

2007



sustainability report

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overview

For RMB, sustainability is about doing good business and good work

OUR FOCUS THIS YEAR

Rand Merchant Bank operates within a competitive and highly regulated business environment. In a period of strong financial growth, our focus on the non-financial aspects of our business has increased. For us, sustainability is about doing good business and good work. Our advertising platform “Thinking that can change the world” reiterates our commitment to sustainable business.

We believe that our core values of trusting and empowering our people, thriving on complexity and change, respecting the spirit of our agreements, and striving to be good corporate citizens, together with our inherent drive to go the extra mile and achieve ultimate success, encourage us to make a difference in the communities and environment in which we operate.

Sustainable business is also about relationships. Due to the nature of investment banking, we focus mostly on the top 200 corporate companies domiciled in South Africa, with additional clients drawn from selected economic sectors, such as established and emerging BEE companies, multinationals operating mostly in Southern Africa, and various public-sector entities and principal investors.

Business Awards received during the 2006/07 financial year include:

- | | |
|-------------------------------|--|
| • The Banker 2007 | Deal of the year for South Africa and Africa |
| • Euromoney 2007 FX Poll: | Best Local Bank (ZAR) |
| • BusinessMap/Business Report | 2nd place Top Commercial Financier of BEE |
| 2007 BEE awards: | |

These achievements together with our track-record reinforce the way in which our employees help provide innovative, financially sound, customised structured solutions for our clients, and contribute towards the creation of key infrastructure and general sustainability for the South African economy.

**AS SUSTAINABILITY IS
A PRIORITY FOR RAND
MERCHANT BANK,
THIS REPORT
PROVIDES INSIGHT
INTO HOW WE
APPROACH SPECIFIC
ISSUES AND MAINTAIN
RELATIONSHIPS WITH
OUR VARIOUS
STAKEHOLDERS.**

Last year, we identified two issues of material non-financial risk for our business. Attraction and retention of top talent was a key focus area for us. While we have progressed well in this area, it remains of strategic importance to us, and requires ongoing development. To achieve our vision of becoming the South African Investment Bank of Choice, we need the best people – smart, passionate and driven to excel – who possess the skills and capabilities to thrive in our dynamic environment.

A second issue of importance to us was ensuring the stability of our operating and technology platform. We moved from a more informal business structure to more formalised processes due to business growth. We believe that the development of our operating and technology platform will give us a competitive advantage through the efficient leveraging of human capital, processes and IT infrastructure. This development comprises several programmes, each focused on transforming a particular aspect of our operating platform.

We have streamlined the governance of this initiative and recently appointed a Chief Operating Officer, Business Technology Director and Transformation Director to ensure sufficient oversight and executive support. RMB's Transformation Director, in conjunction with the Executive Steering Committee, will ensure that we are set up for ongoing delivery against this strategic objective.

This year's report focuses on issues that matter to both RMB's internal and external stakeholders. Our commitment to sustainability is evident in the way in which we engage our staff, clients, suppliers, community, various regulatory and financial authorities, and a range of environmental and conservation initiatives. As sustainability is a priority for Rand Merchant Bank, this report provides insight into how we approach specific issues and maintain relationships with our various stakeholders.

We participated in The Corporate Leadership Council (CLC) 2006 Employment Value Proposition (EVP) Survey and have an indication of the areas in which we are delivering in terms of attraction and retention of staff, and those that need our attention.

We introduced a new Employee Wellness Programme (EWP) offering support to our employees in terms of life's practical and emotional challenges.

The RMB Fund (a division of the FirstRand Foundation) continued to support arts, culture, education and environmental projects. The RMB Fund has adopted a strategically informed CSI approach, aligned to national priorities and its business imperatives, and is supported across the organisation.

REPORTING TO OUR STAKEHOLDERS

The following table indicates who our stakeholders are and how we communicate with them. Employees responsible for stakeholder relationships ensure that communication with their groups is constant.

| Stakeholder | Face-To-Face | Transaction Channels | Internal *Comms Media & Forums | External *Comms Media & Forums | Electronic *Comms (email, telephony, internet, networks) | Surveys, Forums, Roadshows, Conferences, AGMs. Summits, Other forms of Dialogue | Briefings & Releases (E.g. Media; SENS) |
|---|--------------|----------------------|--------------------------------|--------------------------------|--|---|---|
| Staff | • | | • | • | • | • | • |
| Customers | • | • | | • | • | • | • |
| Brokers, agents, dealers | • | • | | • | • | • | • |
| Suppliers | • | • | | • | • | • | • |
| Community (incl. NGOs, CBOs, Civil Society) | • | | | • | • | • | • |
| Environment (incl. NGOs & Civil Society) | • | | | • | • | • | • |
| Regulatory Authorities (incl Ombudsmen) | • | • | | • | • | • | • |
| Government | • | • | | • | • | • | • |
| Industry Associations | • | • | | • | • | • | • |
| Shareholders, Investors & Analysts | • | • | | • | • | • | • |

THE SCOPE OF THIS REPORT

This report provides information on Rand Merchant Bank's South African operations which are material to our business. We have not reported on non-SA operations, as these operate under FirstRand internationally. In previous years we have reported on all RMB-branded companies with the exception of RMB Private Bank. This year material information on RMB Private Bank (reporting into FNB) will be included in the FNB Sustainability Report, and on RMB Asset Management (reporting into Momentum), in the Momentum Sustainability Report.

