across multiple sectors.

In 2018, over 54% of employee support was for schools, early childhood development and non-profit organisations in the education sector. The balance of support was across multiple sectors, such as animal welfare, community care, people with disabilities and youth development.

The programme's annual **School Education Drive** assisted employees with financial support for under-resourced early childhood development centres, primary schools and high schools in their communities. Teams from **120 FirstRand business units** matched with **120 schools**, qualified for the programme grants resulting in a cumulative **R1.2 million** donation to uplift the education sector.

Volunteer teams assisted their chosen schools with the purchase of school shoes, uniforms, library books, stationery, sports equipment, educational toys, female hygiene products, winter jackets, nursery school box kits, interactive white boards, catering for tutoring sessions, classroom air conditioning and new equipment for cooking classes. They also helped erect libraries, reading corners and jungle gyms, repaired toilets and revamped playgrounds.

“In the community we serve, many parents are unable to pay school fees and so we do not have the funds to establish, run and sustain a library. However, thanks to donations and sponsorships from supporters and companies such as yours, we have been able to obtain a large number of books. These books will help to establish a culture of reading in our learners.”

*WP Hendrickse,
Bosmansdam Primary School*

“The absenteeism of our learners has dropped, especially in the cold weather, now that they have jerseys.”

Ramarobi Secondary School

“We at Nondumiso High School would like to extend our gratitude for the contributions that you have made in our school. We have been praying for this to happen in our school as we are in a deep rural area where teaching and learning was not running smoothly, especially on sunny days. Now we have fans because of you and our learners are very happy and have started focusing during class.”

*JS Nduli, Deputy Principal,
Nondumiso High School*

SOCIAL SPONSORSHIP BEYOND THE FOUNDATIONS

Three years ago the group decided to allocate the majority of its branding budget to sponsoring activities and events that fund or support specific youth development programmes, particularly in disadvantaged communities.

“We felt that if communities saw FirstRand as part of the success of its youth, that would be a powerful win-win outcome.”

Sam Moss, Head of Investor Relations and Group Communications



Soweto Canoe and Recreation Club

The first youth development programme the group became involved with is the Soweto Canoe and Recreation Club (SCARC), an amateur sports club near the famous Orlando Towers in the township. This club has an amazing track record, using sport to help young people develop life skills such as building positive interpersonal relationships, learning how to work as a team and studying effectively. The club also provides vocational training and supports members with education and employment opportunities.

FirstRand directly sponsors the club's racing team, with the team's bright yellow minibus, FirstRand-branded canoes and gear a regular sighting at all big events. The racing team is the club's pinnacle of success. However, making the cut requires not just talent, but also hard work, commitment and discipline – all important skills for navigating life in general.

The team's most successful paddler so far is Siseko Ntondini, a consistent top finisher in the Dusi Canoe Marathon. After coming 11th in the 2013 race, he partnered up with Piers Cruickshanks for the 7th place in 2014, earning a gold medal. This partnership inspired the critically acclaimed motion picture film, *Beyond the River* <https://beyondtheriver.co.za/the-film/>

TransAfrica Cycling Adventure

Since 2014, FirstRand has sponsored the TransAfrica Cycling Adventure which covers more than 1 000 kilometres, from the Western Cape to KwaZulu-Natal. To participate, the riders have to raise funds to support the Ingane Yami Children's Village, which places children orphaned by HIV/Aids with foster families.

Initially, all costs associated with the race would have been deducted from funds raised by each rider, but in 2016, FirstRand stepped in to cover these costs. This means that every rand raised by the riders will go towards supporting the Children's Village. Ingane Yami aims to build 25 homes for 150 children and it has also built a school offering classes from Grade R to Grade 5. This year's TransAfrica race was specifically organised to raise funds for this school.

Incredibly, the riders shattered previous fundraising records, coming up with **R1.5 million** for the children, more than triple the **R450 000** raised in 2014 and **R800 000** more than was raised in 2016.

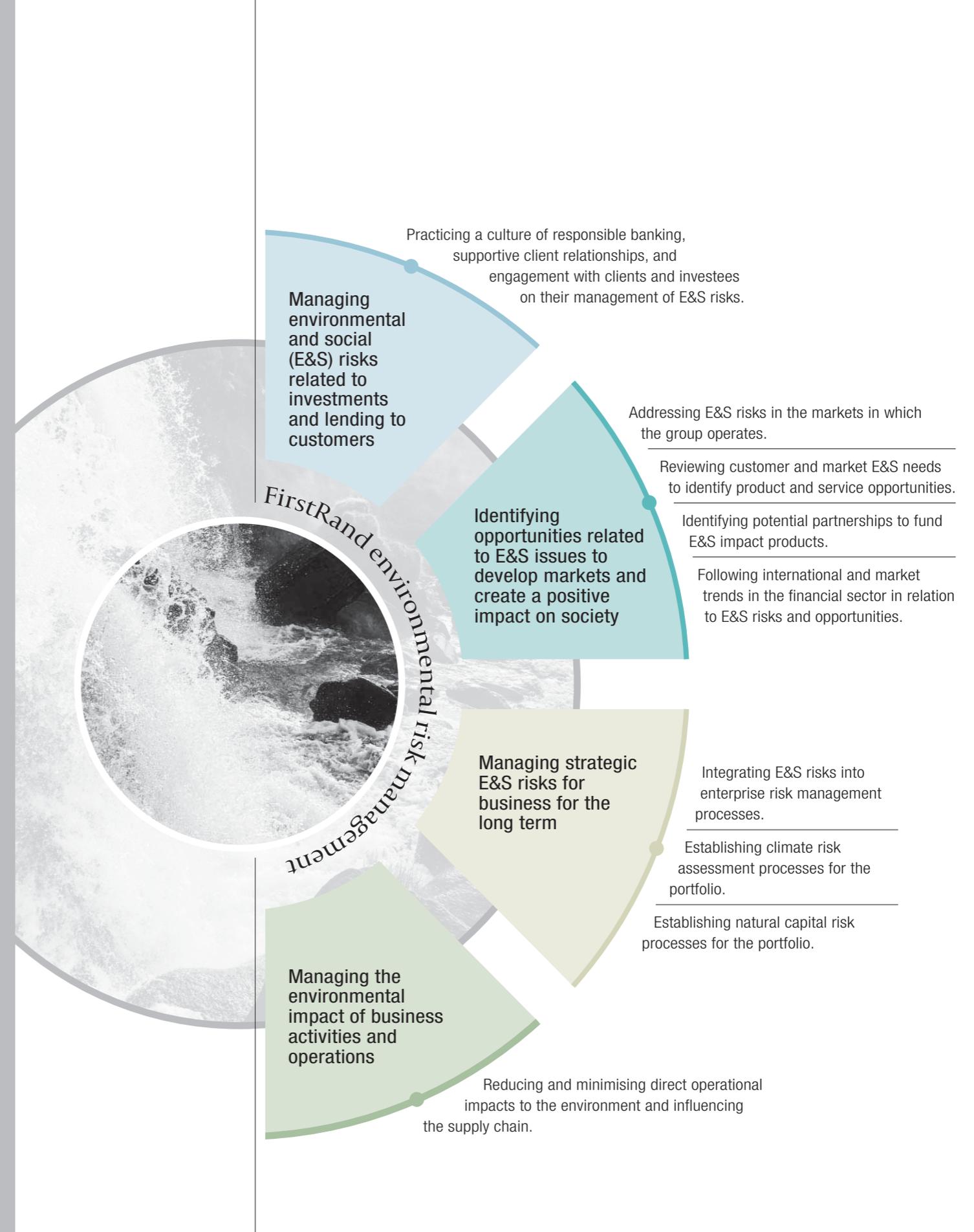
6.

