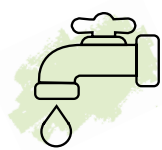




# Sustainability bond framework

December 2021





**FirstRand**

1966/010753/06

Certain entities within the FirstRand group are authorised financial services and credit providers. This analysis is available on the group's website:

**[www.firstrand.co.za](http://www.firstrand.co.za)**

Email questions to  
[investor.relations@firstrand.co.za](mailto:investor.relations@firstrand.co.za)

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# 1 Introduction

This document outlines the sustainability bond framework (**framework**) under which FirstRand Limited and its subsidiaries (collectively referred to as **FirstRand** or the **group**), including FirstRand Bank Limited (**FRB** or the **bank**), intend to issue thematic debt instruments, such as green, social and/or sustainability bonds. The proceeds of these issuances will be utilised to fund assets/ initiatives which would contribute to achieving specific objectives aligned to FirstRand's ambition to create shared prosperity for a broad range of stakeholders as outlined below.

This framework is aligned to international best practice and guidance as issued by the International Capital Market Association (ICMA):

- > Green Bond Principles (GBP) 2021;
- > Social Bond Principles (SBP) 2021; and
- > Sustainability Bond Guidelines (SBG).

## 2 FirstRand's shared prosperity approach to inclusive value creation

FirstRand recognises that it has a responsibility to deliver both financial value and positive social and environmental outcomes for multiple stakeholders as captured in its purpose statement:

**FirstRand's purpose is to build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.**

Embedding these principles of shared prosperity into strategy and operations was introduced as a strategic priority for the group in 2019.

These principles underpin the group's view that it must intentionally use core business activities, including its role in allocating capital to the economy, to add value to society – profitably and at scale.

The group views this as a transformative and sustainable business strategy, albeit a long-term journey. It requires the group to commit to deriving economic, social and environmental value from its activities and operations, and to deliberately measure this value. Integral to this objective is assessing whether the group's products and services, and the way they are delivered to customers, address key social and environmental imperatives, or only drive profitability.

South Africa and several other countries in which the group operates face a broad range of social and environmental challenges and, whilst FirstRand cannot solve all of these challenges as a systemic financial services business, it has the capacity to be a force for good.

These shared prosperity principles need to be captured in the group's financing processes by integrating social and environmental risk management principles in decision-making. As a provider of financial products and services, FirstRand is a systemic participant in the economy and in the allocation of financial resources to society. Although the group is only at the beginning of its shared prosperity journey, it has, however, started to introduce these principles into certain core frameworks (such as its financial resource management framework which guides the allocation of the group's scarce financial resources, including capital, funding and liquidity, and risk appetite).

This sustainability bond framework supports the group's financial resource allocation to achieve its sustainable finance ambitions.

# 3 FirstRand’s approach to environmental and social risk management

FirstRand is committed to the effective management of the environmental and social risk associated with its lending and investment decisions, product and service offerings, own organisational impacts, and in promoting responsible practices through its value chains.

The identification, management and mitigation of environmental and social risks are fully integrated into the group’s risk management processes. The group has also established two specialist committees to oversee and manage climate-related risks and opportunities, namely the climate steering committee and the technical climate committee.

## 3.1 The environmental and social risk assessment due diligence process

The group’s environmental and social risk assessment (ESRA) transactional due diligence process is integrated into its credit risk governance process. It identifies and assesses environmental, social and regulatory or reputational risks, to either FirstRand or its clients, with the potential to cause severe societal and environmental degradation as well as to negatively impact the ability of clients to meet their credit commitments. ESRA is aligned to internationally accepted best practice instruments such as the United Nations Environment Programme Finance Initiative and the Equator Principles, to which the group is a signatory. ESRA is currently being enhanced by the group’s climate risk management programme, which means that sector, portfolio, group and country-level climate-related risks will be incorporated.

Loan and investment screenings start when an application for debt funding or an investment is proposed. An automated tool that has been integrated into the group’s credit application processes is used to check whether environmental and social risks are applicable to the transaction, and whether the activity is categorised as high, medium or low risk.