From next year, we will report on RMB Properties, a small subsidiary within the business, which was transferred to Rand Merchant Bank during the 2007 financial year.

MAKING PROGRESS

We have made progress in attracting and retaining top talent, and with our stable operating and technology platform initiative. These are ongoing projects and the report explains them in more detail.

DATA

Sustainability reporting is an evolving process. We hope to continue increasing the scope of material qualitative and quantitative information we provide in upcoming reports.

INTERNAL AUDIT STATEMENT

Group Internal Audit Services performed a limited review of the statements and quantitative data contained in RMB's sustainability report. Based on work performed, in their opinion the sustainability report is a fair statement of the RMB's corporate responsibility initiatives, and

**WE HAVE MADE
PROGRESS IN
ATTRACTING
AND RETAINING
TOP TALENT**

our people



OUR STRATEGY IS TO
NURTURE AN
ENVIRONMENT
WHERE OUR PEOPLE
CAN THRIVE AND
OUR BUSINESSES
CAN GROW

WHY OUR PEOPLE MATTER TO US

We strongly believe that RMB's intellectual capital is our greatest asset, and that our people give us our competitive advantage, which is why our new advertising platform is built on the ability of our people to think in a way that adds value to the world. RMB strives to be the South African Investment Bank of Choice, and the employer of choice. We firmly believe that we are able to lead in the industry of investment banking by virtue of our exceptional people, performing at their best.

Our strategy is to nurture an environment where our people can thrive and our businesses can grow. As our culture is core to this strategy, we look to create an entrepreneurial environment within which people are trusted, empowered and recognised, and within which capable people can excel.

WHO OUR PEOPLE ARE

As at June 2007 we employed 1,136 permanent staff. This was up from 956 the previous year, driven by business growth requirements. 42% of our staff are black, 46% are female of all races, and 0.9% are disabled (down from 1.3% in the previous year). The majority of permanent staff are located at our Sandton head office, with employees also located in Cape Town, Stellenbosch, Port Elizabeth and Durban.

The table below demonstrates the distribution of Rand Merchant Bank's 1,136 employees.

| Occupational categories | Designated | | | | | | | Non-designated | | | Total |
|---|------------|-----------|-----------|------------|-----------|------------|------------|----------------|-------------------|----------|--------------|
| | Male | | | Female | | | | White male | Foreign Nationals | | |
| | A | C | I | A | C | I | W | W | Male | Female | |
| Top management | 0 | 0 | 2 | 4 | 0 | 0 | 5 | 26 | 2 | 0 | 39 |
| Senior management | 3 | 2 | 6 | 1 | 0 | 0 | 26 | 50 | 4 | 1 | 93 |
| Specialists and mid-management | 22 | 8 | 14 | 11 | 3 | 8 | 41 | 133 | 7 | 0 | 247 |
| Workers, junior management, supervisors | 47 | 18 | 39 | 32 | 12 | 43 | 144 | 158 | 6 | 5 | 504 |
| Semi skilled and 20 discretionary decision making | 20 | 8 | 2 | 41 | 39 | 36 | 50 | 12 | 0 | 3 | 211 |
| Unskilled and defined decision making | 23 | 1 | 0 | 17 | 0 | 0 | 0 | 0 | 1 | 0 | 42 |
| Total Permanent | 115 | 37 | 63 | 106 | 54 | 87 | 266 | 379 | 20 | 9 | 1 136 |
| Non-permanent employees | 15 | 3 | 7 | 11 | 5 | 17 | 37 | 48 | 0 | 0 | 143 |
| Grand total | 130 | 40 | 70 | 117 | 59 | 104 | 303 | 427 | 20 | 9 | 1 279 |

Within our flat organisational structure we identified functional roles that vary from leadership (Executive Managerial and Managerial), to income generating (Specialist Transactors), and support (Specialist Support, Administrative and Clerical). These roles are encapsulated in Department of Labour Employment Equity reporting format indicated above.

WHAT MATTERS TO OUR PEOPLE

We engage with our staff both informally, and through a variety of formal processes such as performance reviews. We also determine if and how RMB meets issues of importance to our staff through an external process.

In August 2006, we participated in the international Corporate Leadership Council (CLC) 2006 Employment Value Proposition (EVP) Survey. The CLC defines the EVP as the set of attributes that the labour market and employees perceive as the value they gain through employment in the organisation. The survey measured which EVPs are key to our people here at RMB, as well as how we deliver against these.

The results indicated that our staff valued a variety of issues, as indicated in the table below. EVPs that staff perceive we can improve upon are highlighted below. Staff indicated we are delivering on the remaining 6 Attract EVPs and 7 Retention EVPs.

