

2009 SUSTAINABILITY REPORT



Traditional values. Innovative ideas.



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CEO's statement

The past year has proved challenging and turbulent for global markets. Declining market and consumer confidence, rising agro- and fuel inflation, and volatility in the global housing markets are some of the factors that have caused uncertainty and raised central bank concerns about liquidity, risks and other regulatory considerations. Although South African banks were largely unaffected by the sub-prime crisis, the global markets proved challenging.

As a result of our concern about the risks of our exposure to the troubled world markets (and as evidenced by RMB's Equities Trading losses of \$200 million up to December 2007) we embarked on a process of de-risking and portfolio liquidation.

Notwithstanding the local and global economic slowdown, we continue to deliver value. Our success is due to our recognition that sustainable business practices remain even more important than ever in times of uncertainty. We continue to apply traditional yet innovative principles throughout our business – from ethics and best practice to nurturing talent and embracing transformation. We produced excellent results in our Investment Banking, Private Equity and FiCC (treasury) operations. Although local trading conditions may continue to weaken, our ability to provide innovative solutions to our clients, leveraging off our reputation, track record and depth of human talent, ensures that we remain valuable to all our stakeholders.

We continue to invest in our strategic client relationships and technology platforms, introducing programmes to transform our operating systems, providing us with a further competitive advantage. We also ensure that our current and future talent enjoy an environment that frees them up to focus on our clients and other revenue generating activities.

With the global imperative to reduce humanity's environmental impact, we voluntarily undertook our second carbon footprint audit, with the assistance of PriceWaterhouse Coopers. This reinforced our view of the areas in which we may further reduce our environmental impact. Through FirstRand Ltd, we are also considering the legal implications relating to project financing and the environmental and linked financial impact.

ALAN PULLINGER, CEO – RMB



More than ever, corporate assistance to communities can help bring about a fundamental positive change to society. RMB provided R20 million to community investment (CSI and employee volunteer) projects. Underlying some of South Africa's skills concerns is a national lack of maths competency. We are focusing on investing in the development of maths literacy and maths teachers, as a primary CSI initiative.

We believe in the sustainable balance of doing good business and good work, and we continually strive to remain relevant to our shareholders, our clients, our staff, our communities and broader society.

Alan Pullinger
CEO – RMB

Report parameters

This year FirstRand Limited has produced an integrated annual report which includes more extensive financial and non financial information than the company has done before. RMB's sustainability report is complementary to this report, and is not a substitute for it; therefore this report should be read in conjunction with FirstRand's report.

The purpose of RMB's report is to communicate sustainability information to our stakeholders and to provide disaggregated information in respect of our performance.

RMB's reporting methodology aligns with that of FirstRand's integrated report, which is closely aligned with the Global Reporting Initiative's (GRI) G3 guidelines. We take cognisance of the recommendations set out in the King Committee on Governance's Code of Governance Principles for South Africa (2009) (King III Code), the JSE Socially Responsible Investment (SRI) index, the BEE transformation requirements set out by the Financial Sector Charter, and the Department of Trade and Industry's (dti) Codes of Good Practice.

DEFINING BOUNDARY

The boundary, scope and content for the report have been determined in accordance with the principles outlined by the GRI G3 reporting guideline, the GRI Finance Sector Supplement and relevant G3 Indicator Protocols and Technical Protocols.

The report aims to provide a balanced and reasonable representation of RMB's performance in respect of sustainability issues. Material disclosures including management approaches and performance indicators have been selected through an iterative process using the principles of materiality and stakeholder inclusiveness. In accordance with the approach set out in FirstRand's report RMB focuses on substance over form, and does not disclose competitive information.

RMB defines material topics as those reflecting significant economic, environmental and social impacts, or those that would influence the decisions of our stakeholders. These topics are addressed in order of priority based on their materiality, and relevance to our stakeholders.

The report covers entities over which RMB has control, or significant influence and focuses primarily on Southern African operations because this is where our stakeholder interfaces and sustainability impacts are most significant.

DATA MEASUREMENT

The data measurement techniques employed in producing this report are replicable, and information is not reported if the margin for error is believed to be sufficient to substantially influence the ability of stakeholders to make informed decisions about our performance. Data measurement techniques, estimates and underlying assumptions have been described where it has been materially necessary to do so.

STAKEHOLDER ENGAGEMENT

Our stakeholders are defined as entities and individuals that are significantly affected by our activities and those who have the ability to significantly affect our ability to implement strategies and achieve objectives. We have identified our stakeholders as Regulators, Shareholders of FirstRand Limited, Employees, Customers, Suppliers, Communities and the Natural Environment.

RMB's stakeholder engagement includes direct contact and indirect contact through communication channels such as websites, advertising, and press releases, and relevant internal communications.

Regulator and shareholder engagement is not detailed in this report because FirstRand Limited has the most direct interface with regulators, shareholders and investment analysts. Details on these engagement processes are published in FirstRand's integrated annual report.

Stakeholder engagement mechanisms for our stakeholders are detailed in the relevant sections of this report, and relevant policies are disclosed on request.

RMBs profile

Rand Merchant Bank is the investment banking arm of the FirstRand Group.

