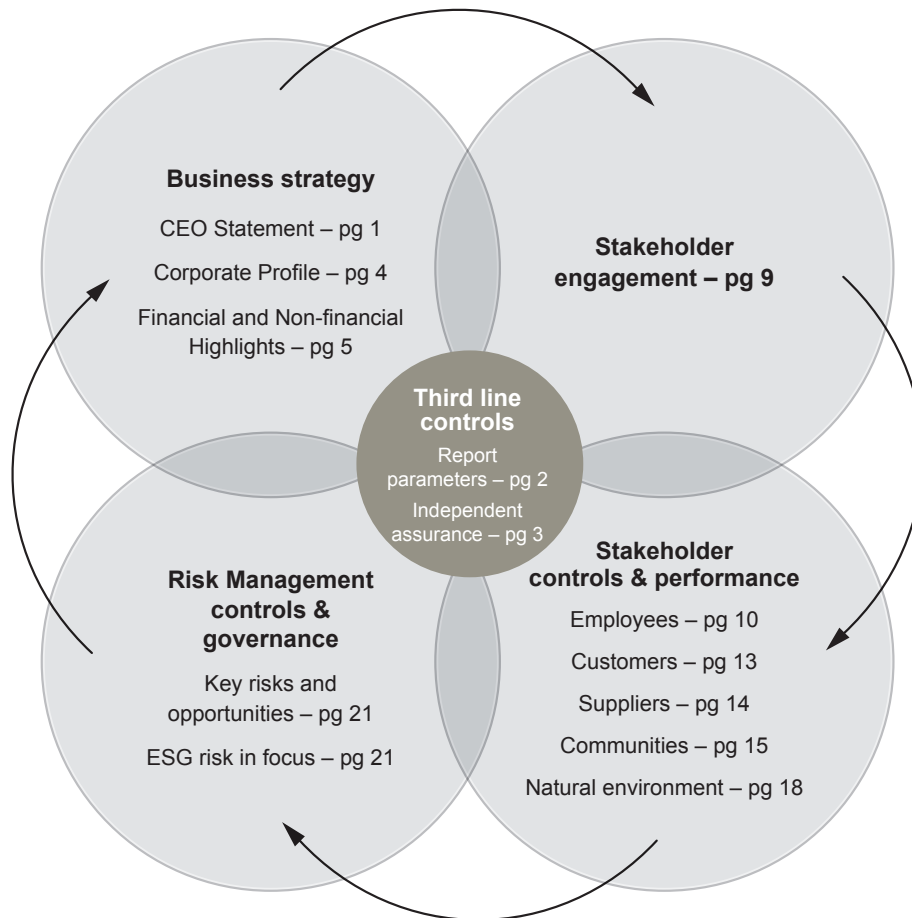


Report to society 2010

Enter our sustainability model

Click a link or turn to a page listed below



CEO's statement



FROM THE DESK OF

The key elements of RMB's business strategy include:

- a redefined risk appetite
- a desire to grow the South African business
- covering clients across the Corporate and Investment Bank
- growing our African footprint
- mining the Africa/Asia trade and investment corridors
- continuing to preserve, grow and diversify RMB's talent

This fits in well with the FirstRand Group's consolidation and refinement of strategy in light of the turmoil in the global operating environment and the economic slowdown in South Africa during the last two financial years.

As part of our strategy, and in response to the current environment, RMB (and all brands within the Group) expect to become increasingly focussed on managing costs and achieving greater efficiencies in order to achieve our objectives of delivering superior sustainable returns to our shareholders, providing innovative solutions to our clients, while simultaneously finding ways to improve processes to achieve further efficiencies.

We believe that our continued success and relevance is due to our recognition that sustainable business practices remain even more important than ever during times of uncertainty.

After an analysis of our people practices and strategies, we reinforced our commitment to talent by repositioning the areas of Human Resources, The Academy and Payroll as Human Capital. Human Capital's strategic purpose is to partner with RMB leadership and line management to enhance the RMB employee experience.

Our Environmental Social and Governance (ESG) reporting process has identified and prioritised key non-financial risks that pertain to the RMB business. For example, compliance with Environmental and Social Risk Assessment (ESRA) requires that our employees are trained in what is required of them in their respective roles, to ensure that all business we engage with is appropriate. This process is now well under way.

The ESG process has also highlighted our workforce profile as a medium risk which should be monitored continually, while we take proactive steps towards effective transformation. These include more thorough monitoring of employees who enrolled in and benefitted from RMB's R17 million investment in skills development during the financial year, ensuring that this investment is used most effectively, as well as paying even closer attention to the attraction and retention of our people.

By integrating these and other appropriate processes into the daily running of the business, we are able to highlight indicators that can be used to benchmark our sound sustainability strategy, which will enhance our long term financial success.



Alan Pullinger
CEO

Report parameters

The information reflected in this report pertains to the financial year ending 30 June 2010 which is to be read in conjunction with FirstRand's integrated report for the same period. A detailed review of the accounting policies employed by the FirstRand Group is available in the integrated report which can be accessed on the company website: www.firstrand.co.za.

Use of guidelines

RMB's non-financial accounting policies are aligned to the Global Reporting Initiative's (GRI) G3 guidelines and financial sector supplement, incorporating 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, and the BEE transformation requirements set out by the Financial Sector Charter, and the Department of Trade and Industry's (dti) Codes of Good Practice.

Materiality

Material topics are defined as those reflecting significant economic, environmental and social impacts or those that would influence the decisions of the company's stakeholders. The material topics disclosed in this report have been informed by regulatory obligations, internal financial and non-financial management reports and voluntary disclosure standards.

Stakeholder inclusiveness

The principle of stakeholder inclusiveness has been employed to ensure that disclosures are material and relevant to the legitimate interests and expectations of FirstRand's stakeholders. The primary vehicles informing stakeholder disclosures are the Group's integrated financial and non-financial risk management reports and significant regulatory events.

