

21 October 2014

H.E. Ben Ki-moon  
Secretary-General  
United Nations  
New York, NY 10017  
USA

**Dear Mr. Secretary-General,**

The Investec Group remains committed to the ten principles of the United Nations Global Compact with respect to human rights, labour, environment and anti-corruption. Our culture and values demonstrate our belief that as an organisation we can have a positive impact on the success and wellbeing of local communities, the environment and on overall macro-economic stability. This communication serves as confirmation of our intent to advance those principles within our sphere of influence by entrenching the principles into our strategy, culture and day-to-day operations.

Investec continues to follow the recommendations and guidelines of the King III code in South Africa and the Global Reporting Initiative (GRI) for our reporting purposes. Our efforts were recognised in the past year through an improved ranking in the Dow Jones Sustainability Index and we have also maintained our inclusion the Johannesburg Stock Exchange SRI and FTSE4Good indices.

This Communication of Progress provides an abridged view of the practical actions we have taken to implement the Global Compact principles and our measurement of the outcomes in each of the four areas (human rights, labour, environment, anti-corruption). We therefore request that you read this report in conjunction with our 2014 Sustainability Report.

Kind Regards,

  
**Mr Stephen Koseff**  
CEO Investec Group

## Human Rights

### Commitment

- Principle 1: The Investec Group supports and respects the protection of internationally proclaimed human rights; and
- Principle 2: We are committed to ensuring that we are not complicit in human rights abuses.

### Human rights

We support and respect the protection of internationally proclaimed human rights standards and are not complicit in any human rights abuses. We do not have a formal human rights policy for the group as this would fall within the ambit of our Code of Conduct but we do adhere to the relevant laws in all our jurisdictions.

Our philosophy as an organisation is to respect the dignity and worth of the individual. We uphold the constitutional rights of our employees at all times do not practice forced or compulsory labour and do not employ children.

### Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis as envisaged by the South African Bill of Rights in the Constitution). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns; for example, Organisational Development (OD), Human Resources (HR), Employee Relations and our independent external consultants.

There are no recorded incidents of discrimination for the period under review.

### Environmental and social risk management

At Investec, we do not fund or invest in projects which do not comply with procurement and labour laws, and either do or could be expected to breach acceptable behavioural, ethical or moral standards. We would expect that the project we fund would comply with the applicable environmental, planning, labour and procurement law. Where there is a potential significant/limited adverse social or environmental impact, we will expect the projects to undergo the suitable risk and impact assessment and to comply with a mitigation/action. In the case of human rights issues our mitigation processes include loan documentation/due diligence to ensure that the borrower complies with applicable social laws in laws in the host country. We target transactions in countries with established laws that comply with World Bank Standards and that have due processes that are applied reasonably and effectively. If not, sponsors and suppliers are obliged to give undertakings and compliance with such standards.

### Procurement Policies

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK additions have been made to our procurement policy to incorporate both green and corporate socially responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment. We have recently committed to ensuring that 100% of our beverage offering has the Fairtrade label. This includes beverages available in our staff teapoints, our coffee bar and our hospitality suite. A product that carries the Fairtrade Certification Mark has met the rigorous Fairtrade standards, which focus on improving labour and living conditions for farming communities and on promoting a way of farming that does not harm either people or the environment.

Our largest suppliers of personal computers (PCs) and server equipment in South Africa subscribe to an electronic code of conduct which assists in monitoring compliance across several areas such as environmental impact, labour, health and safety. We always consider the Energy Star endorsement before purchasing equipment.



## Labour

### Commitment

- Principle 3: The Investec Group upholds the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: The Investec Group upholds the elimination of all forms of forced and compulsory labour;
- Principle 5: The Investec Group upholds the effective abolition of child labour; and
- Principle 6: The Investec Group upholds the elimination of discrimination in respect of employment and occupation.

### Freedom of association

We fully support employees' right to freedom of association. There is no representative trade union for Investec and we are not aware of any employees who are part of a trade union. We do however uphold the constitutional rights of the individual to freedom of association, the right to collective bargaining and the right to be a member of a union of their choice.

Investec is not aware of any operations or suppliers in which the right to exercise freedom of association and collective bargaining may have been violated.

### Discrimination

We endeavour to prevent and/or eliminate any form of discrimination based on gender, race, religion, age and sexual preference (or any other basis). Investec has a formal grievance procedure (and a written policy) to deal appropriately with any incident which may occur. Furthermore, there are several informal avenues for employees who wish to discuss concerns for example, OD, HR, Employee Relations and our independent external consultants.

There are no recorded incidents of discrimination for the period under review.

### Environmental and social risk management

When assessing environmental and social risks Investec avoids transactions in the following industries:

- Production or activities involving exploitation forms of forced and harmful child labour
- Production or trade in any product or activity deemed illegal under the country of operation's law and regulations
- Production and trade in weapons and munitions
- Production of harmful or addictive substances in a socially irresponsible manner.