Our brand can trace its origins back to 1977 when a small structuring house was founded by Paul Harris, Laurie Dippenaar and GT Ferreira, with an initial start-up capital of only R10 000.

The founders' vision, drive and complementary strengths transformed their fledgling business into Rand Merchant Bank, one of South Africa's leading investment banks, with a full-service product offering.

Although RMB Private Bank and RMB Asset Management carry the RMB brand, their operational reporting is into FNB and Momentum respectively, and will be included in those reports.

RMB is headquartered in Johannesburg, and has small offices in Durban, Cape Town, Port Elizabeth and Stellenbosch.

RMB's environmental, social and governance performance is independently evaluated on an annual basis through FirstRand's listing on the JSE's Socially Responsible Investment (SRI) index. During the period under review FirstRand was rated as a low environmental impact company meeting the SRI index listing requirements for social and governance performance.

COMPANY STRUCTURE

Rand Merchant Bank Limited (RMB) is a division of FirstRand Limited. It is the investment banking and financial markets arm of the FirstRand Group, one of the largest financial services groups listed on the JSE Limited. RMB services include corporate finance, structured finance, project finance, fixed income, currencies and commodities trading, equities trading and prime broking.

Our core business is investment banking. We focus on large corporate clients that are usually listed on the JSE Limited, black empowerment (BEE) companies, multinationals operating mostly in southern Africa, financial institutions and various public sector entities.

Our clients typically operate in the following sectors: manufacturing, transport and logistics, infrastructure, mining and commodities, leisure, building and construction, healthcare, retail, telecommunications and media, financial services and the public sector.

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Highlights

NON FINANCIAL HIGHLIGHTS

	2009	2008	% change
Workforce at 1 July	1 339	1 305	3
African, Coloured, Indian (ACI) employees	594	613	3
Coverage of HIV/Aids policy	100%	100%	
Number of suppliers	3 058	2 582	18
Number of BBBEE suppliers ¹	1 619	1 353	20
Procurement spend (R'000) ¹	506 596	444 969	14
BBBEE procurement spend (R'000) ¹	265 163	233 015	14
CO ₂ Emissions (Metric tonnes) ²	16 884	*	
Energy saved (Kw/h)	1 968 777	*	
Energy saving (R'000)	327	*	
Community Investment (R'000)	20 259	22 157	[9]

¹ Data reflects prior calendar year

² Data reflects prior financial year

* Comparative not available

RECENT AWARDS

PricewaterhouseCoopers Strategic and Emerging Issues in South African Banking Report 2009

In the peer ranking, RMB was rated 1st in the four investment banking categories – BEE deals, Listings, Mergers & Acquisitions, and Structured Finance, and also joint 1st in Prime Broking.

Financial Mail Ranking: the Analysts 2009

RMB's Financial Markets Research Team achieved excellent results at the annual Financial Mail Ranking the Analysts 2009 awards.

- Bulent Badsha – 1st in the Fixed Interest Securities category
- Jana Kershaw and Elena Ilkova – 3rd in the Credit Analysis category
- Sales and Trading teams – 3rd in Fixed Interest Dealing category
- RMB – 2nd in company rating

Ernst & Young Survey

- 1st in M&A deals – ranked top advisor on highest value of M&A deals – 2008

DealMakers Awards

In the DealMakers Magazine annual awards, RMB achieved the following results:

- Deal of the Year 2008 – Richemont Remgro restructuring
- General corporate finance: transaction flow 2008
- DealMaker of the Year 2008 – Paul Roelofse
- Mergers and acquisitions: transaction value 2008
- Private Equity: Deal of the Year 2008 – Alstom

Project Finance Magazine awards – 12 February 2009

The UK-based Project Finance Magazine Awards, which cover Europe, the Middle East and Africa, recognised RMB for its project finance deals:

- Africa Public Private Partnership (PPP) Deal of the Year for the Lekki Epe Expressway in Lagos, Nigeria
- Africa Refinancing Deal of the Year for structuring the refinancing of the N3 toll road between Gauteng and KwaZulu-Natal

Bond Exchange of South Africa (BESA) Spire Awards – 2008

Since the inception of the Bond Exchange of South Africa (BESA) Spire Awards, RMB has consistently featured amongst the winning companies and achieved the following:

- Best bond repo team
- Best derivatives sales and structuring team
- Best bond trading house
- Best inflation-linked debt house
- Best fixed-income house
- Best derivative trading team
- Best general fixed-income analyst
- Best derivative trading house
- Best research house

Sustainability risks and opportunities

The table below describes the key sustainability risks and opportunities currently being addressed by RMB.

Risks and opportunities

Risk/opportunity	Response
Attract and retain skilled employees	Focus on skills investment, diversity management, and recruitment of talent
Establish and maintain client relationships	Provide innovative and relevant financial solutions, and maintain progressive business relationships with clients
Reduce our carbon footprint	Extend scope of carbon footprint calculation and implement carbon management strategy, in collaboration with FirstRand Limited

Mechanisms for identifying and developing management systems for new sustainability risks and opportunities can be described in respect of direct risks, indirect risk, and sustainability opportunities.

DIRECT RISKS

RMB has taken steps to ensure that risk management processes cover the legal, regulatory and reputational risks associated with direct and indirect environmental and social impacts. These risk reporting procedures have been informed by the Environmental, Social, and Governance (ESG) framework. Board level oversight is provided by FirstRand's Audit, risk and compliance committee.