Data measurement

Data measurement techniques are replicable and information is not reported if the margin for error is believed to influence substantially the ability of stakeholders to make informed decisions about the company's performance. Measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so. Carbon footprint calculations are made according to the Greenhouse Gas Protocol's Corporate Accounting and Reporting Standard.

COMBINED ASSURANCE

FirstRand has commissioned the following independent sources to provide assurance and commentary on its 2010 divisional sustainability reports:

- BEE transformation performance has been externally audited by SizweNtsaluba vsp
- FirstRand's carbon footprint data has been externally prepared by Merchantec Carbon and independently assured by FirstRand Internal Audit
- Corporate Social Investment information has been prepared by Tshikululu Social Investments and externally audited by Deloitte
- FirstRand Group Internal Audit performed a limited review of the statements and quantitative data contained in the divisional Reports to society

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 misstatements;
- 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.



Jenitha John,
FirstRand Chief Audit Executive
14 September 2010

APPROVED

Corporate profile

The Rand Merchant Bank (RMB) 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 of advice, finance, trading solutions, investment opportunities, fund management and research.

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

RMB is headquartered in Johannesburg, with satellite offices in Durban, Cape Town, Port Elizabeth and Stellenbosch.

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. 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, black economic empowerment (BEE) companies, multi-nationals operating mostly in southern Africa, financial institutions and various public sector entities.

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

CORPORATE GOVERNANCE

The directors of FirstRand and the Group's divisional boards endorse the Code of Corporate Practices and Conduct contained within the King Report on Corporate Governance for South Africa 2009 (King III Code).

The King III Code came into effect for companies starting a financial year on or after 1 March 2010. During the year under review, significant progress has been made in respect of applying the King III Code. The Group has undertaken the following:

- conducted an enterprise wide gap analysis of the Group's governance practices compared with those recommended in the King III Code
- updated Board and Board Committee charters to reflect recommendations made in King III
- identified actions for achieving timely application of King III in cases where gaps have been identified
- initiated projects and Board reporting against these for timely application of the Code

Key areas being addressed include more formal oversight of:

- enterprise-wide Information Technology (IT) governance
- the institutionalisation of the Group's code of ethics
- the strategic management of sustainability and stakeholder considerations
- the development of more clearly defined processes for alternative dispute resolution taking all parties into account and perceiving business relationships as a fundamental of good governance.

“RMB exports head office corporate governance standards when conducting business internationally.”

Highlights

FINANCIAL HIGHLIGHTS

	2010	2009	% change
Income before indirect tax (R'000 000)	4 687	2 134	>100
Indirect tax (R'000 000)	(64)	(79)	(19)
Income before direct tax (R'000 000)	4 623	2 055	>100
Total assets (R'000 000)	268 819	275 097	(2)
Cost to income ratio (%)	45.2	56.6	–

A more detailed financial report can be seen in FirstRand's integrated annual report which is available on the company website (www.firststrand.co.za).

NON-FINANCIAL HIGHLIGHTS

	2010	2009	% Change
Workforce	1 419	1 339	6
ACI employees	682	594	15
BBBEE procurement spend as a % of total spend (%)*	58	52	–
Skills development investment per employee* (R)	11 980	10 500	14
Energy consumption per employee (Kw/h)	8 180	8 467	(3)

*Financial Year (FY) 2010

RECENT AWARDS & RECOGNITION

RMB has been publicly recognised in many areas and is consistently rated number one – often for consecutive years – in a wide variety of areas, a few of which are mentioned below:

Spire Awards – 4 November 2009

The awards recognise excellent individuals and teams who contribute to the bond market in South Africa. Voters for the award recipients include clients and bond issuers. In November 2009, RMB was among the top three recipients in 14 out of 20 categories at the ceremony in Johannesburg, coming first in four categories:

- Best repo team
- Best inflation-linked debt house
- Best general fixed income analyst
- Best interest-rate derivatives sales and structuring team

RMB was also awarded second place in a further eight categories.

2009 Africa Investor Infrastructure Awards – 27 October 2009

The RMB Infrastructure Finance team won the category Social Infrastructure Deal of the Year for the Department of International Relations and Co-operation Public-Private Partnership.

RMB played the role of lead arranger and underwriter of the senior debt and is also a shareholder in the consortium. It was the first PPP to be owned by majority BEE and women-owned companies, and included a lender as a minority shareholder. It was also the first SA PPP to use CPIX-linked senior debt.

Africa Investor, a leading international investment research and communications group, designed the Awards to highlight and profile exceptional business practices and economic achievements across the infrastructure spectrum in Africa. They recognise innovative projects and reward the personalities who are driving transactions and improving the continent's infrastructure investment climate.

“Sustainable business practice creates and protects value for all stakeholders through effectively managing the financial and non-financial risks and opportunities impacting the company’s ability to generate sustainable profits.”

Risk Magazine – 2009

RMB won seven out of 23 awards in the Risk magazine SA Derivatives Dealer Survey 2009. It was rated 2nd or 3rd in nearly all the remaining categories (except for two, where RMB came 4th).

Winning categories include:

- Overall winner in the currency, commodity and equity categories
- Product winners for: interest rate swaps; inflation; USD/ZAR currency swaps and USD/ZAR currency options

RMB was second overall for Risk management advisory as well as FRA’s, SA equity index options, exotic equity options, equity derivatives, warrants and credit default swaps.

