

FINDEV CANADA TRANSACTION SUMMARY

FirstRand Bank Limited (FirstRand Bank)

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

FirstRand Bank Limited (FirstRand Bank) is a wholly owned subsidiary of FirstRand Limited which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX) and is one of the largest financial institutions in Africa by market capitalization. FirstRand Limited operates mainly in South Africa but has operations in several other key African markets, the UK and India. FinDev Canada's loan is to FirstRand Bank, which is the South African banking entity. FirstRand Bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa, in particular, innovative financial solutions to SMEs in the country.

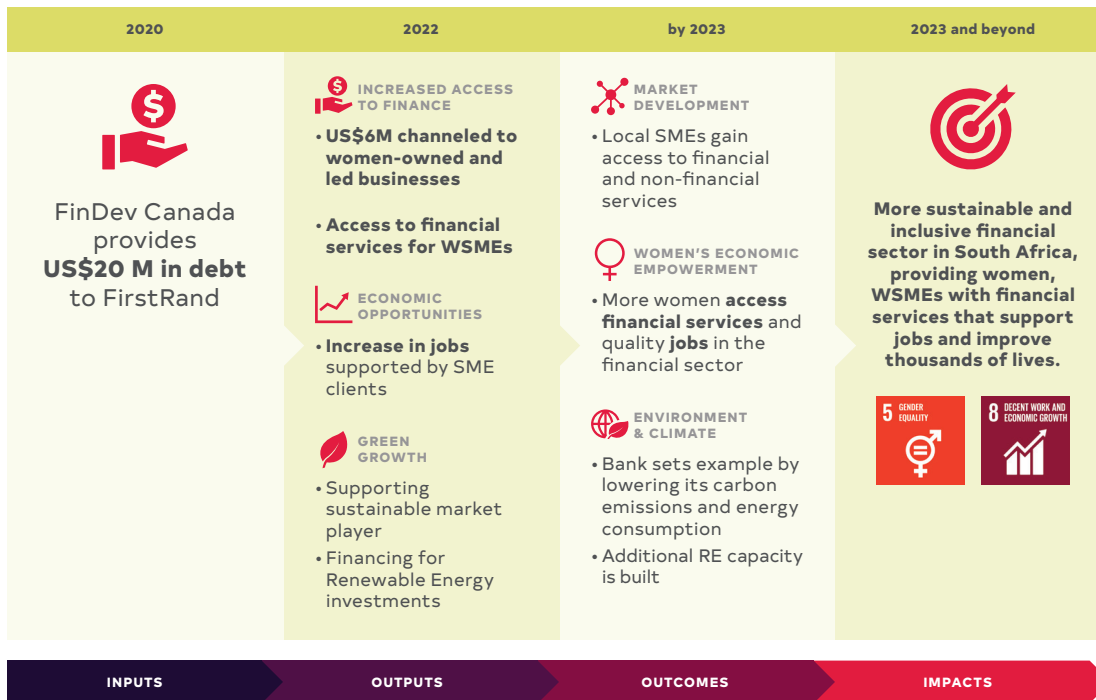
Transaction Details

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| COUNTERPARTY | FirstRand Bank Limited ("FirstRand Bank", "The Borrower") |
| DOMICILE OF INCORPORATION | South Africa |
| DOMICILE OF OPERATIONS | South Africa |
| TERM OF FINANCING | 3 years |
| SECTOR | Financial Services |
| IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY | FI-2 (Equivalent to a category B) |
| FINANCING PRODUCT | Debt |
| FINDEV CANADA TRANSACTION AMOUNT | USD 20 million |
| DATE OF TRANSACTION DISCLOSURE | July. 02, 2020 |
| DATE OF TRANSACTION SIGNING | Oct. 9, 2020 |
| DATE OF TRANSACTION SUMMARY PUBLICATION | Jan. 29, 2021 |
| 2X CHALLENGE QUALIFYING | Yes, under a direct criterion ("Employment") and the indirect criterion ("Investments through Financial Intermediaries") |

Summary of Anticipated Development Impacts

FirstRand Bank is one of the four largest banks in South Africa and it offers products and services that support thousands of SMEs, women clients and green infrastructure. FirstRand Bank plays a key role in supporting investments that address financing gaps and mitigate climate change.