Detail of the management of direct risks can be found in the relevant stakeholder section of this report.

INDIRECT RISKS

Indirect ESG risks are addressed by a policy guideline for responsible finance, which addresses environmental and social risk issues in credit and lending. This document forms part of a Group-wide framework for addressing the Equator Principles (EP), and provides for internal monitoring and management of ESG performance, which goes beyond the requirements set out by the EP.

This process is driven by the FirstRand Group's regulatory risk management function, with board level oversight of the Audit, risk and compliance committee.

Sustainability opportunities

Sustainability opportunities are identified through organic growth of the business and the implementation of sustainability solutions at business unit level, as well as RMB's participation in FirstRand's Sustainability forum and Environmental forum. These forums actively pursue sustainability opportunities through research and development and, where necessary, incubate new projects until mature enough to be fully integrated into the operations of the business unit concerned.

Prioritising risks and opportunities

Risks and opportunities are prioritised taking business performance implications and stakeholder materiality into consideration. RMB defines materiality according to the GRI G3 Guidelines definition and with reference to both internal and external factors.

Current sustainability priorities include

Investing in employee development and retention, maintaining progressive business client relationships, managing our carbon footprint, and implementing ESG risk management processes in line with FirstRand's adoption of the Equator Principles for the 2010 financial year.

Management approach and performance indicators

Disclosures in this report reflect the information that RMB understands to be most relevant to its business and stakeholders, and are made according to stakeholder categories.

EMPLOYEES

Our staff complement as at 30 June 2009 was 1 339 permanent employees – up 2.6% from 2008.

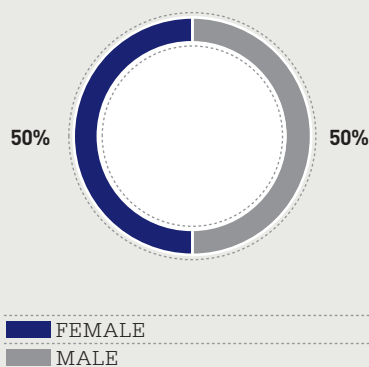
Workforce performance indicators

	2009	2008
Workforce at 1 July	1 339	1 305
African, Coloured, Indian (ACI) employees	594	613
Female employees	664	711
Skills development investment (R'000)	13 710	14 092
ACI Skills development investment (R'000)	6 085	*
Workplace injuries	1	1
Workplace fatalities	0	0

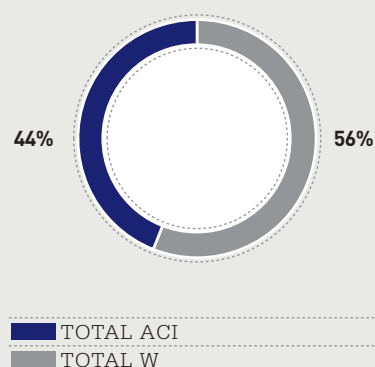
* Comparative not available

RMB's workforce profile by gender and racial composition is shown graphically below.

2009 Workforce profile by gender



2009 Workforce profile by race



PERFORMANCE AGAINST TARGETS FOR 2009

The table below summarises progress made in respect material issues outlined in RMB's 2008 sustainability report.

Objective	Activity
Attract young talent	Marketed RMB at universities. Continued to work with top-tier recruitment agents, search-firms and head-hunters to identify high performers in the market. Implemented a new bursary programme, after much consultation, and appointed a service provider operating in partnership with RMB recruitment
Retain and develop junior employees	Established new coaching and mentoring specialist area
Ensured compensation strategies are market related	Integrated HR projects aimed at growing and developing our talent management within our human capital strategy
Increase diversity of skills	Continued to partner with organisations such as Association of Black Securities and Investment Professionals, Association of South African Black Actuaries and Association of Women Chartered Accountants. Attended networking events to develop relationships to assist in our employment equity and diversity recruitment
Focus on employee HIV/Aids awareness and support where required	Rolled out a programme together with ICAS (a behavioural risk management consultancy with which RMB partners to run our employee wellness programme), as part of our Live Life Well programme
Extend focus of outcomes-based remuneration	Began design of robust measurement system and refinement of remuneration strategy as integrated into human capital strategy

MATERIAL ISSUES

RMB has made progress in delivering on the requirements highlighted in the results of an internal culture survey conducted in 2006. Issues that were raised and are being addressed through various initiatives include: remuneration, Employment Equity (EE) and diversity management, training and development. We will conduct a similar survey during the next financial year.

Remuneration

At RMB, salaries are reviewed annually in the context of the individual's and respective business unit's performance, inflation and specific industry practices and trends. Reference is made to independent salary surveys and consultation with relevant parties.

All employees are required to belong to a medical aid scheme, and all employees who join RMB are covered by defined contribution plans including a defined pension and/or provident fund.

Leadership Immersion

Under the new CEO, a group of senior managers and specialists spent a morning interacting with senior executives in order to understand the strategy around people, leadership, culture, diversity, support initiatives, financial feedback and other business issues.