NON-FINANCIAL KEY PERFORMANCE AREAS (KPA’s)

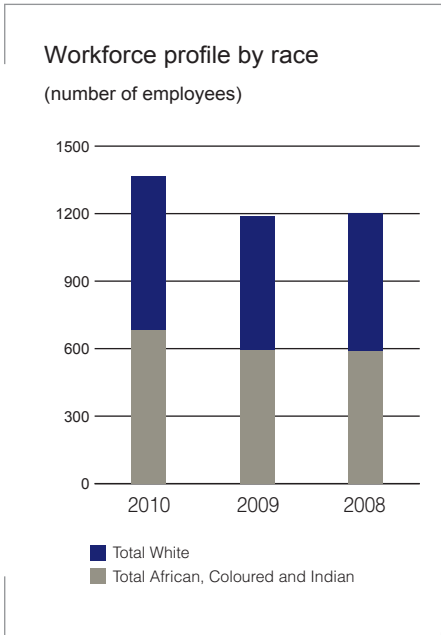
Non-financial KPA’s have been identified in accordance with their relevance to the management of ESG risk and certain non-financial value drivers supporting RMB strategy. Historical performance in these areas is presented in order to give a high level overview of RMB’s performance against key sustainability risks and opportunities.

Workforce profile

The workforce profile shows the absolute number and % representation of ACI employees according to the dti Codes of Good Practice (COGP). This is an indicator of RMB’s progress towards its workforce transformation objectives.

Analysis

RMB has seen a gradual increase in the representation of ACI staff. This increase is supported by the Bank’s emphasis on development of existing employees through effective talent management and skills development programmes.



Skills development investment per employee

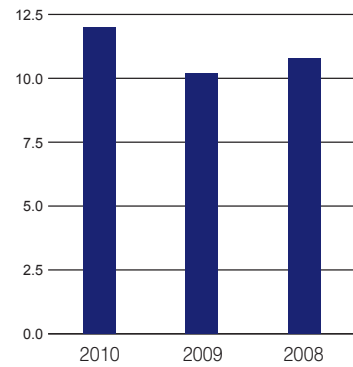
Skills development investment is measured as the rand amount spent on skills development per RMB employee. This indicator is related to processes for continually improving productivity, staff satisfaction and retention.

Analysis

During the year RMB significantly increased the skills development investment per employee, in line with the Bank's emphasis on skills development as a talent management tool and key non-financial value driver.

Skills development per employee

(R 000)



BBBEE procurement as a % of total procurement

BBBEE procurement is measured as the percentage of total procurement spend attributable to suppliers qualifying as BBBEE suppliers in terms of the dti COGP. The indicator provides insight into RMB's performance in supporting socio-economic transformation through effective supply chain management.

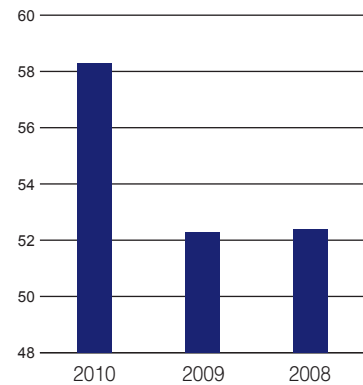
Analysis

During this financial year RMB achieved and exceeded a BBBEE performance target of 53%.

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.

BEE procurement

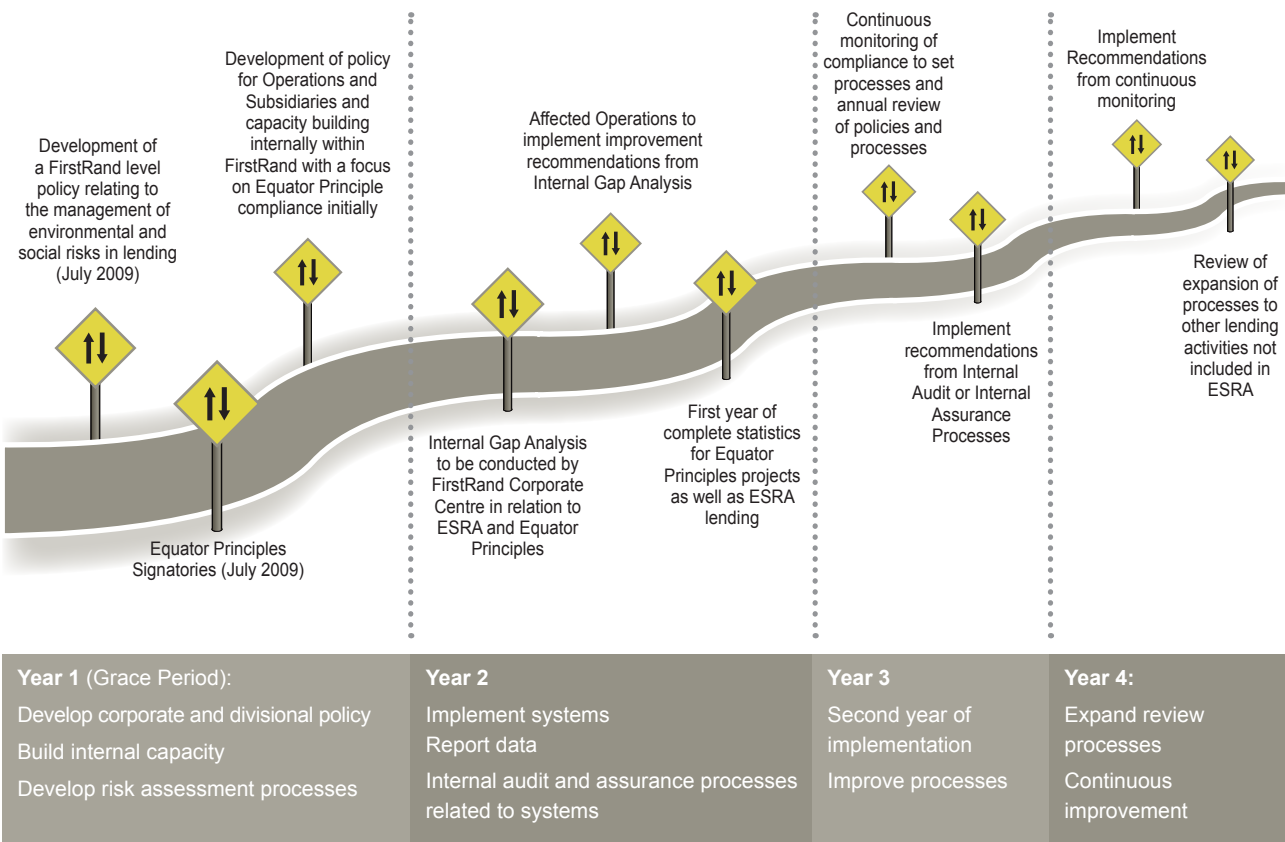
(%)



Environmental and Social Risk Analysis (ESRA)

ESRA forms the foundation of RMB's ability to manage the environmental and social impacts of the activities undertaken by the Bank's clients and suppliers. ESRA training and performance management has been developed and roll-out commenced during the year. See page 20 for more detail.

