



FirstRand

Green bond investor roadshow

October 2023

Agenda

- Group's climate approach
- Client solutions/value propositions
- FRB's debut green bond issuance
- Term sheet



Group's climate approach



FirstRand

FirstRand considers climate change as both a risk and opportunity

- FirstRand believes climate change is a challenge globally
- As a systemic bank and allocator of financial resources, the group must deliver solutions for climate resilience and a just transition
- All sectors and segments will be impacted
- However, despite the risks, it also presents growth opportunities for the group and its customers
- SA faces particular need, given energy crisis, requires “**addition**” as well as transition

Responding to climate change aligns to group purpose (SHARED PROSPERITY)



Responding to climate risk and opportunities is integrated into FirstRand's strategy

- Foundational **climate risk management** established in 2020 and **well entrenched**
- **Operationalised** group's **climate response**

FRM framework – key enabler

- Incentivise green deals through differentiated pricing
- Funding strategies to support origination of green assets
 - Sustainability bond framework (Dec 21)
 - FRB sustainability bond (R2bn) and FNB Namibia green bond (N\$353m) issued in 2022
 - Partnering with DFIs (currently >\$400m funding allocated to originating climate assets)

Dedicated **governance structures** embedded in operating businesses

Dedicated **sustainable finance teams** across operating businesses

Internal taxonomy aligned to sustainability bond framework

Financing policies for coal, oil and gas with funding limits



Ensuring accountability

- **Remuneration practices**
 - Climate included in exec scorecards – weighting aligned with other material growth strategies, e.g. diversification, digitisation
 - Lack of progress on climate roadmap can result in downward adjustment of LTI vesting outcome
- Published five-year **climate roadmap** and **commitments** in 2021
- FirstRand **adopted** the Task Force on Climate-related Financial Disclosures (**TCFD**) **recommendations** in 2020 and published first **TCFD report** in 2021



FirstRand's climate ambitions and commitments

Own emissions	Financed emissions	
<p>Net zero by 2030 for South African operations</p> <ul style="list-style-type: none"> ✓ 6% increase from 2022 emissions (SA) due to use of diesel generators as a result of increased loadshedding and refined data capturing. The group has accelerated its operational strategy and is on track to meet the 2030 target. 	<p>Net zero by 2050</p> <ul style="list-style-type: none"> ✓ Initial overall pathway for FirstRand established ✓ Enhanced lending book baseline portfolio emissions 	
<p>No new thermal coal lending</p> <p>No financing for new coal-fired power stations</p> <p>No direct project finance provided to new coal mines from 2026</p> <ul style="list-style-type: none"> ✓ Within limit 	<p>Existing thermal coal lending</p> <p>2% of group advances limited to 1.5% in 2026 and 1% in 2030</p> <ul style="list-style-type: none"> ✓ Within limit 	<p>Oil and gas lending</p> <p>2.5% of group advances limit on upstream oil and gas</p> <ul style="list-style-type: none"> ✓ Within limit
<p>Customer engagement</p> <p>3 million retail clients in 2024</p> <ul style="list-style-type: none"> ✓ Top 200 corporate clients in 2023 ✓ Top 100 corporate clients in 2022 	<p>Sustainable and transition finance*</p> <p>R140 billion FY24 – FY26</p> <ul style="list-style-type: none"> ✓ R35 billion in 2023 ✓ R25 billion in 2022 	

* Transaction underwriting, arranging, lending and advisory.

✓ Commitment or ambition met in 2023 financial year.



Current focus is balance sheet driven

Built climate balance sheet

The group is using this balance sheet view to understand its baseline.

Client engagement

Help clients to assess climate impact and responses (including transition pathways).
Gives group better understanding of balance sheet opportunities to inform origination.

Accelerating the transition

Over time, FirstRand's balance sheet will be consistent with its 2050 net-zero commitment.



FirstRand climate balance sheet

The climate balance sheet is being used to steer portfolio decarbonisation

		2030
Green	Green assets and clients aligned with international definitions	Measured growth
Olive	Accelerated transition	Strong growth
Brown	Outsized emissions (transition risk) or inability to transition existing business	Measured reduction
Grey	Natural growth – with emissions intensity reducing in line with country NDCs	



Client solutions/value propositions



FirstRand

RMB green finance solutions

01



Financial solutions

- Green loans
- Green bond facilitation
- Performance-linked instruments to incentivise positive climate outcomes
- Transition and renewable energy finance
- Green deposits

02



Advisory/stakeholder engagement

- Working with corporates to understand their climate risks, opportunities and transition pathways
- Developing sustainable finance frameworks

03



Platform and eco-system enabled

- Developing hedging instruments with a thematic focus on climate, water and energy
- Developing carbon solutions, water and energy hedging instruments



FNB green finance solutions

Retail

Commercial

Financial solutions

Residential mortgage solutions to facilitate energy-efficient homes

Innovative sustainable finance funding solutions

Asset-based sustainable finance solutions

Advisory/stakeholder engagement

Development and implementation of a carbon footprint calculator on platform to assist with climate awareness