Where labour issues are identified as a risk our mitigating action includes: ensuring that the source of the equipment is a Power and Infrastructure (PIF)-approved supplier which tend to be large corporate; environmental and social report will be required in loan covenants post – 2014.

### Health and safety

A group-wide formal health and safety programme identifies and manages all health and safety risks, and carries out regular safety audits. It is overseen by a health and safety committee that meets quarterly to review health and safety concerns. In South Africa, Investec's HIV/Aids policy and management forum extends to all permanent employees.

To enable and develop employee health and wellbeing, Investec provides employees with a bespoke Employee Assistance and Wellbeing Programme. The comprehensive and integrated Health and Wellbeing Programme, which expresses our focus of care and concern for the wellbeing of employees, provides personalized wellness interventions offered in face-to-face counseling and coaching. The wellness interventions are provided by a multidisciplinary team of select health professionals who are all specialists in their fields of practice. Investec values the physical and psychological health, welfare and safety of our people. Our offices also host wellness days for staff to raise awareness and education around health issues through a unique, fun and interactive approach which focuses on physical and mental health.



## Environment

### Commitment

- Principle 7: The Investec Group supports a precautionary approach to environmental challenges;
- Principle 8: The Investec Group undertakes initiatives to promote greater environmental responsibility; and
- Principle 9: We encourage the development and diffusion of environmentally friendly technologies.

### Our environmental policy

- We will consider any meaningful activity that either reduces the negative impact on, or prolongs the life of, our planet
- We believe that as a bank, and given our positioning in the first world and emerging world, we can make a meaningful impact in addressing climate change
- Internally, we focus on creating awareness and encouraging behavioural change
- Externally, we are increasingly incorporating environmental considerations into our daily operations
- We recognise the opportunities for our clients and businesses in cleaner and renewable energy sources, energy efficiency and responsible lending and investing.

### Environmental footprint and impact

As a niched, specialist, knowledge-based financial services organisation with a small physical presence, the direct environmental and social impacts of Investec's daily operations are limited. The area in which Investec can make the most meaningful contribution to the environment is through responsible financing and investing and supporting businesses involved in renewable energy and green developments.

Our carbon footprint has been calculated according to the International Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard (revised edition). Our emissions per average employee were 8.39 tonnes CO<sub>2</sub>e for the year ended 31 March 2014.

### Renewable energy financing and investing

Technology, climate change and economic growth are driving activity in the power sector. South Africa is addressing a number of challenges in its energy sector, including the need to meet growing demand and avoid power cuts, as well as diversifying its energy mix away from coal. Investec has committed £3.2 billion to renewable energy projects in South Africa.

### Funding green developments

Investec Private Bank is funding the development of Crossways Farm Village in the Kouga region of the Eastern Cape. The farm consists of 560 hectares of farmland surrounded by nature reserves. It includes homes, shops and outdoor facilities, light commercial units and a working farm whose profits are shared amongst the community.

The self-sustaining village is based on the following environmentally-friendly principles:

- Building on only part of the land, and making homes part of the natural landscape
- Keeping the best environmental land for all to enjoy with about one-third of the property earmarked for conservation
- Harvesting rainwater off roofs and streets as well as solar heating which is vital to the village's sustainability
- Local recycling and composting to reduce the volume of organic matter that goes into landfills.

### Green building financing

Investec's Real Estate Finance team in Australia facilitated an A\$115 million debt facility for the construction of a six-star Green Star and five-star NABERS rated commercial office buildings in Canberra.



### **Responsible property management**

Investec Property Fund (which is managed by Investec Property and 44.3% owned by Investec Limited) actively explores sustainable business development through energy efficiency and greening initiatives to create more sustainable space at a reduced total cost of occupancy. These initiatives have resulted in a real (excluding statutory increases) saving of 10.7% or R7.5 million during the period under review. Investec Property Fund embarked on a sustainability programme intended to track and manage our utility consumption in order to ensure efficient utility management and ultimately reduce consumption. The initial phase was focused on efficiency improvement and the next phase will involve replacement and generation.

The initial phase of this initiative was successful and, in particular, our retail properties, The Firs and Balfour Mall, showed impressive results. The Firs saw a 17.7% reduction in its electricity expense, resulting in a saving of R1.5 million per annum; and Balfour Mall experienced a 17.9% reduction in the electricity expense of R3.7 million per annum. A power correction unit is currently being installed at Balfour Mall, and we expect that this will result in an additional cost savings of 5%.

### **Influencing behaviour through knowledge and control**

In our role as a global asset manager, our primary goal is to deliver on our clients' mandates. The essential purpose of which is to preserve and grow the real purchasing power of our clients' assets over the long term. We do this through assuming a stewardship role over our clients' assets, including exercising of their ownership rights. Over the years, we have invested in recruiting a number of environmental, social and governance (ESG) investment professionals, as well as developing tools and processes which leverage increasingly available data. The practical end of our stewardship responsibility lies with the different investment teams who aim to incorporate material environmental social and governance issues into their analysis and portfolio construction in their aim to fulfill their client mandate. We believe this approach benefits both our clients and the social realms in which we invest and operate.