Equator Principles and ESRA roadmap



Stakeholder engagement

RMB's stakeholders are defined as entities and individuals that are significantly affected by our activities, and those who are able 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, 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 and feedback flow into RMB's non-financial reports and ESG risk management profiles, which allows management to make informed decisions in respect of financial and non-financial issues affecting our relationships with all stakeholders.

Employees

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 that provides access to senior leadership. We also have quarterly CEO feedback sessions where our employees are kept informed of financial and non-financial performance and other relevant issues.

Customers

As our client base is relatively small, our Business Development Directors engage with them personally. This, combined with our extensive customer engagement, has negated the need for client surveys thus far.

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

Primary engagement channels for suppliers include face-to-face communication, transactional communication and surveys. Information and feedback obtained via these communication channels is addressed with an appropriate delegation of authority of the Exco via the procurement function.

Communities

RMB's direct community engagement relates to the Corporate Social Investment (CSI) activities of the RMB Fund and employee volunteers through the RMB Hug Fund. Here engagement channels include one-on-one, face-to-face engagement, stakeholder meetings, newsletters, television and a range of electronic media.

The Natural Environment

During the year RMB engaged with the following external stakeholders in the development and implementation of measures for effectively managing its direct and indirect environmental impacts via FirstRand's Environmental forum: Business Unity South Africa (BUSA), South African National Business Initiative (NBI), The British High Commission and The British Commonwealth and Foreign Office, South African Department of Energy, South African Department of Water and Environmental Affairs, and the United Nations Environmental Programme Finance Initiative (UNEPFI).

Stakeholder controls and performance

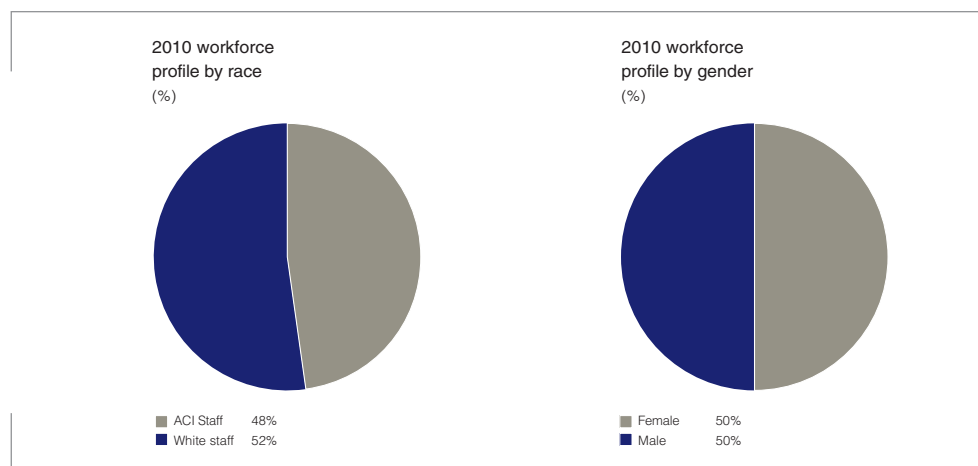
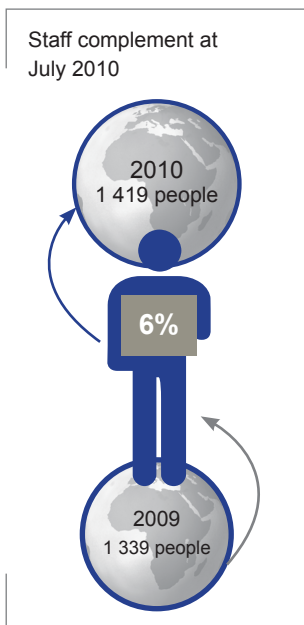
Disclosures in this report reflect the information that RMB understands to be most relevant to its business and stakeholders and are made according to stakeholder categories.

EMPLOYEES

Employee performance indicators

	2010	2009	% Change
Staff complement (permanent employees)	1 419	1 339	6
ACI staff	682	594	15
White staff	712	722	(1)
Foreign Nationals	25	23	9
Female staff	704	664	6
Male staff	715	675	6
ACI Skills development investment (R mil)	7	6	17
Workplace injuries	2	1	–
Workplace fatalities	0	0	–
Skills development investment (R mil)*	17	14	24
Skills development investment per employee	11 980	10 500	14

*Skills development investment as per prior calendar year dti submission = R21 million



RMB is in the business of attracting, retaining and developing the best talent for its needs. Our human capital strategy focuses on investing in our staff – the Bank’s talent. After an analysis of our people practices and strategies, we reinforced our commitment to talent by repositioning the areas of Human Resources, The Academy (responsible for employee learning, training and development) and Payroll into one division, Human Capital, with the strategic purpose to partner with RMB leadership and line management to enhance the RMB employee experience.

This process resulted in the development of a new operating model that focuses on people, processes and technology, which will deliver an improved and integrated process to better support a high-performing and engaged workforce. The model is powered by the same technology that will manage and coordinate all the people-related resources, information and functions for RMB, together with the rest of the FirstRand Group. Implementation of this operating model and technology commenced in June 2010.