Managing the group's environmental impact

As a financial services group, FirstRand has a role to play in the effective management of environmental and social risks of its lending and investment decisions, product and service offerings, own organisational impacts, and promoting responsible practice through its value chains. The FirstRand environmental sustainability policy commits the group to review and manage the environmental impact of its operations, as well as consider the impact on the environment and communities through its products and services.

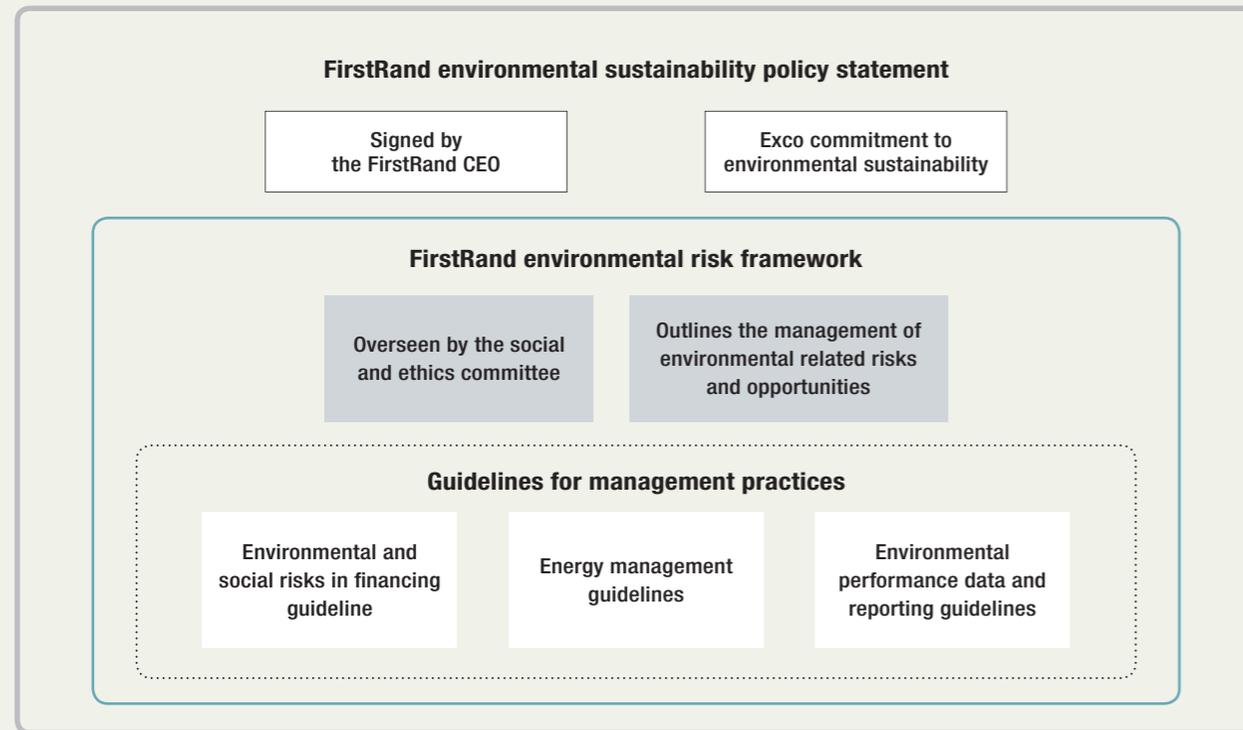
FirstRand has spent time addressing environmental and social risk in its investment and lending processes since 2009 and has made progress in managing its direct use of resources and operational impact.

The environmental and social risk assessment (ESRA) due diligence process has become part of the organisational culture. These activities have become the foundation for understanding risks to the group, its portfolios and stakeholders posed by climate change, social issues and natural capital.



FirstRand's environmental and social risk management team forms part of the Enterprise Risk Management business unit. This enables the integration of environmental and social issues and the identification, management and mitigation of climate-related risks or opportunities into group risk management processes. Risk reviews are conducted at all operating levels within the group supported by in-house environmental, climate and social risk experts.

POLICY STRUCTURES IN FIRSTRAND ENVIRONMENTAL MANAGEMENT



TRANSACTION-RELATED RISKS: ENVIRONMENTAL AND SOCIAL DUE DILIGENCE (ESRA)

The group's ESRA process is the first stage in a credit process to identify and assess risks to local communities, the environment, regulatory or reputational risks to either FirstRand or the client, and which could, therefore, impact the ability of clients to meet their credit commitments.

ESRA includes a built-in exclusion list of activities that the group will not finance, a sensitive sector list and activity screening and is formally integrated into the group's credit risk governance process and enterprise-wide ethics and conduct committee structures.

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

The process and ESRA tool is housed within the FCC environmental and social risk team, with resources in each of the business areas, allowing business unit specific transactional reviews. ESRA teams provide risk advice to the relevant credit committees regarding the environmental and social risks related to transactions.