In line with this we are signatories of the Carbon Disclosure Project and their Carbon Action initiative, which calls for business to monitor the cost-effective management and reduction of carbon emissions. We are also signatories of the United Nations Principles for Responsible Investment and we endorse the Organisation for Economic Cooperation and Development principles on corporate governance.

### **Biodiversity**

Given Investec's African roots, we are passionate about ensuring the continued existence of a number of African species. We therefore fund three key biodiversity projects which are focused around rhinos, wild dogs and the impact of renewable energy on local birdlife. These initiatives allow Investec to give back to the environment and help ensure the sustainable existence of South African wildlife.

### **Environmental education**

Investec believes that one way for us to have a truly meaningful and lasting impact on the environment is through increasing people's knowledge and awareness about the environment and associated challenges. Investec holds a number of initiatives and internal talks aimed at educating staff about the environment and changing behaviour in their day-to-day lives in order to help sustain their local surroundings.

### **Procurement Policies**

We recognise the potential for our procurement and supply chain practices to be agents for change in respect of the different aspects of sustainability. We continue to engineer, within select industries, changed outcomes across economic, social and environmental fronts.

In the UK additions have been made to our procurement policy to incorporate both green and corporate socially responsible aspects. We now incorporate evaluation criteria into all of our procurement documentation to allow us to measure and demonstrate our intent to procure effectively without compromising the environment.

In South Africa, environmentally responsible partners are key to the procurement process and we focus on sustainability criteria when contracting with potential and existing vendors. We always consider the Energy Star endorsement before purchasing equipment.





## **Environmental and social risk management**

The following will be taken into consideration before transaction approval:

- Environmental risk is assessed before the deal is approved, and at any new decision points in the deal.
- Environmental sensitivity of new clients will be investigated as stated above and environmental sensitivity projects will be evaluated periodically as to the effects of the risks on the counterparty/entity's continuity and on the value of the collateral. The value of the collateral pledged by a counterparty may deteriorate or be adversely affected due to environmental influences
- Specifically, the following factors are taken into consideration when evaluating transactions:
  - Would there be undue damage caused to the environment
  - Would there be any damage to neighbouring properties or rights
  - Can damage be done to the environment due to hazardous substances
  - Production and trade in radioactive materials
  - Production and trade in ozone depleting substances
  - Production and trade in areas where there is high conservation and/or protected areas.

## **Anti-Corruption**

### **Commitment**

- Principle 10: The Investec Group is committed to working against corruption in all its forms, including extortion and bribery.

At Investec, we demand cast iron integrity in all internal and external dealings, consistently and uncompromisingly displaying our moral strength and behaviour which promotes trust. Investec is committed to high standards of integrity and ethical behaviour through our core values.

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written statement of values, which serves as our code of ethics, and is continually reinforced.

### **Whistle blowing policy and protected disclosures**

One of Investec's values requires employees to 'conduct all internal and external dealings with integrity, consistently and uncompromisingly displaying moral strength and behaviour which promotes trust'. Integrity and confidence are critical to our reputation and sustainability. The purpose of our whistle blowing policy is to encourage employees to raise concerns or disclose information about possible fraudulent, unethical, criminal or other improper behaviour or workplace misconduct in total confidentiality and anonymity and without fear of retribution. We seek to protect all employees who disclose unlawful or irregular conduct by the company, its employees or other stakeholders.

### **Employee training on the organisation's anti-corruption policies and procedures**

All Investec employees are responsible for compliance and risk management and therefore each employee has a responsibility to stay current with good practice, expected standards of conduct in relevant business lines and changes in law and regulation.

All staff are also expected to attend the relevant compliance training courses and complete an online assessment

### **Anti-money laundering policy**

Investec has anti money laundering policy as well as a compliance manual and handbook that explains the procedures to follow should there be incidents of corruption. Investec has established and maintains policies, procedures and controls to ensure that, in accordance with regulatory requirements, all staff report information or other matters which come to their attention in the course of their employment and which give reasonable grounds for knowledge or suspicion of money laundering or terrorist financing activity

### **Reporting on breaches**

Material incidents and losses and significant breaches of systems and controls are reported to the board risk and capital committee and the audit committees. Investec is subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the



main ones being the UK Financial Services Authority (FSA), the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), and the Australian Prudential Regulatory Authority (APRA). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. SARB is the supervisor of Investec Limited, while the FSA is the supervisor of Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report regularly to regulators and supervisory bodies. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

PLEASE REFER TO INVESTEC'S 2014 SUSTAINABILITY REPORT FOR FULL DETAIL.

<https://www.investec.co.za/content/dam/investec/investec-international/documents/Investor%20Relations/2014/Investec-Sustainability-2014.pdf>