Remuneration: RMB’s remuneration practices align with those recommended by FirstRand’s Remuneration Committee and are approved by FirstRand’s Board of Directors and shareholders. A detailed review of the FirstRand Group’s remuneration practices is available in the integrated report which can be accessed on the company website: www.firststrand.co.za

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 99.85% are covered by defined contribution plans including a defined pension and/or provident fund.

Leadership Immersion: Following a process seeking to understand the strategy around people, leadership, culture, diversity, support initiatives, financial feedback and other business issues, RMB finalised a unique RMB Leadership Brand during the first quarter of 2010, after an intensive consultation process with the full leadership community within RMB.

This process produced valuable feedback indicating a level of confusion between our culture and our values, as well as a sense that our culture may be experienced differently in different areas of the Bank. Before commencing with the next step of our Leadership Brand initiatives some context and analysis of the makeup of our culture was provided, through the following formula:

- RMB Principles + Values + Leadership Brand = RMB’s Culture

The articulation of values has been left to each area within RMB, and should be a reflection of the values that are currently most important to the area. Values in a specific area may change in time and may well be different to the values in another. Chosen values should not conflict with the RMB Principles. Given that values could differ between business units, it is likely that one could experience a different culture between areas within RMB. These differences should not be substantial, given that the RMB Principles and the Leadership Brand remain the same.

LEADERSHIP BRAND ATTRIBUTES

PRINCIPLED

HUMILITY

WISDOM

COURAGE

PARTNERSHIP

GENEROSITY

INSPIRATIONAL

Employment Equity Committee: The RMB EE committee has met a number of times during the past year. These included a strategic planning session focussed on the following areas:

- Roles and responsibilities of EE stakeholders
- Phases of the EE plan
- The EE plan process model
- FirstRand framework for conducting section 19 analysis
- Department of Labour reports
- Increased communication between RMB’s Management Board and the EE Forum

The Head of Transformation has held meetings with various business heads for their input and the revision of the EE plan is in full swing.

Graduate Programme Recruitment – pipeline for future EE talent: RMB launched its on-line Graduate Programme recruitment system in May and has had over 500 applicants. The Young Talent Team has met with the Heads of Business Units to ascertain the number of graduates each area is able to accommodate, as well as the skills required. We hope that the majority of graduates will come from our annual Winter School Programme, and any additional hires will happen through our Campus Recruitment activities. For example, we hosted the Actuarial Science and Maths of Finance Honours classes from University of Witwatersrand (Wits) at RMB in the month of July.

“The RMB Academy supports divisions with a variety of alternative learning methodologies and arranges in-house learning events that allow employees to tap into the immense knowledge and skills base that resides in the Bank.”

Training and development

The RMB Academy operates within the integrated Human Capital (HC) environment. One of the benefits of this is that the HC Learning and Business Partners can provide combined support and direction to business with regard to their employees and their development requirements. The team assists employees to develop individual learning plans which flow from personal or performance discussions with their line managers, HC Business or HC Learning Partners.

The RMB Academy’s pursuit to assist employees in their sharing of knowledge, whether through mentoring, technical coaching, small group learning sessions or a variety of other interventions is ongoing.

The past year has seen immense development in:

- Leadership development
- Coaching and mentoring
- An Investment Banking 101 programme to provide support Specialists with an understanding of the world of Investment Banking and other technical/product specific programmes tailored for an investment banking environment.

The RMB Academy, together with other stakeholders, will continue to design, improve and enhance learning programmes, in order to deliver on people development linking with our focus on talent management.

Health and safety

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 Audit, Risk and Compliance Committee.

During the 2010 financial year we reported zero fatalities and had two cases of injury on duty, both reported to the Workmen’s Compensation Commissioner.

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 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.



CUSTOMERS

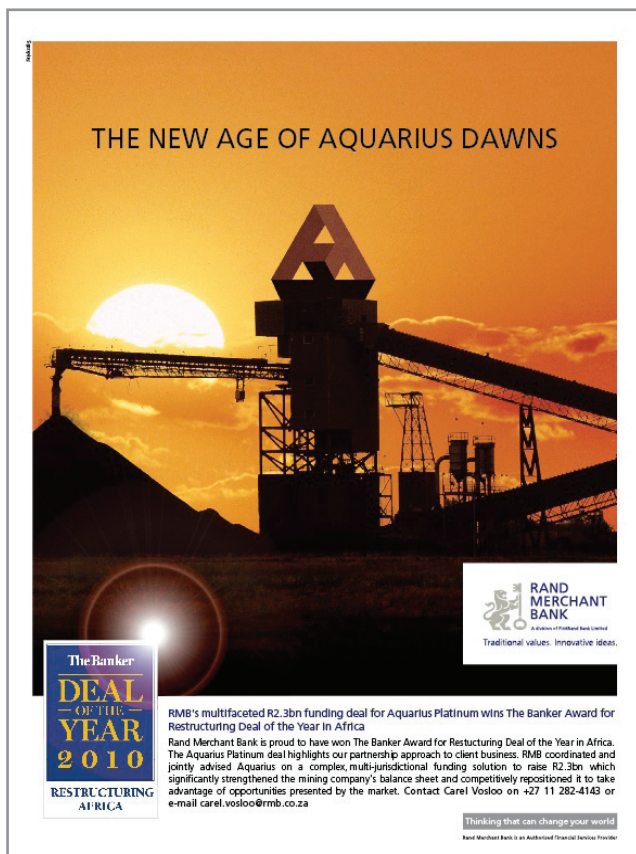
Our core business is investment banking. We focus on large corporate clients usually listed on the JSE, black economic empowerment companies, multinationals operating mostly in southern Africa, financial institutions and various public sector entities. Our clients typically operate in the following sectors: 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.