THE ESRA DUE DILIGENCE PROCESS

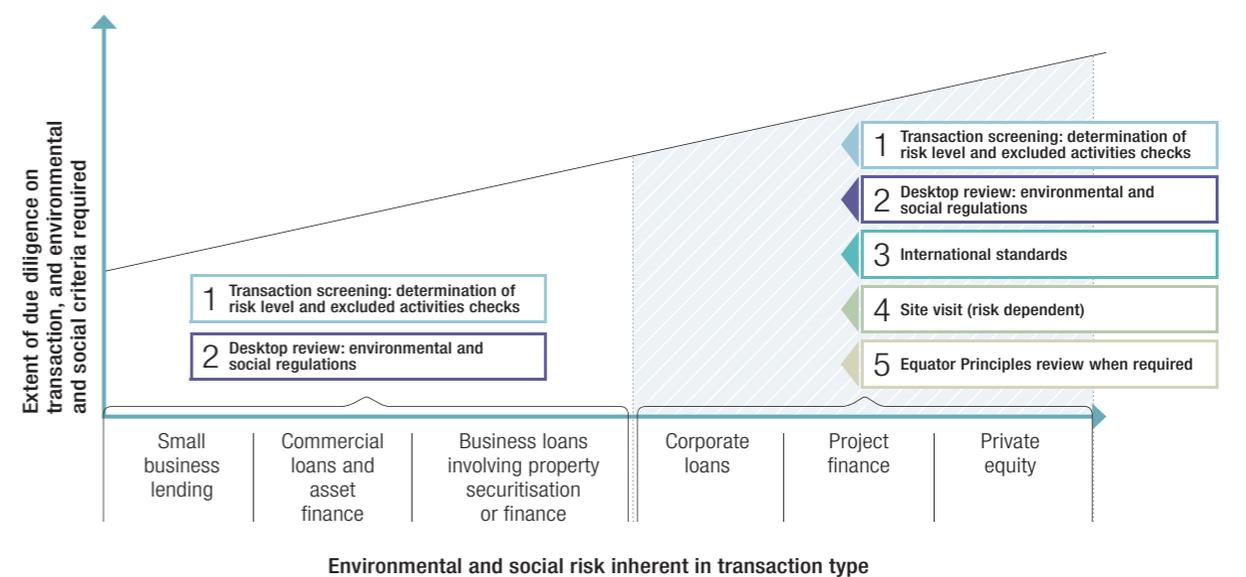
Loan and investment screening starts when an application for debt funding or an investment is proposed. An automated tool that has been integrated into the credit application processes within the group, is used to check whether environmental and social risks are applicable to the transaction and whether the activity is categorised as a high, medium or low risk.

Medium and high-risk transactions go through further due diligence processes before submission to the credit committee for consideration. The process is conducted prior to credit committee or investment committee approval and is a condition of approval by these committees where environmental and social risks are identified on a transaction.

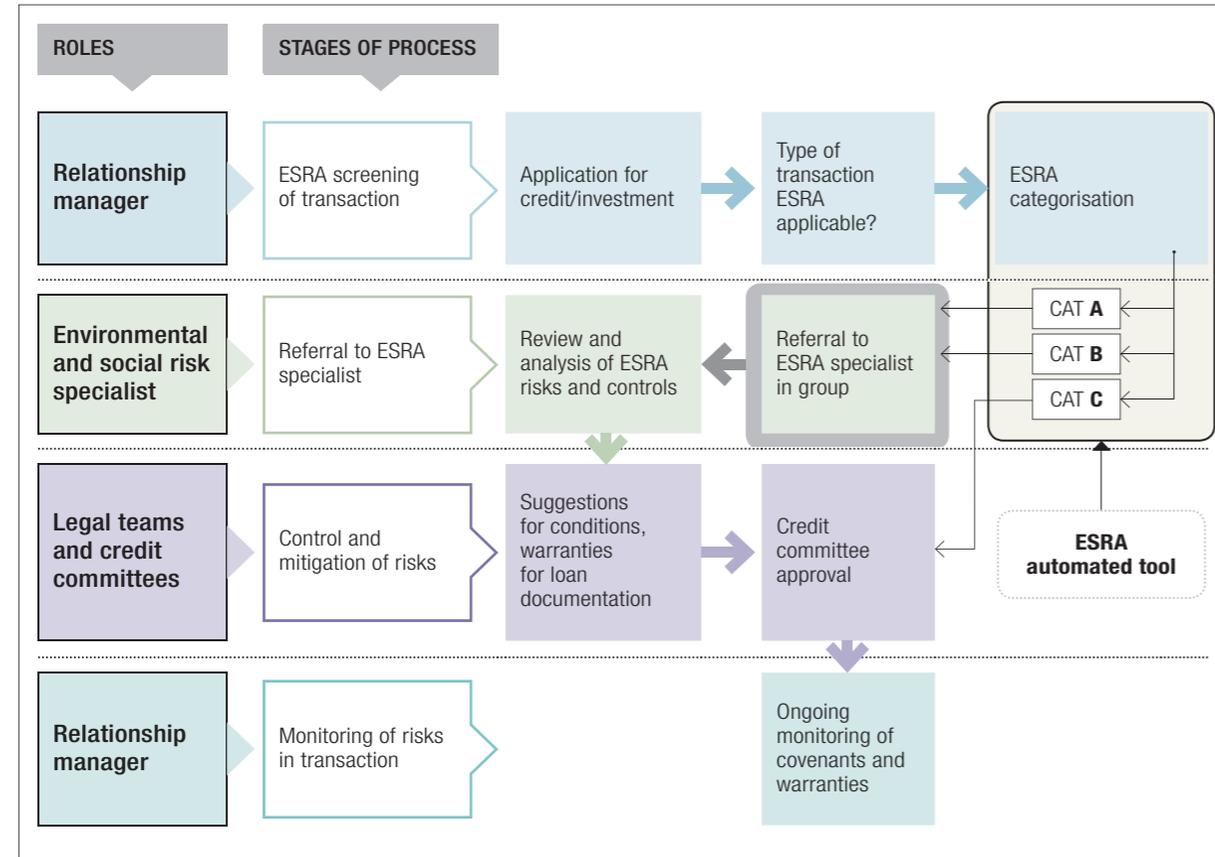
ESRA is applied to all business orientated lending and private equity activities in the group regardless of transaction size.

The ESRA process is automated and includes all commercial lending and investment banking transactions. The group has worked with international peers in the formulation of its policies since 2009.

