

# FINDEV CANADA TRANSACTION SUMMARY

## FirstRand Bank

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



### Transaction Description

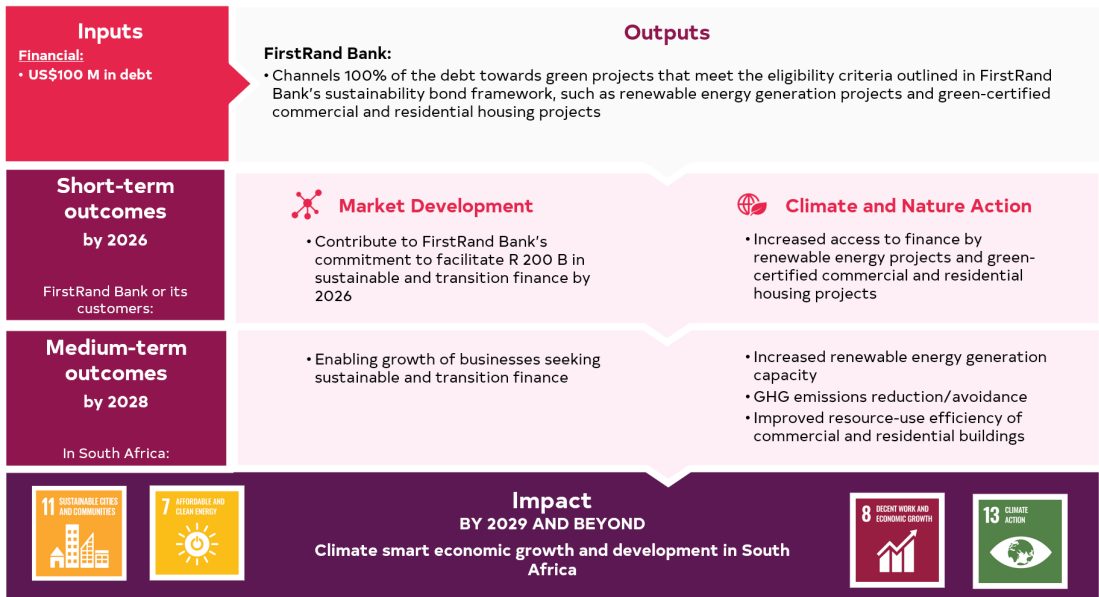
FirstRand Bank Limited (the Bank) is a wholly owned subsidiary of FirstRand Limited (FirstRand or the Group), listed on the Johannesburg Stock Exchange (JSE) and Namibian Stock Exchange (NSX). It is the largest financial institution in Africa by market capitalization, and the second largest bank in South Africa by total assets. It provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. The Bank has three major divisions which are separately branded: First National Bank (FNB), WesBank and Rand Merchant Bank (RMB). This is FinDev Canada's second transaction with FirstRand Bank, following an initial transaction in October 2020. All proceeds from this new transaction will be allocated to support the expansion of the Bank's green loan portfolio.

### Transaction Details

COUNTERPARTY	FirstRand Bank Limited ("FirstRand Bank", "The Borrower")
DOMICILE	South Africa
COUNTRY(IES) OF OPERATION	South Africa
TERM OF FINANCING	5 years
SECTOR	Financial Industry
E&S CATEGORY	FI-2
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	Up to USD 100M
DATE OF TRANSACTION DISCLOSURE	01 February 2024
DATE OF TRANSACTION SIGNING	28 June 2024
DATE OF TRANSACTION SUMMARY PUBLICATION	28 September 2024
2X ALIGNMENT	Not applicable

## Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to partner with FirstRand Bank, a well-established bank in South Africa, to support its green lending portfolio thereby promoting the transition to a low-carbon economy in the region. FinDev Canada's loan proceeds will be fully earmarked to finance green projects in South Africa as defined by FirstRand Bank's sustainability bond framework<sup>1</sup>. These encompass renewable energy, energy efficiency, climate change adaptation, green buildings, clean and sustainable transportation, pollution prevention and control, sustainable management of natural resources, climate smart agriculture, and electricity distribution networks.