Partnering with clients to understand their approach to climate change, water security and sustainability

Platform and eco-system enabled

Using group's platform to create a marketplace in renewable products and technology that connects clients across the group's ecosystem



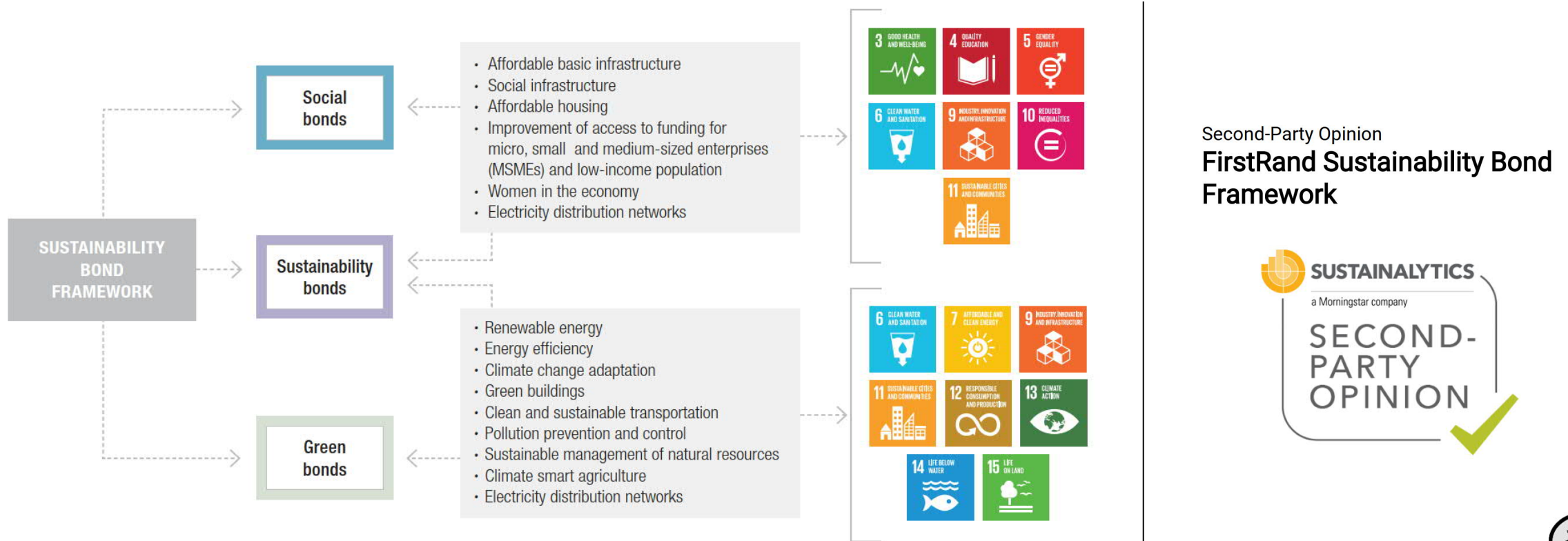
FRB's inaugural green bond issuance



FirstRand Bank

FirstRand's sustainability bond framework

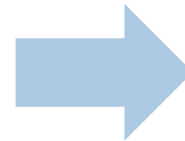
- In December 2021, the group published its sustainability bond framework under which its subsidiaries can issue thematic debt instruments, such as green, social and/or sustainability bonds
 - Aligned to international best practice and guidance as issued by the International Capital Market Association (ICMA)
 - Independently assessed by Sustainalytics
 - Framework and second-party opinion available on FirstRand's website



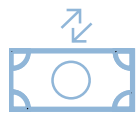
FRB's inaugural green bond



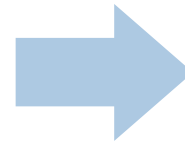
Existing loans are those which have reached financial close, up to 24 months prior to the issuance or where the assets are not yet fully operational



50% of total bond issuance will be allocated to existing green assets



New loans are those where disbursements have been made up to one year prior to issue of the bond and at any time from the date of the issuance



50% of total bond issuance will be allocated to future green assets



Any unallocated bond proceeds will be **fully allocated** to any eligible loan/asset portfolio within two years from the date of each issuance



Above split will be maintained on a best-efforts basis, subject to practical considerations to ensure full allocation is reached



Use of proceeds – green assets

One of the thematic investment categories of the **green bond** is **renewable energy** which is critical in enabling a transition to a low-carbon economy and addressing the current energy challenges in SA – the proceeds for existing and new assets are likely to be largely allocated to renewable energy projects

Indicative portfolio view of qualifying eligible new green assets (which have been originated within 12 months prior to this green bond issuance)



Renewable energy assets in the Northern Cape and Eastern Cape provinces of South Africa



Approximately 158MW of installed capacity



Expected GHG emissions reduction of ~470ktCO₂e

Indicative pipeline view of qualifying eligible new green assets (which will likely be originated (and for which funds will be disbursed) within 24 months post this green bond issuance, at the latest)