Scope of ESRA review related to transaction type



ESRA TRANSACTION FLOW



Transactions are categorised into the following risk categories. Categories are related to the inherent amount of environmental and social risk that may be related to a specific activity for which investment or finance is being provided.

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

Category A

Activity with high inherent environmental or social risks and potential for significant adverse social or environmental impacts that are diverse, irreversible or unprecedented.

Category B

Activities with medium level inherent risks with potential environmental and social impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures.

Category C

Activities with minimal or no social or environmental risks and related impacts.

EXCLUDED ACTIVITIES

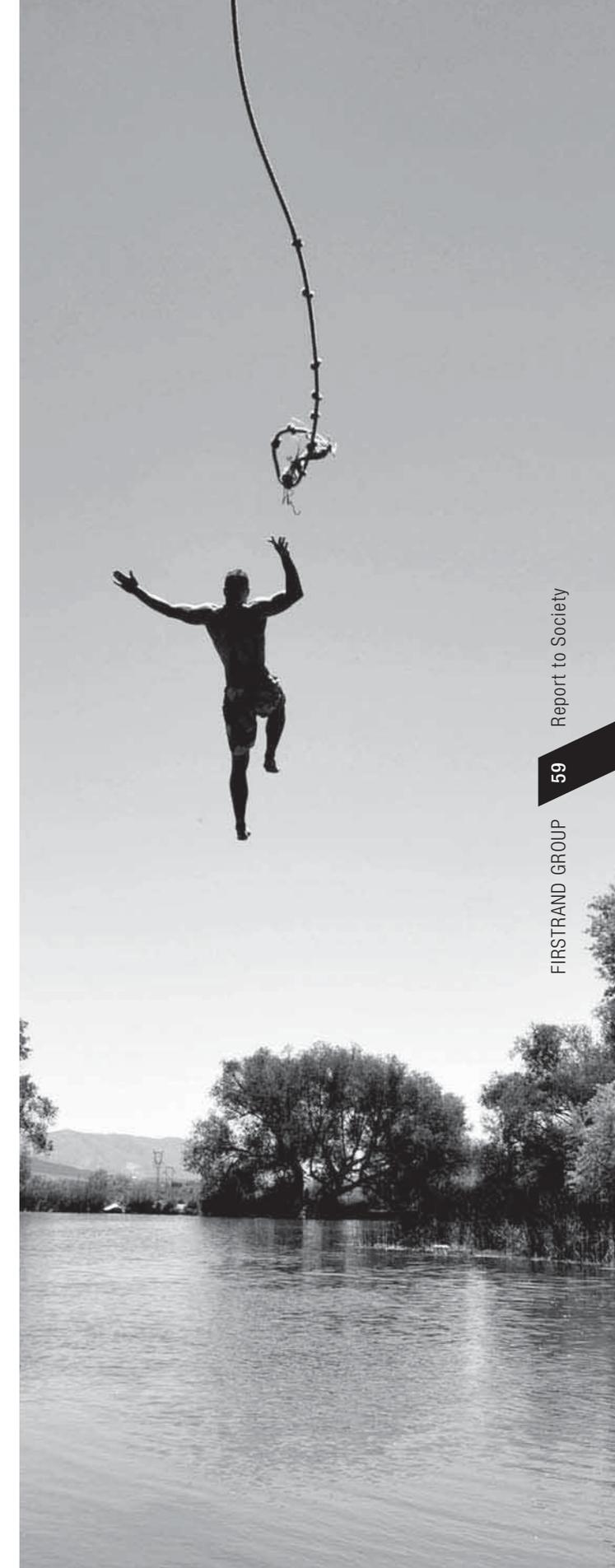
FirstRand does not fund illegal activities. If a client is in violation of administrative law, such as lacking permits, or not in compliance with the conditions and standards set by the group, the transaction team and FirstRand's ESRA specialists encourage and work with the client to achieve compliance.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

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

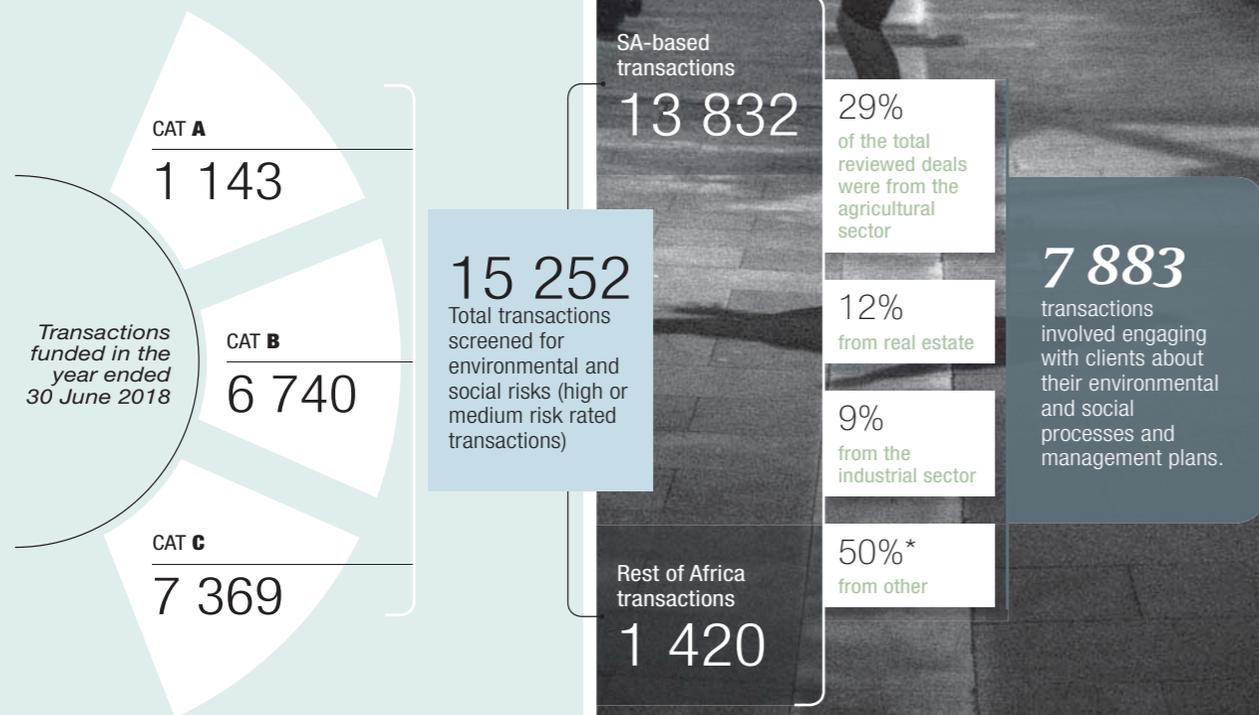
ACTIVITIES THAT THE GROUP WILL NOT FINANCE:

Activities involving the destruction of high value conservation areas		Cross-border trade in waste unless compliant with the Basel Convention
Unsustainable fishing methods	Human trafficking	Trade in endangered wildlife, flora and fauna*
Unbounded asbestos fibres		Activities that are illegal by host country law or international agreement
	Child or forced labour	
Racist and anti-democratic media	Prostitution and pornography	Activities involving ozone depleting substances such as PCBs

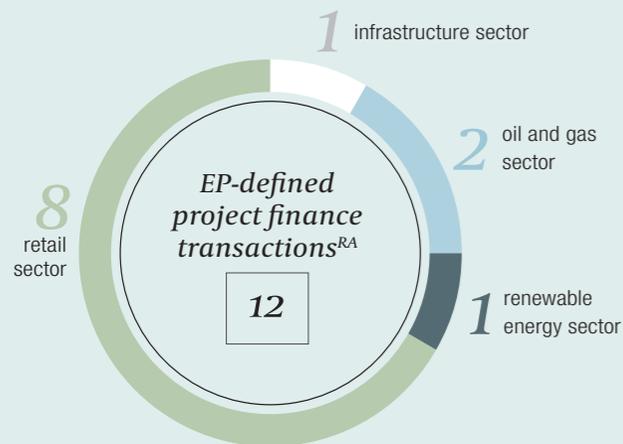
* As identified by CITES.



ESRA PERFORMANCE IN 2018



Equator Principles (EP) transactions



All transactions took place in the Middle East and Africa region.

There were no EP-defined project finance advisory or project related corporate loan transactions for the reporting period^{RA}

RA: External reasonable assurance provided over total EP-defined project finance transactions.

DURING 2018, THE FOLLOWING ESRA DEVELOPMENTS TOOK PLACE:

- > Roll out of ESRA into international subsidiaries – six of eight subsidiaries on the African continent have ESRA programmes in place.
- > Specialist environmental legal update training was conducted for all the in-house ESRA resources within the group
- > A project related to the integration of natural capital and climate risk indicators into the existing ESRA processes and governance structures was initiated.

* Other comprises mining, property, construction, infrastructure, retail, services and transportation.

FIRSTRAND EQUATOR PRINCIPLES PERFORMANCE

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

EP performance reporting is externally assured by an independent third party in line with the requirements set out by the EP Association. This year, PricewaterhouseCoopers (PwC) provided reasonable assurance on the EP figures. See the PwC opinion on pages 69 – 71.

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

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

EP transactions funded by risk category and industry	Mining	Infrastructure	Power	Renewables	Retail	Oil	Gas	Total ^{RA}
A (high risk)	0	0	0	0	0	2	0	2
B (medium risk)	0	1	0	1	0	0	0	2
C (low risk)	0	0	0	0	8	0	0	8

Region	A (high risk)	B (medium risk)	C (low risk)
Africa	2	2	8

RA: External reasonable assurance provided over total EP-defined project finance transactions.

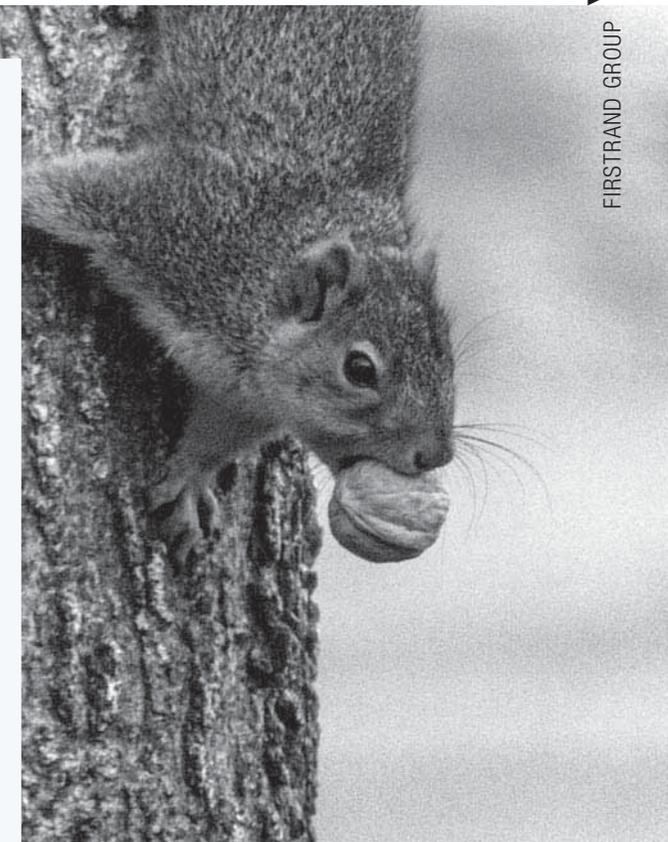
PRINCIPLES FOR RESPONSIBLE INVESTMENT

Ashburton Investments, signed the Principles for Responsible Investment in 2015. As prudent stewards of capital, Ashburton considers a wide range of factors that may affect the risk and return profile of its investments, now and in the future. Environmental, Social and Governance (ESG) factors form a part of this process.

The integration of ESG into investment analysis and decision-making is conducted at the selection/initiation phase of an investment as well as over the term of the investment. Within equities the Ashburton Investments philosophy emphasises the selection of shares based on principles of substance and sustainability which includes ESG factors. Within debt, the Ashburton Investments philosophy focuses on those material ESG factors that could affect the ability of a company to repay its debt both willingly and timeously.

The Ashburton Investments responsible investment committee continues to introduce ESG data, ratings and other forms of research to the investment teams. The source data is pulled from brokers, NPOs, Bloomberg and the web.

Ashburton Investments has recently included a scoring mechanism for ESG factors and is also introducing a weekly ESG update meeting to keep all investment professionals up-to-date and aware of global ESG news, articles and events that may affect current or future investees.