<sup>1</sup>FirstRand Bank sustainability bond framework 2021.



## MARKET DEVELOPMENT

- **Increase access to finance for green projects:** This transaction aims to support FirstRand Bank's strategic plan to facilitate R200 billion<sup>2</sup> in sustainable and transition finance in the South African economy by 2026. FinDev Canada's loan proceeds will contribute to increased access to finance by businesses and/or residences seeking to fund eligible green projects as defined in FirstRand Bank's sustainability bond framework.



## CLIMATE AND NATURE ACTION

- **Support the transition to a low-carbon economy:** It is expected that proceeds from this transaction will be channeled towards renewable energy projects, green housing projects (e.g., solar home solutions projects and eco-energy homes<sup>3</sup>), and green buildings<sup>4</sup> and other eligible assets in terms of FirstRand Bank's sustainability bond framework. This is anticipated to increase renewable energy generation capacity and to improve the resource-use efficiency of commercial and residential buildings, ultimately contributing to the transition to a low-carbon economy.
- **Reduce or avoid GHG emissions:** FirstRand Bank's sustainable and transition finance activities have generated an impact track record that includes the installation of 376 MW of renewable energy capacity and the certification of 54 green buildings with a minimum of 20% efficiency in energy and water consumption as at 30 June 2023. FirstRand Bank is decreasing its lending into fossil fuel sectors and is actively engaging with top polluting clients to define GHG emissions reduction targets. FinDev Canada's proceeds will support FirstRand Bank's commitment to achieve net zero financed emissions by 2050.

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<sup>2</sup> Transaction underwriting, arranging, lending or advisory.

<sup>3</sup> Excellence in Design for Greater Efficiencies (EDGE) certified residential buildings by the IFC's EDGE partners. EDGE is a green building certification system and aims to help developers reduce their buildings' energy and water consumption as well as embodied energy in materials by 20%, while lowering greenhouse gas emissions.

<sup>4</sup> Buildings that achieve at least 20% emissions/ energy performance improvements; have Leadership in Energy and Environment Design "Gold" certification; are in the Green Star 4 category or above; are at Energy Water Performance (EWP) Level 6 or above; or EDGE certified by the IFC's EDGE partners.

## Summary of Environmental and Social (E&S) Assessment and Related Risk Mitigation Measures

FinDev Canada's E&S Risk Management considers the transaction to be a category FI-2, given the nature and size of transactions to be financed with the use of proceeds. Eligible activities under FirstRand Bank's sustainability bond framework will be mainly comprised of medium risk sectors, including renewable energy and green housing. Potential E&S risks could be related to labour rights and working conditions, including gender-based violence and harassment, occupational and community health & safety, waste management, solar supply chain, and client protection.

E&S risks are mitigated by FirstRand Bank's environmental and social risk assessment (ESRA) process, which is aligned with the International Finance Corporation (IFC) Performance Standards and Equator Principles and applies to all material lending and investment transactions. The ESRA process includes a negative screening for excluded and restricted activities, a detailed due diligence process to support risk categorization, assessment, and monitoring, and an external communication and engagement mechanism. In 2022, FirstRand Bank enhanced the ESRA process to incorporate climate and biodiversity-related risk assessment. Additionally, FirstRand Bank has implemented a Human Rights framework under which the group is committed to avoid causing, contributing to or being complicit in adverse human rights outcomes, directly or indirectly.

FinDev Canada's E&S risk due diligence was undertaken between 14 and 15 November, 2023, and consisted of track record searches, direct engagement with the client's representatives and E&S personnel, and a review of environmental and social documentation, including publicly disclosed E&S policies. In conducting its environmental and social review, FinDev Canada's E&S Risk Management Team identified the IFC Performance Standards 1 & 2 as the relevant international E&S benchmarks for the transaction, and is of the opinion that adverse environmental, social, or human rights risks associated with the client's on-lending portfolio will be managed in a manner that aligns with the FinDev Canada Environmental and Social Policy, the IFC Performance Standards and relevant International Standards. Opportunities to enhance FirstRand Bank's E&S risk assessment process will be explored with the client, including through Technical Assistance.