Behavioural Risk Management (BRM) survey

RMB partnered ICAS, our Employee Wellbeing partner, and piloted a PULSE questionnaire in May 2009. This PULSE survey was purely voluntary, and provided employees an opportunity to carry out a personal and confidential assessment of various aspects of life, such as work, home, finances, relationships and physical health. We had a 35% response rate and will endeavour to roll this out every year going forward.

Promoting a coaching culture

A new initiative for the coming year will be the introduction of RMB Philosophy Workshops. Every employee will attend a workshop, which will address the RMB principles and support values.

Employment Equity Committee

In terms of the Employment Equity Act (EEA), RMB is required to consult with employees on three issues:

- Analysis of employment policies, practices, procedures and the working environment, to identify employment barriers which adversely affect people from designated groups;
- Preparation and implementation of RMB's employment equity plan; and
- Reports that need to be submitted to the Department of Labour on an annual basis.

All employees of RMB were asked to nominate fellow employees to represent them on an Employment Equity Committee for the purposes of these consultations. In total 76 employees were nominated and 26 were chosen to form the EEC. The selection process was designed to ensure that the EEC would include representatives from all designated and non-designated groups as well as employees from all levels within the bank and from all business areas.

All 76 nominees were invited to attend a 2 day workshop on 27 and 30 March 2009 on the EEA as well as the EE initiative from a FirstRand and RMB perspective. Speakers included Alan Pullinger, Gilbert Swats and Sizwe Nxasana.

The EEC has elected a Chairperson and Deputy Chairperson, adopted a Constitution and been consulted on the analysis of policies, procedures, practices and the working environment, as well as RMB's employment equity plan to address issues which arose during the analysis.

Based on this, in 2010 we will:

- Develop a Transformation charter
- Foster a better understanding between cultures and genders through a diversity awareness programme

Training and development

The RMB Academy operates within an integrated HR environment where the learning and Organisational Development (OD) Consultants provide support and direction regarding employees' development requirements. From personal or performance discussions, individual learning plans are developed.

RMB Academy provides access to a variety of alternative methodologies and has arranged a number of in-house learning events that encourage employees to engage with the immense knowledge and skills base residing in the Bank. They assist employees to share their knowledge, through interventions such as mentoring, coaching and small group learning sessions.

From a Risk and Compliance point of view, there are two key training and development goals going forward in 2010:

- Training and awareness of staff, based on both regulatory requirements and business needs. For example – awareness training on Exchange Controls and the Equator Principles, to create understanding and the knowledge of how to implement these principles in various areas of business. Training must be relevant and personalised to attract staff, and must be

measurable

- Rewriting the RMB Code of Conduct, as a follow-up to the release of the RMB Principles to staff in February 2009. The RMB Principles were formulated by the Management Board, based on a discussion of the elements which comprise our culture and values and which the executive management team believe will responsibly guide RMB into the future. The Code of Conduct will illustrate clearly how the RMB ethics fit in with the FirstRand Group, as well as how individual staff members can hold themselves accountable to abide by the code.

The training and development focus in the coming year will be on:

- Leadership development
- Coaching and mentoring
- Specialised investment banking programmes
- Making regulatory training material accessible and relevant for staff to learn, understand and be assessed

The RMB Academy, together with the greater HR community will continue to drive and deliver on people development for RMB to remain a "top" talent brand.

Health and safety

During the 2009 financial year we reported zero fatalities and one workplace injury.

Health and safety is managed at RMB via FirstRand Banking Group's Environmental Health and Safety office. This programme has a reporting line to the board of directors via the Group's Compliance committee.

Every eighteen months, business units undertake a process of reviewing health and safety risk assessments, as a proactive step to minimise incidents, and employees are made aware of potential risks and control measures to mitigate against them. An incident reporting process has been communicated to all employees in the Bank. FirstRand has appointed Corporate Industrial & Risk Consultants to attend to all workplace injuries and provide monthly incident statistics.

Every quarter, FirstRand Banking Group's Corrective Action Log Committee discusses all incidents of non-compliance with the relevant Subject Matter Experts (SMEs), including an occupational health and safety SME, to ensure that incidents are resolved and measures are taken to prevent re-occurrence.

Executive Medicals: RMB employees are nominated by the Management Board to undergo an executive medical. This covers all aspects of health, from fitness and nutrition, to stress management and sustaining peak performance.

EMPLOYEE ENGAGEMENT

Methods for employee engagement include face to face communication, electronic media, employee surveys, forums, circulars and newsletters, and interactive sessions.

- Attracting and retaining top talent is a strategic priority. This is achieved with an open-door policy providing access to senior leadership. We also have quarterly CEO feedback

sessions where feedback is given to our employees on financial performance as well as other relevant issues

CUSTOMERS

Our core business is investment banking. We focus on large corporate clients usually listed on the JSE, black economic empowerment companies, multinationals operating mostly in Southern Africa, financial institutions and various public sector entities. Our clients typically operate in the following sectors: manufacturing, transport and logistics, infrastructure, mining and commodities, leisure, building and construction, healthcare, retail, telecommunications and media, financial services, and the public sector.

Our strategy is to establish strong, long-term client relationships and to offer innovative and relevant financial solutions that add significant value.