NATURAL CAPITAL, CLIMATE RESILIENCE AND ENERGY MANAGEMENT

There is an urgent need to transition the economy to lower impact energy sources, but this must be considered in the context of a growing population and the need for jobs.

The group's focus is to operate as a responsible corporate citizen in the management of the environmental impact of its operations and buildings and, as well as an investor and lender, to manage portfolio risk and assist clients with planning climate resilient businesses, infrastructure and contributing to a water efficient, lower-carbon economy and society.

There is an urgent need to transition the economy to lower impact energy sources.

NATURAL CAPITAL RISKS IN THE PORTFOLIO

Natural capital risk includes the interruption of operations or services due to the company's dependency on natural ecosystem services in the production of a product or service. Natural capital risks may lead to increased risk, or interruption of the services that the group's operations, client's operations or the group's investments receive from nature because of human pressures on the environment. Some examples of these services and dependencies can be atmosphere, water, energy, minerals, soil quality, climate regulation, pollination activities, and habitats.

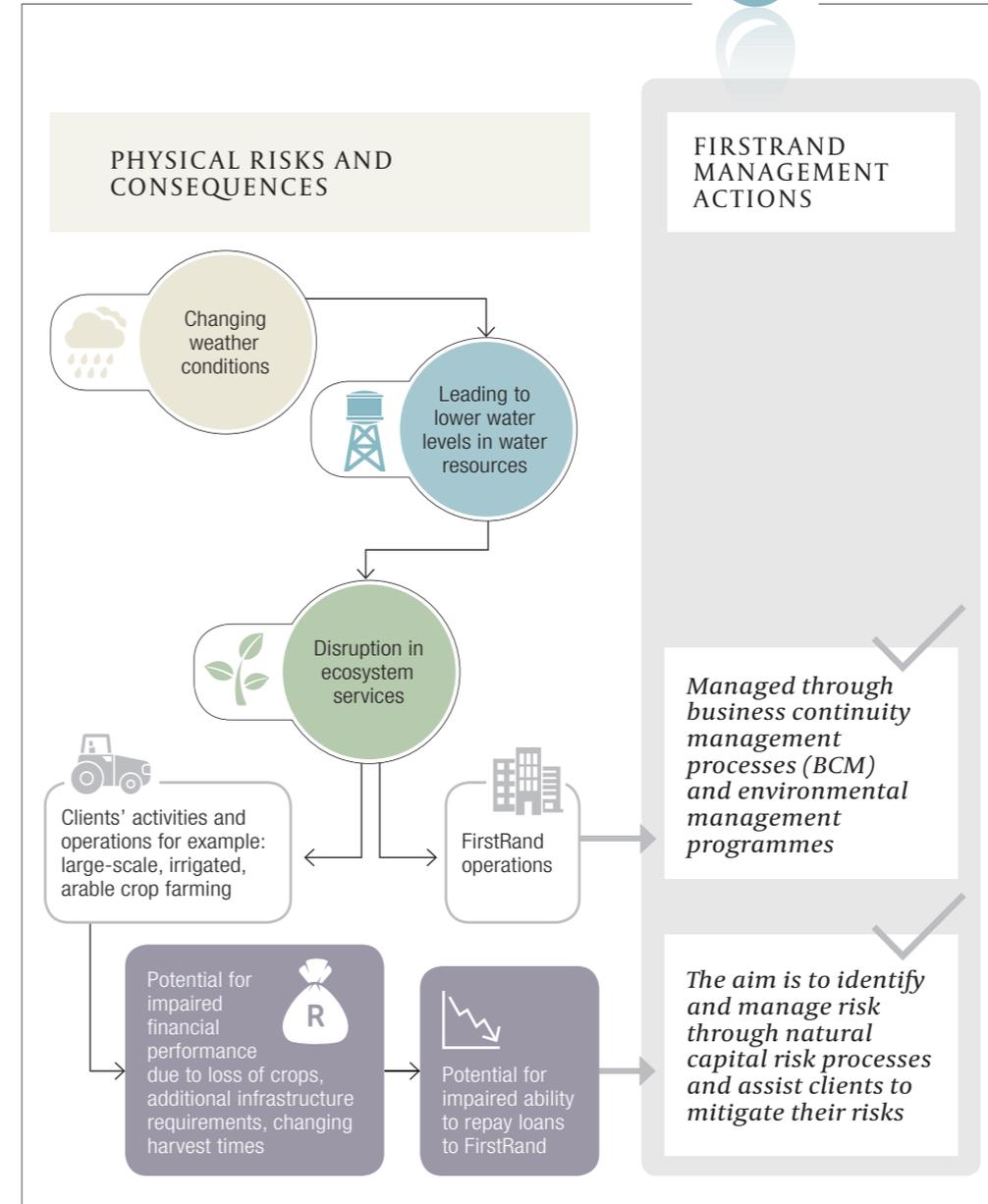
In response to these potential risks, FirstRand is participating in a pilot study for South Africa conducted by the Natural Capital Finance Alliance, related to the identification and quantification of natural capital risks in the lending portfolio of banks.

The aim of the project is to create a database of information related to natural capital risk in South Africa, develop a risk identification and quantification process, and scenario planning methodology that can be applied to various credit portfolios to identify hotspots of natural capital risk within the portfolio.

This process will allow FirstRand to proactively engage with clients identified to be at risk and to assist them in developing mitigation actions.



The following diagram illustrates the natural capital risks of water for the group:



TASKFORCE FOR CLIMATE RELATED FINANCIAL DISCLOSURE

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

FirstRand supports the recommendations of the TCFD and initiated a project during the 2018 financial year to begin implementing the recommendations of the TCFD.

SUSTAINABLE DEVELOPMENT GOALS

In 2015, the 17 United Nation Sustainable Development Goals (SDGs) were launched. The SDGs are a set of global goals to end poverty, protect the planet, and ensure prosperity for all.

During 2018, an internal FirstRand project to analyse impact of products, services and initiatives on addressing the SDGs was started. FirstRand is participating in a BASA project to develop a performance dashboard for the sector in relation to the members' collective impact on SDGs.

OPERATIONAL PERFORMANCE

ENVIRONMENTAL MANAGEMENT SYSTEMS

FirstRand has an implemented operational environmental management system in its major campuses in South Africa that is certified to the ISO 14001: 2015 standard by PwC. This management system has been in operation for over ten years and is increasing in scope to include more operational buildings every review period. The focus of the system is to identify the environmental impacts of the group's buildings, minimise the impacts where possible and to monitor the group's performance with a view of continually improving its environmental impact.