Wind and solar renewable energy assets in South Africa



Potential installed capacity of ~300MW



Potential GHG emissions reduction of ~680 ktCO₂e

Indicative impact reporting

- Total installed capacity MW
- Annual generated renewable power (MWh/year)
- Estimated annual tonnes of CO₂ equivalent emission avoided (tCO₂e/year)
- Number of people with access to clean energy services
- Estimated number of jobs created



Use of proceeds – green assets

Indicative portfolio of green assets for FNB

Retail

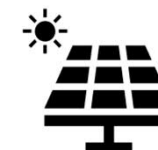
Eco-energy home loans



- IFC EDGE certified residential buildings

Commercial

Asset-based finance – solar



- Financing for solar PV plants paid directly to vetted suppliers

Indicative impact reporting

- Number of mortgages provided to green-certified houses
- Total m² of green buildings funded
- **Estimated** annual CO₂ equivalent emissions reduction/avoidance (tons CO₂eq/year)

- Total installed capacity MW
- Annual **estimated** generated renewable power (MWh/year)
- **Estimated** annual CO₂ equivalent emission reduction (tons CO₂eq/year)



Monitoring and reporting

- FirstRand will publish an annual allocation and impact report on its website
 - Supported by a limited assurance report on the allocation provided by external auditors on an annual basis (until full allocation)
- The allocation and impact report will provide:
 - Total amount of proceeds allocated to eligible loans/assets
 - Number of eligible loans/assets
 - Balance of unallocated proceeds
 - Amount/percentage of new financing and refinancing
 - Annual impact indicators for use of proceeds for green assets

Extract from first allocation report on FRB's previously issued sustainability bonds

Allocated eligible projects by category	Number of eligible projects	FRJ27S		FRJ29S	
		R thousand	% of proceeds	R thousand	% of proceeds
Green buildings	3	192 048	20%	214 701	20%
Affordable housing**	Multiple	556 815	58%	622 494	58%
Total allocated***		748 863^{LA}	78%	837 195^{LA}	78%
Refinancing of existing and new assets [#]	Multiple	479 000	64%	535 500	64%
Financing of future assets [†]	Multiple	269 863	36%	301 695	36%
Total unallocated		209 137	22%	233 805	22%

* The allocation and impact reporting process for the FRB's sustainability bond issuance began after the group's 2022 financial year end, and was followed by a limited assurance (LA) process. This was aligned to the group's sustainability bond framework, which outlines the reporting requirements (sections 5.4 and 6.2). This allocation and impact report has been published ahead of the first issuance anniversary.

** Borrowers whose income levels comply with the income criteria and first-time home buyer requirements outlined in the South African government's Finance Linked Individual Subsidy Programme qualifying criteria are eligible.

*** The total allocated against eligible projects has been subject to an independent assurance process by PwC. The assurance report is available at: <https://www.firstrand.co.za/investors/debt-investor-centre/sustainable-finance/>.

[#] Existing and new assets as defined in the sustainability bond framework were originated no more than 24 months prior to the bond issuance.

[†] Future assets for the purpose of this report were originated post bond issuance and prior to the date of this report.



Term sheet



FirstRand Bank

Indicative term sheet

Issuer	FirstRand Bank Limited
National scale credit rating	Moody's Aa1.za & S&P Global zaAA
Nominal target	R3 billion, with the ability to increase to R3.5 billion, subject to volume and bid spreads
Note tenor	5 year/7 year
Interest payment basis	Floating rate note
Pricing reference rate	3m Jibar
Auction date	Monday, 9 October
Settlement date	Thursday, 12 October (t+3)
Maturity date	12 October 2028/12 October 2030
Instrument status	Green senior unsecured, listed on the Sustainability Segment of the JSE interest rate market
Use of proceeds	The proceeds of the notes will be used to finance and/or refinance, in whole or in part, existing and/or future renewable energy projects and/or existing and/or future green buildings, which meet certain criteria in accordance with the FirstRand sustainability bond framework
Use of proceeds penalty	To the extent the Issuer cannot fully allocate the proceeds within the 24-month allocation period, a penalty of 15 bps will be added to the margin stipulated in the final APS
Placement methodology	Dutch auction (sealed bid without feedback)



Indicative timeline

Event	Date
Term sheet and draft applicable pricing supplement	28 September 2023
Virtual investor roadshow	2 and 3 October 2023
Updated term sheet with price guidance	4 October 2023
Proposed auction date	9 October 2023
Settlement date (t+3)	12 October 2023



Relevant links

Disclosure	Link
FirstRand sustainability bond framework	www.firstrand.co.za/media/investors/governance/firstrand-sustainability-bond-framework.pdf
Second-party opinion – FirstRand sustainability bond framework	www.firstrand.co.za/media/investors/governance/second-party-opinion-firstrand-sustainability-bond-framework.pdf
FirstRand 2022 report to society	www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2022.pdf
FirstRand 2022 TCFD report	www.firstrand.co.za/media/investors/annual-reporting/firstrand-tcf-report-2022.pdf