**RMB'S AVERAGE
EVP OF 70% WAS
THE HIGHEST OF
ALL COMPANIES
PARTICIPATING IN
THE INTERNATIONAL
CLC SURVEY.**

Attraction Employee Value Propositions

| Retention | Employee Value Propositions |
|--|---|
| 1. Compensation 2. Future Career Opportunity 3. Development Opportunity 4. Empowerment 5. Respect 6. Innovation 7. Work – Life Balance 8. Ethics 9. Recognition 10. Meritocracy | 1. Respect 2. Development Opportunity 3. Job Interest Alignment 4. People Management 5. Manager Quality 6. Senior Leadership Reputation 7. Future Career Opportunity 8. Empowerment 9. Recognition 10. Ethics |

*Highlighted EVPs are areas where employees indicated we are not strong enough.

This year we will focus on the areas where our employees believe we can improve. This includes compensation, empowerment, people management, manager quality, meritocracy and work-life balance.

OUR KEY STRATEGIC FOCUS AREAS AND WHAT WE ARE DOING ABOUT THEM

FY '06 report feedback

| Last Year's Goals | Progress | Commentary/What We Did |
|-------------------|----------|--|
| Diversity | ✓ | <ul style="list-style-type: none"> Implemented Reverse Forward where younger EE employees are mentored by more experienced RMB board members. |
| Communication | ⊖ | <ul style="list-style-type: none"> CEO Quarterly Feedback sessions |

This Year

Attracting and Retaining Top Talent

This remains our strategic priority. To achieve our vision of becoming the South African Investment Bank of Choice, we need the best people who can thrive in our dynamic environment. We are focusing on the EVPs where our employees have indicated we are not strong enough, and this will enhance our employment strategies going forward.

We started addressing the EVP of Manager Quality and People Management, with the introduction of a Manager Survey tool. This will be used on a quarterly basis and allow employees to give feedback to their line managers on how they experience their interaction and relationship.

Another initiative we are exploring is the introduction of a "Stay" interview. Employees will be asked similar questions to those asked in the Exit interview. This will enable us to gauge the levels of employee satisfaction, whilst they are still in our employ. This tool will enable to us to be more aware about employees' engagement and commitment, and to address any concerns raised, and so proactively retaining our employees.

Our "Class Of" programme has been highly successful, with 70% of all Class Of candidates still working within the FirstRand group, and 95% in RMB. Former Class Of candidates now hold both senior and leadership roles, eg the CEO of FNB, the CEO of eBucks and the Head of Fixed Income, Currency and Commodities. The programme targets individuals with at

WE CONTINUE TO FOCUS ON OUR "CLASS OF" PROGRAMME AS A VEHICLE TO BRING TOP TALENT INTO RMB. SINCE ITS INCEPTION IN 1993, 95 CANDIDATES HAVE SUCCESSFULLY COMPLETED THE PROGRAMME AND SECURED PERMANENT POSITIONS.

least 3 years' working experience, not necessarily within the financial services industry. These individuals manage their own pace and progress through the various investment banking disciplines.

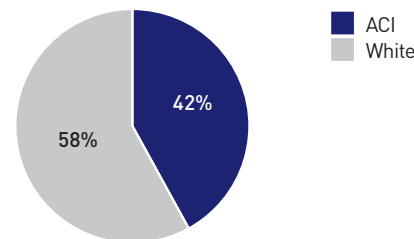
We also introduced a revamped Graduate Recruitment programme within various businesses across the Bank. As part of our strategic talent recruitment drive we offer various Graduate Internship Programmes within the Support and Profit Centres of the Bank. 1% of our employees are interns, and they operate in the Treasury Middle Office, Quantitative Analytics, Equities, Risk and Compliance and Technology areas of our business. As our graduates come from many different universities and walks of life it has become evident that we need to provide them with a bridge to support them in their transition from university to the world of work. This guarantees that we set our graduate recruits up to succeed.

Staff training and development remains critical in retaining and attracting staff. We spent R 11,847,042.28 on staff training and development over the year (2.3% of our payroll is spent on training).

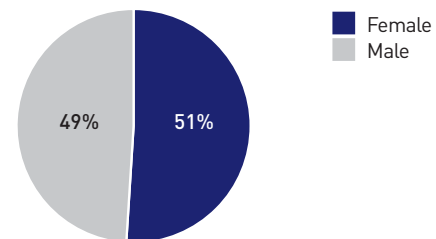
Ensuring Diversity

This is another area of priority. Our Strategic Employment Equity Forum continues to interact and engage with our employees, who are encouraged to raise concerns, or provide constructive ideas for improving employment equity and diversity. Organisational Development (OD) Consultants and the Business Unit Heads are currently engaging in discussions around specific concerns raised by this forum.

Staff representation by race FY 07



Staff representation by gender FY 07



RMB implemented a Reverse Forward mentoring initiative, aimed at creating a personal diversity experience for the Operational Board members, and providing them with insight into the life experiences of their staff from different cultural backgrounds. Their objective was to improve their understanding of diversity issues, and to promote honest conversations. Motivated by the success of this programme, RMB is considering extending it to the next level of leadership.

Through our recruitment processes and various internships, we continue to bring diverse skills and experience into RMB. Aligning our employee complement with the demographics of South Africa remains a priority, with a particular focus on recruiting more black candidates into our Specialist Transactor and Management levels.