PERFORMANCE AGAINST TARGETS FOR 2009

Objective	Activity
Continue to support FSC transformation	Facilitated BEE transformation by focusing on areas where our specific strengths lie; targeted investments, and facilitating infrastructural and BEE financing RMB remains an expert in this field and has employed BEE candidates as Business Development Directors (BDD) to drive BEE business initiatives
Continue building and maintaining long-term client relationships	The BDD team was increased, and focused on client relationships continued. The transformation of our operating system continues
Provide innovative offering	As we understand each client's unique business, their industry, and changing market conditions, we are able to tailor our offering to suit their specific requirements. These solutions are often only appropriate to certain clients for a certain period of time and are therefore non-commoditised

MATERIAL ISSUES

RMB aims to maintain progressive business relationships with clients, by addressing current and relevant material issues. To constantly improve performance, RMB provides innovative solutions for infrastructure finance, BEE finance, and customer service.

Infrastructure finance

We provide financial solutions to the infrastructure sector across Africa and have been involved in a number of landmark deals throughout the year. These include:

- Sole arranger and underwriter of the debt funding in a public private partnership (PPP) for the new Department of Foreign Affairs head office near Pretoria. The PPP involves the design, construction, operation, maintenance and finance of the new head office and guest house facilities
- Joint advisor for the Lekki Epe Expressway. This is a toll road between central Lagos and the Lekki peninsula in Nigeria. This PPP between the Nigerian government and the Lekki Concession Company is the first of its kind in Nigeria
- Lead arranger for Adones. This is a project involving the construction of an undersea fibre-optic telecommunication system along the coast of Angola. The cable measures around 1 464 km and has beach landing points at 10 cities and towns along the Angolan coast. It will be connected to the SAT3 international cable, which links the African West coast to Europe

BEE funding

RMB acted in various capacities in some of the largest BEE and BEE-related transactions in the country. These include:

- Advisor to Sasol in one of the largest BEE transactions to date with over 300 000 participants including staff, the black public, suppliers, broad-based groups and the Sasol Foundation
- Joint advisor to the South African government on its strategy regarding Telkom and the sale of its 15% stake in Vodacom to Vodafone
- Advisor to MTN on the acquisition of Newshelf, a BEE vehicle which was scheduled to wind up in December 2008. MTN bought Newshelf as a precursor to its still-to-be-announced BEE transaction

Customer service

As our client base is relatively small, our BDDs engage with them personally, negating the need for client surveys.

CUSTOMER ENGAGEMENT

RMB's customer engagement channels include: face to face communication, electronic media, transactional communication, surveys, circulars, conferences, media briefings and press releases.

Information and feedback received is addressed by the relevant business unit, and where necessary by RMB's governance structure.

SUPPLIERS

RMB interacts with approximately 3 000 suppliers.

Supplier performance indicators

	2009	2008
Number of suppliers	3 058	2 582
Broad based black economic empowerment (BBBEE) procurement spend (R'000)	265 163	233 015
Total procurement spend (R'000)	506 596	444 969

High Level Objectives 2010

- Decrease overall spend
- Achieve BBBEE Procurement targets, as per FSC of 53% by 2009 and 70% by 2014
- Collaboration with all Business Units when negotiating with new suppliers
- Mitigate risk through negotiation and execution of legal contracts
- Implement a full procurement policy
- Ensure Policy's are adhered and breaches reported to the relevant BU & Risk committee

In addition to the processes in place for addressing the above, we engage with our suppliers through primary channels that include direct communication, transactional communication and surveys. Feedback from these channels enabled us to continue engagements in investing in suppliers and centralising our procurement processes.

Investing in suppliers

Our approach to BEE is business and values-based and not driven by legal imperatives. We implement FirstRand's Group-wide procurement policy, which sets out guidelines for implementing BEE procurement practices. Performance against targets in respect of BEE procurement is monitored at RMB and is reported quarterly to the FirstRand Board via the Transformation and monitoring committee. Annual reviews of BEE suppliers are conducted by the FirstRand Procurement Committee. Any changes to ownership or management of BEE supplier companies are assessed and necessary actions are taken to adhere to our procurement policy.

COMMUNITIES

We ensure that there is synergy between our business philosophy: “Traditional values, Innovative ideas”, our values and objectives, and those of the projects we fund.

The FirstRand Foundation, established in 1998, is the dedicated legal vehicle through which FirstRand and its major associates direct their social giving to meaningful development initiatives.

The RMB Fund, a member of the FirstRand Foundation, is Rand Merchant Bank's corporate social investment (CSI) vehicle and directs 1% net profit after tax towards four community programmes focusing on education (maths leadership and development), arts, culture and heritage, the environment and conservation, not withstanding employee volunteering contributions.