GREEN BUILDINGS AND RENEWABLE ENERGY

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

ENERGY AND CARBON EMISSIONS MANAGEMENT

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

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

The group adopted a proactive strategy in setting carbon emission reduction targets for its South African operations aiming for an absolute target of 20% reduction in South African Scope 1 and Scope 2 emissions (excluding ATMs) by 2020 based on a 2015 baseline. This target was met and achieved during the 2018 financial year, with a 26% absolute reduction achieved in Scope 1 and 2 carbon emissions from the 2015 baseline due to significant energy efficiency initiatives and renewable energy projects implemented within the group.

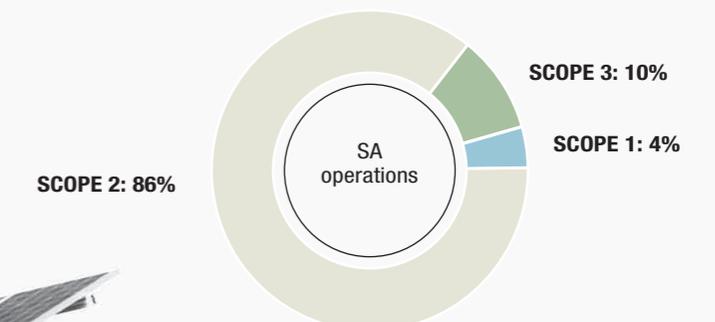
This has led to a review of energy and carbon emission targets during the reporting period.

Carbon emissions (metric tonnes of CO₂ equivalents)

	2018	2017	% change
SCOPE 1 EMISSIONS			
Fuel use in generators	1 129	406	178
Business fleet travel	6 298	6 911	(9)
Refrigerants	2 016	2 334	(14)
TOTAL^{LA}	9 442	9 650	(2)
SCOPE 2 EMISSIONS			
Electricity – buildings	181 507	209 241	(13)
Electricity – ATMs	7 861	12 506	(37)
TOTAL^{LA}	189 368	221 748	(15)
SCOPE 3 EMISSIONS			
Paper use	2 182	2 515	(13)
Business road travel	5 071	5 313	(5)
Business air travel	14 762	15 956	(7)
Fuel well-to-tank emissions	1 450	1 456	0
Electricity transmission losses	1 913	2 240	(15)
TOTAL^{LA}	25 379	27 480	(8)
Total carbon emissions South African operations	224 190	258 878	(13)
Total CO₂ emissions per capita (tonnes of CO₂e/FTE)	5.91	6.86	

LA: External limited assurance provided over 2018 Scope 1, 2, and 3 carbon emissions for South African operations

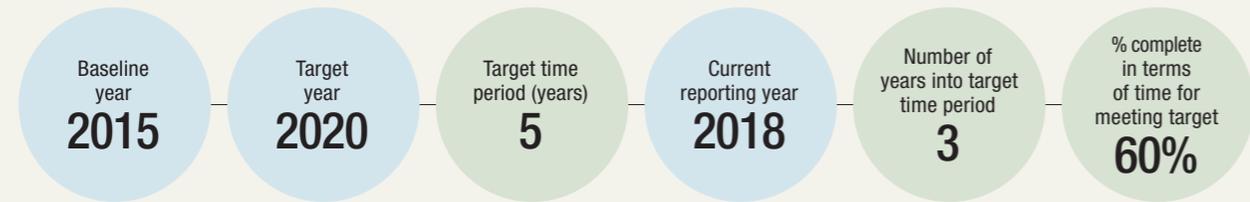
Carbon emissions breakdown



FirstRand will be setting longer term, science-based greenhouse gas emission reduction targets in line with the Paris Agreement, which binds all countries to an emissions pathway that aims to keep the global temperature rise below two degrees centigrade compared to pre-industrial temperatures. A project to define these targets is currently underway.

PROGRESS AGAINST CURRENT TARGETS

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



Absolute target 1

Energy reduction target: 15% reduction on South African Scope 2 emissions (excluding ATM emissions) by 2020 from 2015 baseline

Emissions (tCO ₂ e)				
Base year	Reduction target for 2020	Current reporting year	Difference (absolute)	Percentage reduction achieved
248 606	211 315	181 507	(67 099)	27%
▲ ahead of target				

Absolute target 2

Carbon emission reduction target: 20% reduction on South Africa's Scope 1 and 2 carbon emissions (excluding ATMs) by 2020 from 2015 baseline

Emissions (tCO ₂ e)				
Base year	Reduction target for 2020	Current reporting year	Difference (absolute)	Percentage reduction achieved
258 926	207 140	190 949	(67 976)	26%
▲ ahead of target				

FUTURE FOCUS FOR SOCIAL AND ENVIRONMENTAL RISK MANAGEMENT

The environmental and social risk management team will focus on the following in the next financial year:

- > Operational impact management programme: development of science-based greenhouse gas emission reduction targets in line with the Paris Agreement, together with an internal initiative to formalise the monitoring and reporting of the group's programmes and initiatives for water and waste management.
- > Management of portfolio risks: implementation of the TCFD recommendations and the establishment of processes to conduct stress testing of the credit portfolio in relation to environmental risks.

Any feedback or queries related to the FirstRand environmental programme can be sent to: environment@firstrand.co.za

LOOKING AHEAD

FirstRand's journey to understand through measurement the nature of its broader social, economic and environmental impact outside of the traditional stakeholder groups such as providers of capital, has begun. The group is dedicated to developing deeper insight, through capturing and measuring relevant data over the medium to long term.

The impact of a business the size and scale of FirstRand is complex, and the measurement landscape and tools are new compared to financial reporting. The group is developing a bespoke measurement framework designed to provide insight for stakeholders and inform future business strategies. In creating this framework, the group will access global best practice.



INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF FIRSTRAND LIMITED

We have been engaged by the directors of FirstRand Limited (FirstRand, the group or the company) to perform an independent assurance engagement in respect of selected sustainability information reported in the group's 2018 report to society for the year ending 30 June 2018 (the report). This report is produced in accordance with the terms of our contract with the company dated 10 July 2018.

INDEPENDENCE, QUALITY CONTROL AND EXPERTISE

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

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

Our engagement was conducted by a multi-disciplinary team of environmental and assurance specialists with extensive experience in sustainability reporting.