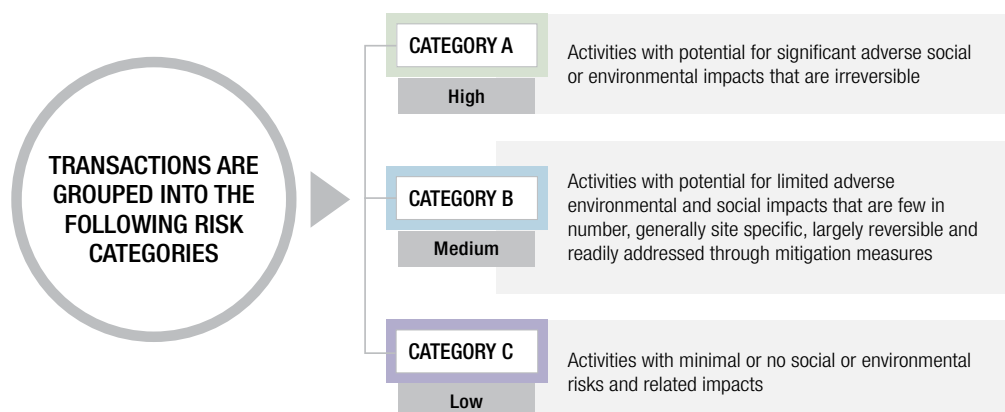
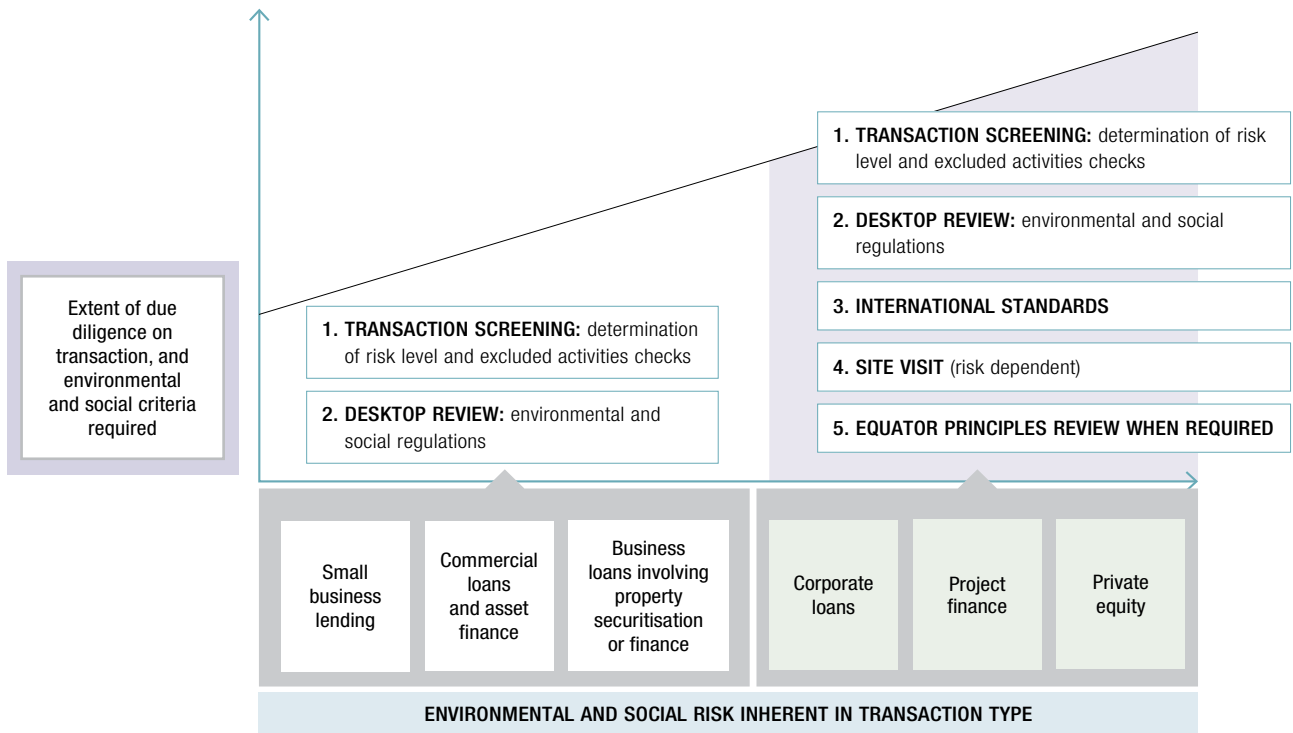


Figure 1 Transactional risk categorisation

FirstRand's approach to environmental and social risk management (continued)

Categories reference the inherent environmental and social risk that may be related to a specific activity for which investment or finance is being provided. Medium- and high-risk transactions undergo further due diligence processes before submission to the credit committee for consideration. The process is conducted prior to credit committee or investment committee approval and is a condition of approval by these committees where environmental and social risks are identified for a transaction.

Scope of ESRA review related to transaction type



## 4 FirstRand Bank as issuer

FRB is a wholly owned subsidiary of FirstRand Limited. The bank 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, Rand Merchant Bank (RMB) and WesBank. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola and Shanghai. FRB is the primary debt-issuing entity in the group and intends to periodically issue thematic debt instruments, such as green, social and/or sustainability bonds.

## 5 Framework review process and relevant principles/guidelines

The group will regularly review and update this framework in line with market developments, and in order to incorporate best practice evaluation, management and reporting.

This framework has been developed in line with the ICMA GBP, SBP and SBG, and covers the following key pillars:

- > use of proceeds;
- > process for project evaluation and selection;
- > management of proceeds; and
- > reporting.

The group has adopted the guiding principles and reporting requirements of the United Nations (UN) Sustainable Development Goal (SDG) framework; the ICMA GBP, SBP and SBG; and the group's internal ESRA framework.