Providing a Stable Operating and Technology Platform

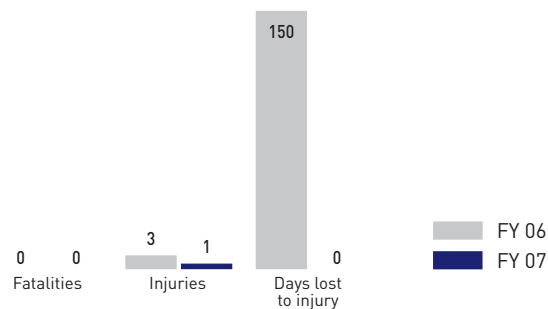
We are rolling out two management processes viz. talent management and performance management of our support and project staff.

Paying Attention to Staff Wellness

We recognise the difficulties of balancing the pressures of work with the needs of home life, and that our employees need help to deal with life's challenges, both practically and emotionally. The Live Life Well Programme, our new Employee Wellness Programme (EWP), offers this support. This personal resilience initiative will be rolled out over the next year.

Attached below are health and safety performance data over the last two financial years.

Working environment



The 150 days lost in 2005/06 are as a result of three staff members being involved in motorbike accidents whilst performing their daily duties as drivers. One staff member lost 132 working days and the others lost 18 working days between them.

Keeping Staff Informed and Engaging with Executive

In the previous year we identified that communication was an area in which we would continually improve. It is critical that our employees are kept informed about all relevant business and people issues, and to this end, we continued to engage regularly with them, both formally and informally through various mediums. We also communicate through our CEO Quarterly Feedback sessions, where our CEO as well as other Board Executives, share information about financial results, business unit performance, and any other current business issues. These sessions provide opportunities for our employees to engage with our Executive Leadership.

UPDATES TO POLICIES AND PRACTICES

We are in the process of tightening up the enforcement of our Leave Policy, to ensure that all employees take a minimum of 10 consecutive days' leave per annum.

OBJECTIVES FOR THE UPCOMING YEAR

- Attracting and retaining talent: ensure we continue to attract the best talent across our competitive industry, and make progress on the EVPs we targeted for improvement (compensation, empowerment, work-life balance, meritocracy, people management, manager quality and empowerment);
- Diversity: bring diverse skills and experience into RMB and align our employee complement with the demographics of South Africa;
- Stable operating and technology platform: this is an ongoing project;
- Industry capacity building initiatives and searching for talent: university graduates to apply for our graduate internship programmes; and
- Review option to extend Reverse Forward mentoring initiative to next level of RMB leadership.

our customers

WHY OUR CUSTOMERS MATTER TO US

Our clients, some of South Africa's top companies, contribute significantly to the economic growth and development of our country. Our role is to enable that growth by supporting the financial needs of our clients through innovative, customised solutions.

WHO OUR CUSTOMERS ARE

Rand Merchant Bank's main clients include some of the top 200 companies domiciled in South Africa. Clients are drawn from several economic sectors, and also include established and emerging BEE companies, multinationals operating mostly in Southern Africa, and various public-sector entities. We offer specialist financial solutions and take principal positions in the fields of corporate finance, structured finance, project and infrastructure finance, private equity, commodities, equities, interest rates and foreign currencies.

WHAT MATTERS TO OUR CUSTOMERS

We typically engage with our clients' top decision-makers on a one-on-one basis. This enables us to continuously monitor our performance against our clients' expectations.

The critical expectations raised by our clients were:

- Integrity and honesty, whilst operating within the regulatory environment, and achieving the transformational imperatives set out by the FSC;
- Understanding their needs; and
- Quality products and services.

The above requirements are elements of our business philosophy.

OUR KEY STRATEGIC FOCUS AREAS AND WHAT WE ARE DOING ABOUT THEM

FY '06 report feedback

| Last Year's Goals | Progress | Commentary/What We Did |
|--|----------|--|
| Obtain a better understanding of our clients' business | ☺ | The Business Development Team, Business Units and Transactors focused on specific clients and industry groups, and can thus build a better understanding of their clients' business. |

This Year

Supporting ongoing Transformation in terms of the FSC

We continued to ensure we meet the development objectives of the FSC, particularly in the areas of funding for targeted investment and BEE. In the area of targeted investments we maintained our focus on infrastructure, for instance through the co-arrangement and partial funding of the Gautrain Rapid Rail Link project, and debt funding for Transnet. In the area of BEE funding, we participated in numerous transactions, such as Kumba Resources Ltd (renamed Exxaro) and Eyesizwe Consortium BEE Transaction. This is the South African mining sector's largest-ever BEE deal.

Maintaining our Culture of Innovation

Our focus is on devising innovative investment and funding solutions for clients. We launched the iNkotha conduit in 2006. This was the first call-bond fund in Africa. It has grown to ZAR4.11 billion in its short six-month existence. INdwa, an asset-backed conduit that provides SA institutional investors with short-dated investment-grade commercial paper, is the largest conduit in Africa at ZAR11.71 billion, with the lowest funding costs, CPI hedging, and asset finance trading.

UPDATES TO POLICIES AND PRACTICES

No major customer policies and practices were updated over the last year.