SCOPE AND SUBJECT MATTER

The following selected sustainability information was selected for the expression of reasonable or limited assurance respectively, as indicated by the symbol "RA" and "LA" respectively:

REASONABLE ASSURANCE (RA)

- > Number of EP-defined project finance transactions > US\$ 10 million, that reached financial close (page 60 and 61).
- > Number of EP-defined project finance advisory service mandate (page 60).
- > Number of EP-defined corporate loans transactions that reached financial close (page 60).

LIMITED ASSURANCE (LA)

- > Total Scope 1 CO₂ emissions (Page 65).
- > Total Scope 2 CO₂ emissions (Page 65).
- > Total Scope 3 CO₂ emissions (Page 65).

All selected sustainability information above pertains to the group's South African operations, First National Bank, Rand Merchant Bank, FCC, WesBank and Ashburton Investment Holdings.

We refer to this information as the selected sustainability information for reasonable assurance and selected sustainability information for limited assurance, respectively, and collectively as the selected sustainability information.

We have carried out work on the data reported for 2018 only and have not performed any procedures with respect to earlier periods, or any other elements included in the 2018 Environmental and Social Risk Report and, therefore, do not express any conclusion thereon. We have not performed work in respect of future projections and targets.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND PRICEWATERHOUSECOOPERS INC.

The directors are responsible for selection, preparation and presentation of the selected sustainability information in accordance with the criteria set out in the company's environmental data reporting guideline, as referenced in Appendix A of this report. The directors are also responsible for designing, implementing and maintaining of internal controls as the directors determine necessary to enable the preparation of the selected sustainability information that are free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent conclusion, based on our reasonable assurance procedures, on whether the selected sustainability information for reasonable assurance has been prepared, in all material respects, in accordance with the reporting criteria.

We further have a responsibility to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the selected sustainability information for limited assurance has not been prepared, in all material respects, in accordance with the reporting criteria.

This report, including the conclusions, has been prepared solely for the directors of the company as a body, to assist the directors in reporting on the company's sustainable development performance and activities. We permit the disclosure of this report within the report for the year ended 30 June 2018, to enable the directors to

demonstrate they have discharged their governance responsibilities by commissioning an independent assurance report in connection with the report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and the company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

ASSURANCE WORK PERFORMED

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits and Reviews of Historical Financial Information, and, in respect of greenhouse gas emissions, International Standard on Assurance Engagements (ISAE) 3410: Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These standards require that we comply with ethical requirements and that we plan and perform the assurance engagement to obtain either reasonable or limited assurance on the selected sustainability information as per the terms of our engagement.

Our work included examination, on a test basis, of evidence relevant to the selected sustainability information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the selected sustainability information. We planned and performed our work so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence on which to base our conclusion in respect of the Selected Sustainability Information.

Our work in respect of the selected sustainability information consisted of:

- > reviewing the processes that the company has in place for determining the selected sustainability information included in the report;
- > obtaining an understanding of the systems used to generate, aggregate and report the selected sustainability information;
- > conducting interviews with management at head office and selected operations;
- > evaluating the data generation and reporting processes against the reporting criteria;
- > performing control walkthroughs;
- > testing the accuracy of data reported on a sample basis for limited and reasonable assurance;
- > reviewing the consolidation of data at head office to obtain an understanding of the consistency of the reporting process compared with prior years and to obtain explanations for deviations in performance trends; and
- > reviewing the consistency between the selected sustainability information and related disclosures in the report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 (Revised). Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement, and, therefore, less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

The procedures selected depend on our judgement, including the assessment of the risk of material misstatement of the selected sustainability information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation of the selected sustainability information in order to design procedures that are appropriate in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the report in the context of the company's environmental data reporting guideline, as referenced in Appendix A of this report.

CONCLUSIONS

Reasonable assurance

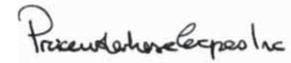
Based on the results of our reasonable assurance procedures, in our opinion, the selected sustainability information for the year ended 30 June 2018, has been prepared, in all material respects, in accordance with the reporting criteria.

LIMITED ASSURANCE

Based on the results of our limited assurance procedures nothing has come to our attention that causes us to believe that the selected sustainability information for the year ended 30 June 2018, has not been prepared, in all material respects, in accordance with the Reporting Criteria.

OTHER MATTERS

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



Registered Auditor

Director: Jayne Mammatt

PricewaterhouseCoopers Inc.
4 Lisbon Lane, Johannesburg
14 December 2018

APPENDIX A: REPORTING CRITERIA

KPI	Level of assurance	Boundary
Total Scope 1 CO ₂ emissions	Limited	<ul style="list-style-type: none"> > South African divisions of FirstRand Bank Limited (First National Bank, Rand Merchant Bank, FCC and WesBank; and > Ashburton Investment Holdings
Total Scope 2 CO ₂ emissions	Limited	
Total Scope 3 CO ₂ emissions	Limited	
The number of Equator Principles defined project finance transactions that are USD10 million or more in value, that reached financial close during the reporting year and broken down by: <ul style="list-style-type: none"> > Category A, B or C (as defined by the Equator Principles). > Category (A, B or C) by sector and region as detailed below: <ul style="list-style-type: none"> – Sector – mining; infrastructure; oil and gas: power and other; – Region – Americas; Europe; Middle East and Africa; Asia Pacific. > Category (A, B or C) by host country classification, detailed as designated and non-designated countries country or not). > Category (A or B) and whether an independent review has been carried out. 	Reasonable	
The number of Equator Principles defined corporate loans transactions that reached financial close during the reporting year and broken down by: <ul style="list-style-type: none"> > Category A, B or C (as defined by the Equator Principles). > Category (A, B or C) by sector and region as detailed below: <ul style="list-style-type: none"> – Sector – mining; infrastructure; oil and gas: power and other; – Region – Americas; Europe; Middle East and Africa; Asia Pacific > Category (A, B or C) by host country classification, detailed as designated and non-designated countries country or not). > Category (A or B) and whether an independent review has been carried out. 	Reasonable	
The number of Equator Principles defined project finance advisory services mandated during the reporting period broken down by: <ul style="list-style-type: none"> > Sector – mining; infrastructure; oil and gas: power and other; > Region – Americas; Europe; Middle East and Africa; Asia Pacific. 	Reasonable	

*Feedback on this report can be sent to:
investor.relations@firstrand.co.za*



FirstRand

www.firststrand.co.za