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:

- **Aquarius Platinum:** RMB coordinated and jointly advised Aquarius on a complex, multi-jurisdictional funding solution to raise R2.3 billion which significantly strengthened the mining company's balance sheet and competitively repositioned it to take advantage of opportunities presented by the market. The deal won the Banker Award for Restructuring Deal of the Year in Africa.
- **Anglo Platinum:** In a deal which strengthens its longstanding relationship with Anglo Platinum, RMB advised the company on its recent, substantially over-subscribed rights offer. Underwritten by Anglo Platinum's parent company, Anglo American, the rights offer has rebalanced the company's capital structure, allowing it to focus on optimising value from its premium portfolio of assets
- **Eskom:** In a deal that highlights our expertise in credit finance, RMB assisted Eskom in financing an offshore boiler contract for its new Kusile power station – the first Rand-denominated export credit deal of its kind. By facilitating cross-border capital expenditure, RMB unlocks business opportunities in South Africa, Africa and the world.



BEE funding

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

- **FirstRand Empowerment Trust:** Acting as lead advisor and debt arranger, RMB implemented the scheduled refinancing of R3.4 billion of funding for the FirstRand Empowerment Trust, which has generated in excess of R4 billion in value for the BEE partners, of which R200 million has been released to the BEE partners as part of the refinancing. RMB structured and implemented the refinancing together with FirstRand's new strategic partner, China Construction Bank, as well as other local banks and financial institutions.
- **Optimum Coal:** RMB's ability to provide innovative, short timeline financial solutions tailored to suit Optimum's specific needs, has led to multiple deals and a mutually rewarding partnership since this client's inception. In the latest six-year deal, RMB has structured a complicated three-component solution involving R1.15 billion.

Note: Platinum mining is a contributor to social and economic development. Balancing this reality with our sensitivity towards the environment, the incorporation of Equator Principles in Project Finance will mitigate against environmental and social risks involved in deal making and enhance RMB's position as a leading investment bank.

“This is an example that you don’t need to be overly clever in advertising. A good, simple idea, on strategy, will always beat anything else hands-down... A simple idea, simply expressed” (Andy Rice)

Highlight from November 2009: Talk Radio 702 Hero acknowledgement

RMB’s Bankers without Borders television advertisement was awarded the prestigious HERO acknowledgement on Talk Radio 702’s Ad Feature show.

Andy Rice, a well-respected industry critic, commended the RMB ad for being a good idea coming together with both good copy and a good visual - proof that ‘you don’t need clever stunts to get across your message’.



DIGGING DEEP ON BEHALF OF OUR CLIENTS

- ZAMBIA** DEBT FINANCE: LUANGSHA COPPER MINES WORKING CAPITAL FOR REBURISHMENT OF MINE
- ZAMBIA** CORPORATE ADVISORY: ZAMBIA COPPER INVESTMENTS ACQUISITION OF SHARES IN KONKOLA COPPER MINES GATES AND ACQUISITIONS
- BURKINA FASO** EQUITY INVESTMENT / DEBT FINANCE: ETHIOPIAN RESOURCES FUNDING FOR THE APPRAISAL AND DEVELOPMENT OF THE YOUSFA GOLD PROJECT
- BOTSWANA** DEBT FINANCE: TOTO TIKOLE MINING COMPANY FUNDING FOR ESTABLISHMENT OF HYDRO-METALLURGICAL TEST PLANT AND EXPANSION OF BASE METAL PRODUCTION
- BURKINA FASO** DEBT FINANCE: EQUITY INVESTMENT / DEBT FINANCE: CLIFF MINING KALSAKA GOLD PROJECT
- TANZANIA** DEBT FINANCE: MINERS FOUNDED FUNDING OF JV COMMITMENTS FOR TULAWANKA GOLD PROJECT
- ZAMBIA** DEBT FINANCE: EQUIPMENT RESOURCES LUANGSHA COPPER PROJECT BANKABLE FEASIBILITY STUDY
- MOZAMBIQUE** DEBT FINANCE: MOZAL II AND B FUNDING FOR THE CONSTRUCTION OF ALUMINIUM SMELTER MOZAL II AND EXPANSION OF ALUMINIUM SMELTER MOZAL II
- SENEGAL** DEBT FINANCE: MINERAL DEPOSITS WORKING CAPITAL FOR THE DEVELOPMENT OF THE SARROULA GOLD PROJECT
- ZAMBIA** DEBT FINANCE: JHANN LIMITED / CHAMBERSH PLC FACILITY FOR CHAMBERSH COBALT / COPPER PROJECT
- DRC** DEBT FINANCE: ARIEL MINING FUNDING FOR DEVELOPMENT OF DAKULUSH AND KILAU COPPER MINES

RAND MERCHANT BANK
Traditional values. Innovative ideas.

Helping to build Africa by uncovering its potential
For more than 10 years, Rand Merchant Bank has provided financial solutions to the mining industry across the African continent. Our full spectrum of investment banking services for the resources industry makes us a leading financial and business partner on the continent. Contact Henk Deist on +27 11 282-4345 or e-mail henk.deist@rmb.co.za or Michael Schonfeld on +61 3 9607-8589 or e-mail michael.schonfeld@rmbresources.com.au

Thinking that can change your world
Rand Merchant Bank is an Authorised Financial Services Provider

SUPPLIERS

RMB interacts with just under 3 000 suppliers. Goals achieved include reaching our BBEE Procurement target of 53% within the calendar year; implementing the Oracle Procure-to-Pay system throughout the business; implementing a procurement policy that enabled us to contract 300 suppliers correctly; and implementing online travel approval, with trips being approved before tickets are issued.