OBJECTIVES FOR THE UPCOMING YEAR

To continue to focus on meeting our obligations under the FSC by funding clients in the developmental infrastructure and BEE arenas.

our suppliers

RMB'S FEDERAL APPROACH TO BEE MEANS THAT BUSINESS UNIT HEADS DEVELOP AND MAINTAIN STRONG RELATIONSHIPS WITH THEIR SPECIFIC SUPPLIERS.

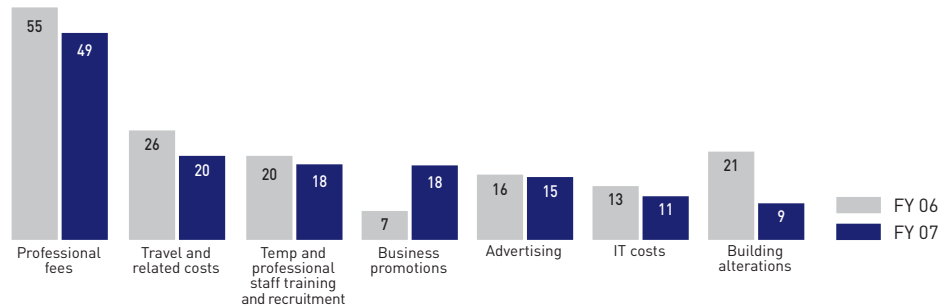
WHY OUR SUPPLIERS MATTER TO US

Our suppliers form an integral part of our business and we are committed to ensuring that all procurement is directed to the appropriate suppliers. We do this not because we have to, but because we believe it is the right thing to do, and it contributes positively to the sustainability of our business. It will also enable us to meet our objectives.

WHO OUR SUPPLIERS ARE

We interact with approximately 1,200 suppliers every month. The diagram below indicates our 6 major categories of spend over the last 2 years.

Main procurement categories (R'000)



WHAT MATTERS TO OUR SUPPLIERS

Our suppliers require a better understanding of the BEE accreditation process, and what this means to their business operations.

OUR STRATEGIC KEY FOCUS AREAS AND WHAT WE ARE DOING ABOUT THEM

FY '06 report feedback

| Last Year's Goals | Progress | Commentary/What We Did |
|---|---------------------|---|
| Move suppliers from a narrow-based rating to broad-based rating | <p>()</p> <p>✓</p> | <ul style="list-style-type: none"> FirstRand changed the procurement reporting to broad-based measurement. |

This Year Strategically driving procurement internally

We identified the need to appoint a procurement officer as a strategic requirement. The officer will drive awareness of procurement throughout RMB via high-level presentations to the various business unit heads, thereby improving communication and encouraging appropriate buying patterns. At present we are constantly liaising with FirstRand's procurement officer. We hope to appoint someone within the 2008 financial year.

The procurement officer will add value to this process by combining procurement efforts in the bank and standardising spending-patterns. This should result in substantial negotiated savings through consolidation of our spend. The challenge, though, will be getting the necessary buy-in from the business unit heads.

Improving focus on SME procurement

SME procurement is another area that needs more attention. The challenge is to encourage people to move beyond their tried-and-tested suppliers to smaller, lesser-known companies who, though perhaps lacking the same level of infrastructure, have the willingness and appetite to deliver. This might even involve building suppliers' capacity, in areas such as accounting and computer skills for instance, to help them develop into established suppliers for the bank. The appointment of the procurement officer within RMB will help us address this requirement.

Helping our suppliers understand BEE rating requirements

Our top non-BEE-compliant suppliers were invited to a procurement information session, facilitated by FirstRand Procurement, at which the rating requirements of agencies were covered. This enabled us to keep doing business with our valued suppliers, while complying with the requirements of the Financial Sector Charter.

UPDATES TO POLICIES AND PRACTICES

We have moved from a narrow-based rating of our BEE suppliers to a broad-based rating.

OBJECTIVES FOR THE UPCOMING YEAR

- To promote ongoing transformation and to ensure that more BEE-rated suppliers are used;
- To appoint a procurement officer within the new financial year;
- To implement a suppliers' list; and
- To formalise RMB's procurement policy and strategy.

our environmental impact

WHY THE ENVIRONMENT MATTERS TO US

As an investment bank and good corporate citizen, one of our responsibilities is to ensure that we effectively control our direct impact on the environment, and that we use our influence in the markets in which we operate to encourage sustainable development.

WHERE OUR DIRECT IMPACT IS

As a large company operating in the financial services industry, our direct impact on the environment is mainly through the properties in which we house our staff. This includes our operations at 1 Merchant Place, Sandton. The property covers an area of 26 170 m², consisting of 18 floors, and housing 1,350 people. We also maintain a fleet of 13 vehicles, which covered 170,264 kilometers last year.

Most of our people are based in our head office in Sandton, with smaller offices in Cape Town, Stellenbosch, Port Elizabeth and Durban. We will only be reporting on our direct impacts on the office in Sandton, as we are tenants in the other offices which are managed by other companies, and as such do not influence their decisions about the environment.

OUR SIGNIFICANT DIRECT IMPACTS AND WHAT WE ARE DOING ABOUT THEM

FY '06 report feedback

| Last Year's Goals | Progress | Commentary/What We Did |
|---------------------------------|----------|--------------------------------|
| Automate hand-wash basin mixers | ☹ | Investigated costs and savings |

This Year

Quantitative data below indicates consumption at 1 Merchant Place only.