Community investment indicators

Community investment (R'000)	2009	2008
CSI spend		
Arts, culture and heritage	6 250	8 270
Education	7 671	6 921
Environment and conservation	4 982	5 624
Safe communities & social re-integration	240	242
Total CSI	19 143	21 057
Employee volunteer funds donated		
Animal welfare	182	329
Community care	444	232
Children/education	474	519
The elderly	16	20
Total employee volunteer funds raised and marked	1 116	1 100
Total community investment	20 259	22 157

PERFORMANCE AGAINST TARGETS FOR 2009

Objective	Activity
Monitoring, evaluating and reporting (MER)	Refined our MER strategy and methodologies so as to conduct effective impact assessment exercises, relating to each of our partners
Make inroads in education (maths) programme	Refined and made inroads in the maths programme – continued discussions and reviewing of processes is still necessary
Improve effectiveness of fund committee	Diversified committee with strategic recruitment of interested parties. Finalised the roles and responsibilities of all committee members, in conjunction with the RMB Fund Facilitator, to constantly improve effectiveness
Support beyond grant making – includes capacity building, succession planning and governance	Liaised with organisations and assisted them to transform their boards and management structures, as well as other aspects of their businesses, such as sustainability, income generation, etc. Applied our collective talent for “innovative thought based on traditional values” to the challenges facing our country, our funded organisations and ourselves
Assess volunteer programme impact on community	Hosted Community Conversations Workshop with NGOs supported by volunteers over the past three years, in order to solicit NGO feedback regarding their experience of the FirstRand Volunteers' Programme

Mathematics Leadership and Development

This programme builds on learnings from extensive engagement and research into the most effective ways to increase the number of school leavers with high-level mathematics qualifications, supporting centres of excellence in maths leadership and literacy and upgrading teaching skills. Funding has also been provided to Independent Schools' Outreach Programmes, which often involve supplementary mathematics classes for under-resourced schools. There are three focus areas within the education programme:

- Universities: key strategic relationships with good quality programmes
- Outreach: quality outreach programmes
- Centres of excellence: relationships with organisations sharing their resources to produce quality outreach programmes

Arts, Culture and Heritage

This programme seeks to support and celebrate South Africa's diverse heritage and is structured to encourage a healthy balance between the creation of equitable access to arts and heritage, while continuing to promote the achievement of excellence and develop and expose young talent through programmes in music and dance. Within the three focus areas of music, dance and heritage, the programme seeks to support partner organisations that:

- Provide equitable access to disciplines of cultural expression to all South Africans, so as to grow audiences, identify talent and contribute towards nation building
- Provide opportunities for talented cultural practitioners to achieve excellence in their respective craft, with a view to their being able to earn a livelihood from their talent

Environmental Education and Conservation

Our environmental programme continues to support the preservation of the lesser-known but important "habitat-indicator species". We also participate in climate change initiatives and environmental programmes that demonstrate strong local community development and buy-in, as well as environmental education projects aimed at school children. In addition, grants are made for biological capital preservation, soil and water conservation programmes. The focus areas of the environmental programme are:

- Conservation of vulnerable indicator species (these indicate the state of their respective natural environments and the resulting impact on humanity)

- The protection of biodiversity
- Environmental education and skills training of learners, teachers, youth at risk, guides and rangers
- Addressing climate change, including carbon sinking, to offset carbon emissions
- Research
- Transformation of the sector (BEE job creation)

Employee volunteering

Our employees regularly commit their time, money and energy to a wide range of charitable initiatives. These vary from collecting food tins and teaching children chess, to delivering textbooks to support poor schools in far-flung rural areas through the Rally to Read programme. Staff within RMB have participated, donated and volunteered their services to a number of charities and community-based organisations during the past year. These commitments are ongoing:

- Animals in Distress – supplied the care-givers with 64 pairs of good shoes
- Niall Mellon Housing Trust – participated in building houses for the disadvantaged in Tembisa
- Africa Food for Thought – continued to contribute food to this organisation that assists with feeding programmes at schools (9 200 children supported)
- Hearts of Hope – supplied food for soup kitchens and other essential items needed by displaced refugees
- Kya Sands Creche – paid the monthly stipend for three care-givers
- Diepsloot Combined School – donated time, money, resources and skills at various levels
- Habitat for Humanity – built two houses for the poor in Orange Farm
- Various Animal Welfare organisations – among other donations, settled vets' bills for sterilisations
- The Robin Good Initiative – paid for and assisted in the installation of 20 vegetable tunnels at various locations in need of food and sustainable livelihoods

CASE STUDY

The FirstRand Foundation South African Maths Education Chairs Initiative is an outcome of the commitment of the FirstRand Foundation, in partnership with the RMB Fund, to mathematics education in South Africa, with a special focus on teacher training and improvement of learner performance. The FirstRand Foundation South Africa Maths Education Chairs Initiative has four inter-related objectives:

- To provide leadership in mathematics education and increase the dialogue around solutions for the mathematics crisis
- To research sustainable and practical solutions to the national mathematics crisis
- To improve the quality of teaching of in-service mathematics teachers at selected secondary schools
- To improve the mathematics results (pass rates and quality of passes) in selected secondary schools, as a result of quality teaching and learning



Giving Maths Leadership a lift!

Alan Pullinger, Prof Jill Adler and Sizwe Nxasana

NATURAL ENVIRONMENT

RMB's environmental performance is evaluated independently on an annual basis via FirstRand's listing on the JSE Socially Responsible Investment (SRI) index. The SRI index classes FirstRand as a low environmental impact company.