Supplier performance indicators

Procurement indicators for FY 2010	2010	2009	% Change
Number of suppliers	2 766	3 058	(10)
BBEE procurement spend (R'000)	300 946	265 164	13
Other spend (R'000)	215 247	241 432	(11)
Procurement spend (R'000)	516 193	506 596	2
BBEE spend as a % of total spend	58	52	—

High level objectives 2010

- achieve BBBEE Procurement targets of 57% in 2010 and 70% by 2014
- collaborate with all Business Units when negotiating with new suppliers
- mitigate risk through negotiation and execution of legal contracts for all suppliers
- ensure policies are adhered to and breaches reported to the relevant Business Units and the Risk Committee

Recent highlight

As of 1 June 2010, Nashua has taken over the maintenance of all our RMB's printers – Gestetner, HP and Nashua machines. This change has been implemented through a tender process and is intended to have the following benefits once fully implemented:

- **Cost saving:** We have reduced our average cost price per page from 59c to 35c and will no longer need to purchase machines. This will result in a R12.4 million saving over a 4 year period.
- **Time saving:** Nashua will monitor each machine and will ensure that paper and toner is replaced before it is finished. This will eliminate the need to re-order.
- **Improved efficiency:** Nashua will have an on-site technician to address any device complaints.
- **Improved processes:** Capacity for large print jobs will be available.

COMMUNITIES

The RMB Fund is a member of the FirstRand Foundation, which was established in 1998 and is the dedicated legal vehicle through which FirstRand directs social giving to meaningful community development initiatives.

In order to do good business and good work, the RMB Fund ensures that there is synergy between our business philosophy ("Traditional values. Innovative ideas."), values and objectives, and those of the projects and organisations with which we partner.

Through the RMB Fund, RMB directs 1% net profit after tax towards programmes in education (particularly maths leadership and development), arts, culture and heritage, and the environment and conservation, as well as employee volunteering.

Community investment indicators

	2010	2009	% Change
Direct CSI			
Maths leadership & development (R'000)	5 421	7 671	(29)
Arts, culture and heritage (R'000)	5 935	6 250	(5)
Environment & conservation (R'000)	3 855	4 982	(23)
Safe communities & social reintegration (R'000)	–	240	–
Total direct CSI	15 211	19 143	(20)
Employee volunteer funds raised & matched (R'000)	2 147	1 116	92

Mathematics leadership and development

This programme builds on learning 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
- **Centres of excellence reaching out:** relationships with organisations sharing their resources to produce quality outreach programmes
- **Advocacy and research:** these relationships help to guide our monitoring and evaluation strategy, as well as keep the Fund informed of the education landscape so as to improve decision making

The FirstRand Foundation South African Maths Education Chairs Initiative, started in 2008/09, is a flagship project of the FirstRand Foundation, in partnership with the RMB Fund, and has four inter-related objectives over five years, which are to:

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

Three Chairs have been appointed after a rigorous recruitment process, and their initial progress and achievements will be included in relevant 2011 reports.

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 through programmes in music and dance. Funding supports partner organisations that:

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

Environment and conservation

We continue to support the preservation of the lesser-known but important "habitat-indicator species"; participate in climate change initiatives and environmental programmes that demonstrate strong local community buy-in; and 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 habitat 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 off-set carbon emissions
- research
- transformation of the sector (BEE job creation)



The RMB NGO Leadership Network Sessions received a Chairman's Volunteer Award in December 2009, for the initiative best aligned to the focus areas of the FirstRand Foundation. Yvette Nowell (far right) also won the Barloworld Artworks Mentor of the Year Award in August 2009, for her voluntary partnership with the Valued Citizens Initiative.

Beyond the cheque book – RMB NGO Leadership Network Sessions

These grew out of an interest in finding alternative ways to support NGOs in a relationship with RMB and started with a trial session in April 2008. Our aims were to volunteer business expertise to an NGO forum; help these NGOs to see through a business lens; help business to see through an NGO lens and provide opportunities for the NGOs to network and form a community of (best) practice.

The response was extremely enthusiastic and RMB has continued to host and run sessions from November 2008 to date, taking participants' feedback into account, and increasing the footprint of this initiative, revising its format and increasing its numbers.

Sessions are coordinated and hosted by RMB colleagues, Ilka Dunne, Yvette Nowell and Happy Pooe, and the objectives, refined and developed in partnership with participants, are to:

- build a shared understanding of our future choices and responses in South Africa
- identify key capacities and actions in order to pursue our preferred future options
- highlight those skills, capacities and interests which exist in this group to help it move in this preferred direction
- create an environment to share these valuable contributions for the benefit of all participants
- clarify the way forward in order to sustain and build on this sharing, and create a community of practice



The RMB Hug Fund, managed by Anneke van Zyl (right), received a Chairman's Volunteer Award in December 2009, for being the best payroll giving programme in the Group

Employee volunteering

Our employees regularly commit their time, money and energy to a wide range of charitable initiatives, generally in the areas of Community care (including disabilities), Caring for children, Animal welfare and Caring for the elderly.

During the past financial year, these donations have included:

- **Africa Food for Thought:** RMB employees continue to contribute (e.g. 1100 blankets and 3 000 cans of food this Winter) to this organisation that assists with feeding programmes at schools on the West Rand (about 10 000 children), as well as home visits to child headed households in the area.
- **Diepsloot Combined School:** Chess training is offered in partnership with Centurion Chess Club. Graduates installed a giant outdoor chess set at the school as part of this initiative, and staff held a chess tournament as a fund raiser towards this project.
- **Animal Welfare organisations:** Among other donations, we continue to settle vets' bills for sterilisations, as well as contribute towards community education around the treatment and care of domestic animals.
- **The Robin Good Initiative:** We have paid for and assisted in the installation of vegetable tunnels at various locations in need of food and sustainable livelihoods, and are also looking at other creative partnerships with RMB Catering and Hospitality.

NATURAL ENVIRONMENT

The effects of climate change have often been described as both an opportunity and a risk, which if unmanaged, could result in major disruptions to economic and social activity. For business leaders of the 21st century, the disruptions are not a consideration of the future any longer but are now a reality.

We will continue to develop our carbon footprint reporting practices in order to ensure alignment with international and national best practice, and consequently provide assurance to management on the accuracy and reliability of the submitted information.