We're trying to reduce energy consumption

Our electricity consumption was 13,941,857 kWh this year. Last year we reported that we joined Eskom's Demand Side Management (DSM) initiative to reduce the amount of energy used and were waiting for their findings and recommendations. Their recommendations were received this year and we were advised that given the "small" savings achievable in replacing all our light fittings, they had decided not to proceed with RMB on this project .

Another opportunity we investigated was changing our tariff rating charge to Mini-Flex. A quote was received from Eskom to effect the change, but the end-savings were negated by the massive increase in the initial deposit required.

In light of these two projects not proceeding, we commenced a light-fitting replacement programme. The light-fittings are being updated to electronic ballasts at a cost of approximately R1,5 million. Changes are implemented when a floor is upgraded. A savings forecast is difficult to predict, but as the fittings utilise less power and give off less heat, the amount of cooling required by our air-conditioning system, which is our main source of power usage, will be reduced. We believe that this will have a direct positive impact on the environment.

CASE STUDY

Rand Merchant Bank cares about the environment and our philosophy endorsed in our advertising campaign is “if we do nothing about the environment, what will our children think?” One of the many ways in which we show our commitment to our environment is through our sponsorship of the WWF and Wildlands Conservation Trust project “Indigenous trees for life”, which is part of the WWF International and South African Government’s Climate Change Programmes. This project sees 200 community members in the Jobe district of KwaZulu-Natal growing indigenous trees to be used in the rehabilitation of the Mkhuze river forest.

Water usage savings are still on our radar

We consumed 48,904 Kl of water. Last year we reported that we were investigating the automation of hand wash-basin mixers. The automation of these units is a lot healthier than our current traditional system, but savings have still to be quantified.

We re-use, recycle, and repair

We ensure that paper is sorted and sold to recycling companies. Each floor has a recycling bin and our staff members are encouraged to use this for waste paper. In the past year we recycled 13,290 kg of paper.

As part of our outreach programme, we donated furniture to The Salvation Army. The original cost price of the donations was R237 930, and the

book value at time of disposal was R7,160.23.

UPDATES TO POLICIES AND PRACTICES

Our environmental policies and practices are managed at a Group level. The governance structure for the management of environmental issues has been refined. This now includes the newly-formed FirstRand Banking Group (FRBG) Environmental Forum consisting of a cross-section of functions tasked with ensuring that the bank identifies sound direct and indirect environmental issues, and risks and opportunities. The Forum reports to various executives and to the Board of FirstRand Bank.

The FRBG SHE (Safety, Health and Environmental) Policy (framework for managing our environment) has been updated and signed off by Sizwe Nxasana, the FRBG CEO, and is now used for updated training and communication.

OBJECTIVES FOR THE UPCOMING YEAR

- To measure the effectiveness of our light fitting replacement programme in the new financial year; and
- To make a decision on the automation of hand-wash basin mixers.

WHY OUR INDIRECT ENVIRONMENTAL IMPACT MATTERS TO US

We believe that environmental and social risks and opportunities are relevant to financial institutions and sometimes can be turned into business opportunities that benefit communities. The challenge is to identify these opportunities while preserving the natural environment for future generations. We accept that the activities of some of our clients may have a direct impact on the environment. Through considered lending criteria and adherence to environmental guidelines and best practice, we aim to minimise our indirect impact on the environment.

OUR INDIRECT ENVIRONMENTAL IMPACT, AND WHAT WE ARE DOING ABOUT IT

We incur indirect environmental impacts with each infrastructure or resource project we support. This impact is minimised by the lending criteria applied, irrespective of the sums of money involved.

We are expanding our product offering to include:

- Origination and financing of climate change projects, including energy efficiency, renewable energy generation and Green House Gas abatement;
- Management of environmental project finance risks; and
- Exploration of market making in carbon credits and providing a platform for carbon credit trading in South Africa.

OBJECTIVES FOR THE UPCOMING YEAR

- To continue to consistently apply sound environmental criteria in our lending, irrespective of the sums of money involved;
- To expand our product offering in the arena of environmental solutions; and
- To continue to maintain the highest lending criteria and adherence to environmental guidelines to minimise our indirect impact on the environment.

our community

WHY THE COMMUNITY MATTERS TO US

We believe that the private sector makes a valuable contribution to the development of the community in which it operates, thereby providing a sustainable future for us all. We embrace the challenge and responsibility of contributing to the growth and upliftment of the communities in which we operate. We believe that by supporting excellence in arts and culture, mathematics and maths-literacy, and the environment, we contribute towards the greater goal of a sense of shared citizenship.

THE COMMUNITY

We support our community through our two CSI vehicles: the RMB Fund and the RMB Volunteers Programme.

- **The RMB Foundation:** an RMB-funded community support programme that sets aside 1% of our post-tax profits to support flagship projects in the areas of arts, culture, heritage, maths and maths-literacy and the environment. The Fund's strategy is linked to RMB's market profile and segmentation.
- **The RMB Volunteers Programme:** a staff-driven initiative jointly supported and funded by RMB and the staff. The programme focuses on donations of time, materials and expertise. Through the RMB Volunteer Programme, we support schools, feeding schemes, orphanages, animal shelters, old-age homes and the homeless.