Environmental performance indicators

	2009
Direct Impact	
Carbon emissions (Tonnes of CO₂e)	
Fuel Use	79
Business Fleet Travel	149
Electricity (Owned Buildings)	13 306
Paper Use	993
Business road travel	8
Business Air Travel (not included in 2008)	2 349
Total Carbon emissions	16 884
Energy consumption (Kw/h)	11 336 899
Energy saved (Kw/h)	1 968 777
Value of savings (R'000)	327
Water consumption (KL)	53 340
Indirect Impact	
ESG risk assessment: business units (%)	100

Comparatives not shown due to change in measurement methodology

Environmental issues are monitored by the FirstRand's Environmental forum which is composed of representatives of FirstRand's operating divisions and reports significant information to the Board of Directors via the Audit, risk and compliance committee.

Mr Sizwe Nxasana, in his capacity as CEO of FirstRand Bank and a member of the FirstRand Board, is responsible for environmental issues, the approval of international and national submissions, and FirstRand's Climate Change Strategy.

PERFORMANCE AGAINST TARGETS FOR 2009

The table below summarises progress made in respect of environmental objectives outlined in RMB's 2008 sustainability report.

Objective	Activity
Reduce electricity % of carbon footprint audit	Actively worked to reduce our electricity consumption; we implemented variable speed drives and replaced air-conditioning fan motors – with an expected 25% saving. Continued the replacement programme for light bulbs and ballasts. Further savings are expected following implementation of motion sensors
Adherence to environmental guidelines	Ensured completion of an Environmental Impact Assessment prior to providing finance for affected transactions
Increase hygiene with a possible reduction in water consumption	Installed automated hand-wash basin mixers
Determine implementation issues for RMB following FirstRand's Climate Change Strategy	FirstRand's Climate Change Strategy includes GHG emission reduction targets. Determined implementation requirements for RMB
Assess volunteer programme impact on community	Hosted Community Conversations Workshop with NGOs supported by volunteers over the past three years in order to solicit NGO feedback regarding their experience of the FirstRand Volunteers' Programme

DIRECT AND INDIRECT IMPACTS

RMB's environmental impacts can be categorised as direct impacts and indirect impacts. Both direct and indirect impacts are regulated through application of relevant legislation, subscription to voluntary external regulations, and ongoing internal self regulation.

DIRECT ENVIRONMENTAL IMPACTS

Our primary direct environmental impact is through our operations at 1 Merchant Place, Sandton. This property covers 26 170m² and accommodates 1 650 employees.

Materials and waste management

Various waste management procedures exist at RMB. In line with the requirements of the new National Environmental Management Waste Act, (Act 59 of 2008) RMB has processes in place via participation in FirstRand's Environmental forum for subscribing to a waste management strategy being developed by FirstRand.

Water management

RMB's operations are not water intensive. Where possible water consumption is managed and reduced on an ad hoc basis.

FirstRand's environmental forum has given consideration to a more comprehensive water management programme, however this will be done when an appropriate international best-practice framework has been identified.

ENERGY AND WATER MANAGEMENT

Energy management

In 2009 RMB realised energy savings of 1 968 777 Kw/h accompanying an annualised financial saving of approximately R327 000.

Current initiatives include the installation of motion sensors and energy-efficient lamps in key buildings, reducing the use of after-hours lighting. Other initiatives being implemented concern air conditioning, IT, and hot water efficiencies.

Planned initiatives include the piloting of deep energy efficiency retrofitting of buildings with the Clinton Climate Initiative, and extending the reach of existing projects to new premises.

Carbon emissions and carbon management strategy

For the year ended June 2008, RMB's greenhouse gas emissions was 16 884 metric tonnes of CO₂e, with electricity consumption still the major contributor to the total greenhouse gas profile.

Emissions from electricity use have however decreased from 16 938 in 2007 to 13 306 metric tonnes of CO₂e in 2008, which can be attributed to the reduction in the Eskom grid emission factor. The inclusion of air travel in this year's report has however, offset this decrease.

FirstRand's CO₂e emissions per capita are 10.2 metric tonnes, and the Group's carbon reduction strategy will aim to reduce the per capita emission to 9 metric tonnes. RMB's carbon management strategy constitutes an important component for achieving this target.

RMB's carbon management strategy is defined within the scope of FirstRand's top initiatives to reduce Green Houses Gas (GHG) emissions. These are:

- Reducing energy consumption by at least 11% by 2012
- Ensuring new buildings have ecologically friendly features, facilitating conservative use of natural resources
- Encouraging paper intensive processes to be changed to paperless environments
- Using video conferencing and telephone conferencing facilities to reduce travel

INDIRECT ENVIRONMENTAL IMPACT

RMB's indirect environmental impact relates primarily to the impacts that the activities of customers and suppliers have on the natural environment. While it is not possible to accurately describe our indirect environmental impact, we ensure that appropriate mechanisms are in place to monitor and control operational, legislative and regulatory risks in respect of indirect environmental performance. The application of legislative requirements in respect of environmental impact assessment for large transactions is an important component of this process.

Environmental management system

RMB manages its indirect environmental impact related to the activities of customers and suppliers by applying the principles of an Environmental Risk Management System (EMS). The EMS is based on the Equator Principles (EP) framework, and forms an important part of the internal risk reporting and screening processes that will enable compliance with the EP.