The key development impact of the FirstRand Bank loan is to provide financial services to South African companies, including women-owned and led SMEs, and fund climate change mitigation and adaptation investments. Women-owned and women-led businesses will receive thirty percent (30%) of the proceeds. The impact theory of change below summarizes how FirstRand Bank will contribute to FinDev Canada's long-term development impact goals and the Sustainable Development Goals (SDGs), particularly SDG 5 "Gender Equality" and SDG 8 "Decent Work and Economic Growth".





MARKET DEVELOPMENT

- **Strengthen local SMEs and value chains:** FirstRand Bank supports the local economy by on-lending to SME clients.
- **Supporting decent employment:** FirstRand itself maintains over 48,000 high quality, permanent and temporary jobs, offering benefits including financial training and advancement opportunities, parental leave, vacation days, social security, and life and health insurance.
- **Financial services for SMEs:** FirstRand's financial products include consumer, housing and SME loans, in addition to credit cards, renewable energy investments and investment banking.
- **GDP contribution through economic value-added:** The transaction will contribute economic value, directly and indirectly to local economies.



WOMEN'S ECONOMIC EMPOWERMENT

- **Support women's business ownership:** FirstRand Bank is committed to channeling 30% of FinDev Canada's loan towards women-owned and women-led companies.
- **Support women's leadership, and employment:** As an employer, FirstRand Bank maintains a high participation of women throughout the organization, has women represented on its board of directors, and in Top Management positions¹.

FirstRand Bank qualifies for the 2X Challenge based on its commitment to channel 30% of FinDev Canada's proceeds to women-owned and women-led businesses and its provision of quality employment to women, supported by dedicated programs to advance women in the workplace, with added emphasis on African women.



ENVIRONMENT AND CLIMATE ACTION

- **Contribute to the transition to a low-carbon economy:** FirstRand Bank has made investments to mitigate the impact of climate change by supporting companies bidding for renewable energy projects (e.g. wind and solar facilities) by providing them with senior and mezzanine debt facility products.
- **CO₂ equivalent emissions avoided:** Within its internal operations, FirstRand Bank has leveraged its climate and environmental experts to measure its carbon footprint, avoid emissions, and set long-term energy and carbon reduction targets for its South African operations. FirstRand has demonstrated its commitment to the natural environment by becoming a signatory to the Financial Stability Board's Task Force on Climate-related Financial Disclosures and a member of the UNEP FI Task Force on Climate-related Financial Disclosure working group. FirstRand is also a member of the core working group of the Programme for Carbon Accounting Financials (PCAF) which aims to develop a carbon accounting standard within the next two years.

¹ Board of Directors: 16 (of whom 5 are women); Top Management: 12 (of whom 4 are women), Staff 48,790 (of whom 28,780 are women).

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

The environmental and social risks attributed to this transaction will arise from FirstRand Bank using the FinDev Canada funds to on-lend to customers, and the potential impacts that those projects will have on people and the environment. FirstRand Bank's customer base includes individuals and small, medium and large sized enterprises and public sector entities with disbursement largely falling in retail and commercial, corporate and institutional loans. FinDev Canada's support will focus on medium sized enterprise lending through FirstRand Bank. Risks associated with this type of lending can be diverse and may trigger different IFC Performance Standards. Site specific impacts for each on-lending transaction cannot be determined at this time.

FirstRand Bank is an Equator Principles Financial Institution (EPFI) and applies the IFC Performance Standards to all transactions which meet the Equator Principles criteria. FirstRand Bank mitigates transaction-based risk through their Environmental and Social Risk Assessment (ESRA) tool which helps to assess and categorize risk for further review and due diligence by environmental and social specialists. Risk is mitigated through adherence to FirstRand Bank's exclusion and sensitive industries list and host country legislation. Where applicable, FirstRand Bank establishes transaction covenants and monitors these transactions, along with those identified as operating in sensitive industries, to ensure environmental and social compliance.

FinDev Canada is of the opinion that adverse environmental, social or human rights risks associated with the transaction are limited and mitigated by FirstRand Bank's alignment with international standards, management systems, internal capacity and lack of third-party criticism. FirstRand Bank's robust set of policies and their *Guideline for the Management of Environmental and Social Risks in Financing* is designed to meet or exceed host country standards. FinDev Canada does not anticipate FirstRand Bank having any difficulty in maintaining regulatory compliance in the markets in which it functions.