OUR STRATEGIC KEY FOCUS AREAS AND WHAT WE ARE DOING ABOUT THEM

FY '06 report feedback

| Last Year's Goals | Progress | Commentary/What We Did |
|---|----------|---|
| RMB Fund | | |
| <ul style="list-style-type: none"> • Increase engagement community in a sustainable manner | () | <ul style="list-style-type: none"> • Implemented Monitoring & Evaluation programme |
| Volunteers' Programme | | |
| <ul style="list-style-type: none"> • Enhance internal communication | () | <ul style="list-style-type: none"> • Enhanced internal communication through regular emails from RMB Volunteer Co-Ordinator and revamped FirstRand Volunteers website |
| Volunteers' Programme | | |
| <ul style="list-style-type: none"> • Implement Audit Recommendations | ✓ | <ul style="list-style-type: none"> • Revised policies and procedures following internal audit, including a Training Starter Pack for Volunteer Co-ordinators, were implemented by FirstRand Volunteers Programme |

"BEING LABELLED
"DISADVANTAGED"
IS LIKE A STAIN
THAT STAYS WITH
YOU FOREVER.
TIMES ARE MOVING
ON" ANONYMOUS
PARTICIPANT – FIELD
BAND FOUNDATION
(FBF) (FROM THE FBF
IMPACT STUDY)

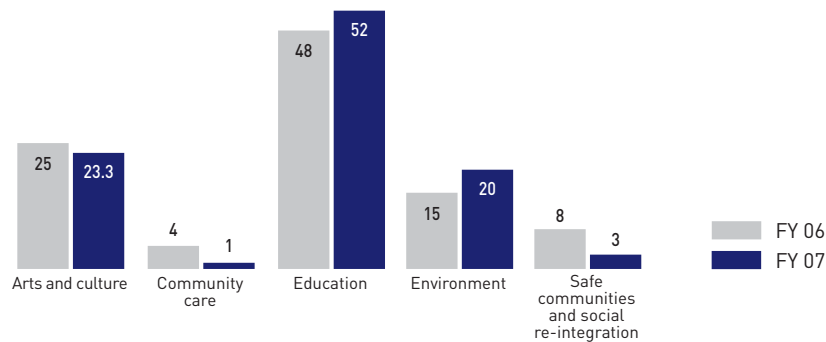
| Last Year's Goals | Progress | Commentary/What We Did |
|--|----------|--|
| Volunteers' Programme <ul style="list-style-type: none"> Revised Programme Guidelines | ✓ | <ul style="list-style-type: none"> Volunteer Coordinators participated in workshops coordinated by the FirstRand Volunteers Programme and have adopted the revised guidelines |
| Volunteers' Programme <ul style="list-style-type: none"> Increasing time giving (skills and knowledge) | ✓ | <ul style="list-style-type: none"> Volunteer's motto for the year was "helping others to help themselves" The Hug Fund is well supported Participated in Do-It-Day in October 2006; CAFSA Corporate Volunteers Week in March 2007, with 16 teams participated in Corporate Volunteers Week Incentives were provided to encourage staff to give more of their time and skills (compared to predominantly fund-raising volunteering activity) RMB encouraged employees to spend more time out in their communities |

This year

RMB Fund Maintained Focus and Implemented Monitoring and Evaluation

We supported 70 organisations over the last year, investing R14,457,456 in our selected sectors. The diagram below indicates our contribution by sector over the last 2 years.

RMB fund sector community investment (%)



Education is South Africa's top priority and without an education, the sustainability of an individual's future is doubtful. The RMB Fund focuses on maths and believes that our contribution could help to turn around the alarming state of maths skills in this country. We support not only the teaching of maths, but also the training of teachers to equip them to teach maths effectively. We support a selection of outreach programmes of private/independent schools and universities, aimed at disadvantaged learners.

We also continued our support for the environment. Environmental issues have received much media coverage both locally and internationally, and we are aware that unless we do something to improve the situation of global warming, our world will be very different in the

future. We support the conservation of habitat-indicator species and climate change projects. We have a long-standing history of contributing towards conservation initiatives and the environment throughout South Africa, and twenty percent of the Fund's grant making is in this sector. The majority of available funding goes to initiatives that involve proactive engagement by the Fund with the leading organisation in the field of conservation. We support the conservation of habitat-indicator species such as the blue crane, riverine rabbit, ground hornbill, blue swallow and giant bullfrog through the Endangered Wildlife Trust. Another flagship project is the WWF/Wildlands Conservation Trust initiative called "Indigenous Trees for Life", where community members in the Jobe region of KwaZulu-Natal grow indigenous trees to be used in the rehabilitation of the Mkhuze river forest.

We also maintained support for those projects that seek equitable access to the arts. This is seen as key to promoting our country's shared heritage. During the year, a number of dance, music and theatre outreach programmes were supported. This support is not only focused on contributing towards the greater goal of a shared sense of citizenship, but to also make meaningful contributions towards the identification of new talent, audience development and the building of new markets for this sector. Coloured by RMB's own corporate culture, the Fund has also supported excellence in the arts. In partnership with some of the country's top metropolitan orchestra, ballet and opera companies, the Fund extended its ongoing support for the professional mentorship of the country's emerging new talent in these fields. In the area of Heritage, we are working with the Palaeontological Scientific Trust (Past) and The Origins Centre at the University of the Witwatersrand.