The EMS is a set of internally established policies, common procedures and resources. These enable FirstRand's operating divisions to reasonably ensure that the environmental and social risks of projects are screened and that the company will reasonably be able to advise clients on appropriate mitigation measures that should be incorporated to manage these risks.

The EMS includes an environmental and social risk assessment process that determines the environmental and social impacts and risks (including labour, health and safety) of proposed project finance deals. Depending on the nature and scale of the project, the assessment may include:

- A full-scale environmental and social assessment or application of environmental citing
- Pollution standards
- Design criteria
- Construction standards

Environmental legislation

The National Environmental Management Act (NEMA) aims to provide for co-operative environmental governance through the establishment of principles for decision-making in respect of environmental issues. The act also provides for certain aspects of the administration and enforcement of other environmental management laws.

RMB ensures best practice in line with new and emerging environmental regulation via participation in FirstRand's Environmental forum, with board level oversight provided by FirstRand's Audit, risk and compliance committee.

Assurance and signoff

COMBINED ASSURANCE

Assurance process

FirstRand has commissioned the following independent sources to provide assurance and commentary on its 2009 divisional Sustainability Reports:

- BEE transformation performance has been externally audited by SizweNtsaluba VSP
- FirstRand's carbon footprint data has been externally prepared by PricewaterhouseCoopers
- FirstRand Group Internal Audit performed a limited review of the statements and quantitative data contained in the divisional Sustainability Reports

Assurance statement

Based on the results of the work performed, this sustainability report:

- provides confidence in the information presented within the report. The level of data accuracy was found to be within acceptable limits, but additional improvements were recommended to management to reduce potential for minor anomalies and mis-statements;
- appropriately reflects environmental, social and economic performance achieved during the period
- represents a fair statement of FirstRand's corporate social responsibility initiatives
- contains quantitative data which is free from material misstatement

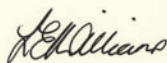
Notwithstanding that the data collection process is sufficiently transparent, RMB shows continued improvement and refinement on its method of collecting data for the Sustainability Report to ensure an even more accurate result. All suggested changes were satisfactorily addressed by RMB management prior to finalising the report.

Overall, FirstRand Internal Audit is satisfied that the report is an appropriate representation of RMB's sustainability performance during the reporting period, based on the limited material sampling approach applied to the assurance engagement.

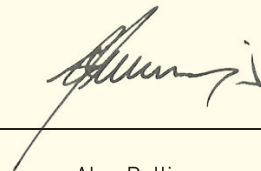
SIGNOFF

This report was compiled by Lindy McWilliams, and signed off by Alan Pullinger, CEO Rand Merchant Bank.

On 14 September 2009, at Sandton, Johannesburg



Lindy McWilliams



Alan Pullinger

Contact information

COMPANY INFORMATION

Directors

LL Dippenaar (Chairman), PK Harris (Chief executive officer), SE Nxasana (Chief executive officer designate), VW Bartlett, JP Burger (Financial director), DJA Craig (British), L Crouse, PM Goss, Dr NN Gwagwa, G Moloi, AP Nkuna, AT Nzimande, D Premnarayen (Indian), KB Schoeman, KC Shubane, RK Store, BJ van der Ross, Dr JH van Greuning, Dr F van Zyl Slabbert, MH Visser.

Secretary and registered office

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

Postal address

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

Sponsor

(In terms of JSE requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)

Corporate Finance

1 Merchant Place
Cnr Fredman Drive and Rivonia Road
Sandton, 2196
Telephone: +27 11 282 1847
Telefax: +27 11 282 8215

Transfer secretaries – South Africa

Transfer secretaries – South Africa
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001

Postal address

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

Transfer secretaries – Namibia

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

Postal address

PO Box 2401, Windhoek, Namibia
Telephone: +264 612 27647
Telefax: +264 612 48531

STOCK EXCHANGES

JSE Limited ("JSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FirstRand Limited	FSR	ZAE 000066304

Non cumulative non redeemable preference shares

"B"	FSRP	ZAE 000060141
"B1"	FSP	ZAE 000070900

Namibian Securities Exchange ("NSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange of South Africa ("JSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FNB Botswana Holdings Limited	FNBB	BW000000066

Bond Exchange of South Africa ("BESA")

Subordinated debt

<i>Issuer</i>	<i>Bond code</i>	<i>ISIN code</i>
FirstRand Bank Limited	FRB01	ZAG000021585
FirstRand Bank Limited	FRB02	ZAG000021593
FirstRand Bank Limited	FRB03	ZAG000026774
FirstRand Bank Limited	FRB05	ZAG000031337
FirstRand Bank Limited	FRB06	ZAG000045758
FirstRand Bank Limited	FRB07	ZAG000047598
FirstRand Bank Limited	FRB08	ZAG000047796
FirstRand Bank Limited	FRB09	ZAG000047804
Momentum Group Limited	MGL01	ZAG000029935

Upper Tier II

<i>Issuer</i>	<i>Bond code</i>	<i>ISIN code</i>
FirstRand Bank Limited	FRBC21	ZAG000052283
FirstRand Bank Limited	FRBC22	ZAG000052390

For queries or comments regarding FirstRand's Sustainability programme, please email firstrand.sustain@fnb.co.za

For queries or comments regarding FirstRand's Transformation programme, please email transformation@firstrand.co.za