Environmental performance indicators

	2010	2009	% Change
Carbon emissions (TCO₂e)			
Fuel Use (Scope 1)	15	79	(81)
Business Fleet Travel (Scope 1)*	–	149	–
Electricity (Owned Buildings) (Scope 2)	16 647	13 306	25
Paper Use (Scope 3)	145	993	(85)
Business Air Travel	1 251	2 349	(47)
Business Road Travel	137	–	–
Total CO₂e	18 195	16 876	8
CO₂e per employee (T)	12.8	12.6	1.6

*The RMB business fleet is maintained by WesBank and subsequently reported in the WesBank fleet vehicle data.

	2010	2009	% Change
Utilities consumption			
Water consumption (KL)	38 195	53 340	(28)
Energy consumption (Kw/h)	11 607 339	11 336 899	2
Energy saved (Kw/h)*	2 742 452	1 968 777	39
Energy consumption per employee (Kw/h)	8 180	8 467	(3)

*Energy saved is measured against the Eskom baseline year, from October 2006 to September 2007.

Environmental issues are monitored by the FirstRand's Environmental Forum which comprises representatives of FirstRand's operating divisions and reports significant information to the Board of Directors via the Audit, Risk and Compliance Committee.

Sizwe Nxasana, in his capacity as CEO of FirstRand 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.

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 most of RMB's 1 419 permanent 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. For example, automatic sensor taps have been installed in 1 Merchant Place toilets to minimise water wastage.

ENERGY AND WATER MANAGEMENT

Energy management

In 2010 RMB realised energy savings of 2 742 452 Kw/h, as measured against the Eskom baseline year (October 2006 – September 2007), with an energy consumption of 8180 Kw/h per employee.

Energy saving initiatives continue and should show further savings during the next financial year. The installation of motion sensors and energy-efficient lamps in key buildings, to reduce the use of after-hours lighting have been completed at 1 Merchant Place. Air conditioning, IT and hot water efficiencies at these premises are now being addressed.

Other initiatives including the piloting of deep energy efficiency retrofitting of buildings with the Clinton Climate Initiative and extending the reach of existing projects to new premises, are well under way.

Carbon emissions and carbon management strategy

For the year ended June 2010, RMB's greenhouse gas (GHG) emissions total was 18 195 metric tonnes of CO₂e, a contribution of 5% of the Group's total emissions.

RMB electricity consumption is still the major contributor to its total GHG profile. Emissions from electricity use decreased in 2008 compared to 2007, but have subsequently increased in 2009. This can be attributed to the increase in the Eskom grid emission factor as well the increase in the cost per kWh (R0.40). Data has been provided for all required greenhouse gas sources (excluding business fleet travel), indicating an improvement in data collection, and overall carbon footprint quality.

The Group's carbon reduction strategy aims to reduce the per capita GHG emission to 8.6 metric tonnes by 2012. RMB's carbon management strategy constitutes an important component for achieving this target and is defined within the scope of FirstRand's top initiatives to reduce Greenhouses Gas 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

“FirstRand’s adoption of the Equator Principles demonstrates the Group’s long-term commitment to socially responsible banking practices.”

INDIRECT ENVIRONMENTAL IMPACT

Equator Principles and Environmental and Social Risk Analysis

FirstRand became an Equator Principles Finance Institution in July 2009 by becoming a signatory to the Equator Principles. These principles apply to all structured project finance activities, as defined by Basel II, where the capital costs associated with the project are above US \$10 million.

RMB has committed to extending Environmental and Social Risk Analysis (ESRA) practices beyond transactions accounted for in terms of the Equator Principles. The ESRA process is based on the Equator Principles requirements and will form part of the loan application process for the affected lending activities. About 60 staff members have had informal presentations on ESRA and the Equator Principles, and a formal training plan is to be rolled out during the coming months to ensure that business we engage in is properly scrutinised.

ESRA assessment may include:

- a review of environmental legal permits
- a review of independently prepared social and environmental studies
- the review of clients’ management practices relating environmental and social risks to their activities associated with the lending process

SUSTAINABILITY RISKS AND OPPORTUNITIES

Integrated control framework

During the year under review, progress was made in further integrating Environmental, Social and Governance (ESG) risks within RMB's internal control framework. The outcome of this approach is an even more integrated process of managing and reporting on the financial and non-financial performance of the Bank.

FirstRand's Board of Directors and its committees provide the highest level of oversight for ensuring that business strategy and risk tolerances are set in line with the realisation of sustainable profitability and the sustainable development of the Group's operating environment. Effective integration of our financial and non-financial controls allows RMB to view every transaction with every stakeholder as a sustainability opportunity.

ESG RISK IN FOCUS

What priority ESG issues are being addressed by RMB in the coming year?

Current sustainability priorities include investing in employee development and retention, maintaining progressive business client relationships, managing our carbon footprint, and continuing to implement ESG risk management processes in line with FirstRand's adoption of the Equator Principles.

(Christine Diack; Structured Finance)

What are some of the drivers behind RMB's implementation of an integrated financial and non-financial control framework?

RMB's environmental, social and governance (ESG) performance is independently evaluated on an annual basis through FirstRand, and has been enhanced more recently by a formal internal ESG risk reporting process, as vital to us as the financial reporting of the business. Failure to take into account relevant ESG risks, processes and measures, could result in civil and criminal penalties, reputational damage, loss of business and unnecessary staff attrition, all of which pose a significant threat to sustainable business.

(Camilla Allison; Risk & Compliance)

Can ESG performance be linked to financial success?

There is a strong link between the ESG risk reporting process and financial success. By integrating this process into the daily running of the business, we are able to highlight indicators that can be used to benchmark sustainability opportunities and the development of a strategy that is truly sound.

(Yvette Nowell; Head of the RMB Fund & Coordinator of Sustainability & ESG Risk Reporting)

Sign-off

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

On 13 September 2010,

At 1 Merchant Place, Sandton, Johannesburg



Yvette Nowell



Lindy McWilliams



Alan Pullinger



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