It is imperative that we continue to measure the success of our efforts, and identify improvement opportunities. Revised monitoring, evaluation and reporting (MER) systems are being designed for each of the Programmes. Fund Management is working together with many different stakeholders including grantees, NGO representative bodies and Monitoring and Evaluation (M&E) specialists in the broad consultative and research process. A central principle in the project design is to identify existing MER systems, and where appropriate, to build on these systems to prevent duplication and minimise reporting burdens.

RMB Volunteers concentrated on Helping People Help Themselves

The RMB Volunteers concentrated more effectively on "helping people to help themselves" over the past year. The emphasis has been on encouraging partnerships between non-profit organisations and to assist with income-generation "tools" for the community organisations we support, to help them be more self-sufficient. We contributed R728,255 through our Volunteer programme in this way over the last year.

Ensuring closer alignment between the RMB Fund and Volunteer Programme

We encourage employees to support the organisations where they feel they can make a difference. Alignment to the organisations supported through the RMB Fund and FirstRand Foundation is encouraged in an attempt to align our CSI Programme. RMB Volunteers supported schools, feeding schemes, orphanages, animal shelters, old-age homes and the homeless.

IN PARTNERSHIP WITH SOME OF THE COUNTRY'S TOP METROPOLITAN ORCHESTRA, BALLET AND OPERA COMPANIES, THE FUND EXTENDED ITS ONGOING SUPPORT FOR THE PROFESSIONAL MENTORSHIP OF THE COUNTRY'S EMERGING TALENT IN THESE FIELDS.

Building sustainability into the Volunteers' Programme

Partnering with and identifying the needs of organisations is important to the success of the RMB Volunteer Programme. RMB employees aim to understand the needs of the community within which their beneficiary operates to ensure that they have the capacity to deliver and assist, depending on the workloads etc. It is crucial for RMB to understand the impact our volunteers have made on the communities.

UPDATES TO POLICIES AND PRACTICES

The RMB Fund updated its policy to focus on longer-term engagement with NGOs. The Fund will focus on Education, Arts, Culture and Heritage, and the Environment. Certain of the projects supported previously have been advised that we will no longer be supporting them and some have also been moved to other Funds within the FirstRand Foundation.

To ensure good governance, a training starter pack was developed by the Volunteers Programme.

OBJECTIVES FOR THE UPCOMING YEAR

- The RMB Fund is following a new programmatic approach to grant making and ongoing support will be spread between flagship projects; and
- Revised monitoring, evaluation and reporting systems will be designed for each of the programmes.

our regulatory environment

WHO OUR REGULATORS ARE

In South Africa, Rand Merchant Bank's operations are overseen by the South African Reserve Bank (SARB), the Financial Services Board (FSB), and the Financial Intelligence Centre (FIC). Our operations in Ireland (operating primarily out of London) and Australia are overseen by the SARB within their group consolidated oversight framework. Those aspects of the business that require local authorisation and supervision within the host countries are reported and overseen in accordance with the local laws and regulation.

WHY THE REGULATORY ENVIRONMENT MATTERS TO US

RMB's compliance with the current regulatory regime, as well as the principles contained within best practice industry standards such as the Basel II Capital Accord and the King report on corporate governance, indicates to our shareholders, customers and staff alike that we are committed to running a business in line with international best practice. As there is a huge amount of disclosure on risk management and corporate governance to the regulator, these stakeholders can gain peace of mind that an independent party is overseeing the application of best risk management and corporate governance practice.

In light of recent developments in the financial services industry, trust and integrity are becoming increasingly important to our clients. As a company, we take our fiduciary duties very seriously, not only for regulatory purposes, but also to build meaningful and sustainable relationships with our clients.

HOW WE MEET REGULATORY REQUIREMENTS

Strict legal, compliance and risk management measures are implemented and adhered to in order to promote sound corporate governance within our business and to ensure adherence to legislation and sound business practices. We actively engage the Regulators in discussions and workshops to determine their view on certain issues or interpretations in terms of legislation.

UPDATES TO POLICIES AND PRACTICES

No major regulatory policies were updated over the last year.

MAJOR REGULATORY ISSUES FOR US TO ADDRESS

Due to the long-term nature of the mandatory formulation and implementation process, we report on regulatory issues and our response thereto over multiple years.

Basel II and the promulgation of new regulatory returns

We instituted solutions aimed at enhancing regulatory reporting. An interim project is aimed at coping with the timelines required by the SARB for reporting on the new BA returns (incorporating Basel II reporting). The objective of our strategic solution is to upgrade the bank's core reporting infrastructure into a world class platform that will suffice for both financial and regulatory reporting for the long haul.

The interim project is on track to be able to report within the timelines of the SARB. The strategic project is envisaged to deliver on its solutions over the next two years.

For the coming year, the focus will be on delivering into the new Banks Act returns, incorporating Basel II, once again.



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We welcome your comments and feedback. Please send your comments via the feedback section on www.firstrandsusrep.co.za