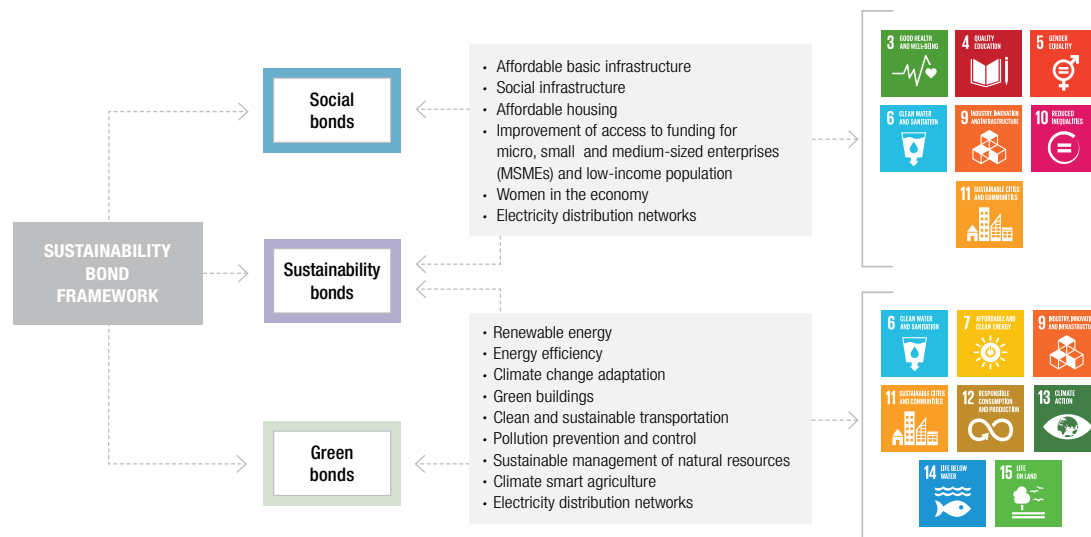
The ICMA principles and guidelines are globally accepted by issuers and investors and provide a credible framework for sustainability bond issuances.

### 5.1 Use of proceeds

#### 5.1.1 Investment categories and eligibility criteria

The use of proceeds is a key requirement for the classification of an instrument as green, social and/or sustainable. An amount equivalent to the proceeds of the green, social and/or sustainability bond issuance(s) will be exclusively used to finance or refinance, in whole or in part, eligible loans/assets (loans/assets that are congruent with the investment categories and eligibility criteria outlined below).

#### Bond classification system











Framework review process and relevant principles/guidelines (continued)

The group is committed to ensuring that proper due diligence is conducted to ensure compliance with internal standards on each loan/asset prior to allocating funding.

The eligibility/qualification criteria are summarised in the following tables.

FirstRand's social bond categories







INVESTMENT CATEGORY	SOCIAL BOND PRINCIPLE	ELIGIBILITY CRITERIA	APPLICABLE UN SDG
 <p><b>Affordable basic infrastructure</b></p>	<p>Affordable basic infrastructure</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of:                             <ul style="list-style-type: none"> <li>– Construction and maintenance of, and equipment for water supply infrastructure, e.g. pipework.</li> <li>– Installation or upgrade of water treatment infrastructure (excluding infrastructure associated with fossil fuel operations).</li> <li>– Expansion of public access to safe and affordable drinking water, including construction of bulk infrastructure facilitated by private institutions, utility companies and municipalities.</li> <li>– Providing access to adequate sanitation facilities including but not limited to building toilets and bulk sewerage infrastructure, among others.</li> </ul> </li> </ul>	 
 <p><b>Social infrastructure</b></p>	<p>Access to essential services</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of the construction or maintenance of any greenfield facilities or renovation of existing healthcare and education facilities that would enable efficiency, quality, access and capacity of the facility regardless of the beneficiary's ability to pay.</li> <li>&gt; Financing or refinancing of any project that aims to improve the standards of technology, via the procurement of equipment or development of new facilities within the healthcare sector, which enables efficiency, quality, access and capacity regardless of the beneficiary's ability to pay.</li> <li>&gt; Financing or refinancing of any project that aims to provide access to tertiary education or vocational and technical skills training, as well as access to campus infrastructure, which would improve individuals' access to employment/self-employment.</li> <li>&gt; Financing or refinancing of any greenfield facilities or renovation of existing childcare facilities that would improve the efficiency, quality and capacity of the facility regardless of the beneficiary's ability to pay.</li> <li>&gt; Financing or refinancing or any project that aims to achieve universal health coverage, including financial risk protection and effective access to safe, effective, quality and affordable essential medicines and vaccines at no cost to the beneficiary.</li> <li>&gt; Financing or refinancing of any project that aims to support the research and development of vaccines and medicines for communicable and non-communicable diseases that will be provided to the user at no cost.</li> </ul>	 
 <p><b>Affordable housing</b></p>	<p>Affordable housing</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of any project that involves the construction of or investment in registered/recognised affordable or social housing accredited as such in the jurisdiction in which it operates for defined target populations*.</li> <li>&gt; Financing or refinancing of financial services offerings and solutions to facilitate home ownership for targeted populations as defined by the South African government's Finance Linked Individual Subsidy Programme (FLISP)*.</li> </ul>	

\* Criteria are aligned to FLISP to acknowledge the high level of social impact generated by the programme in South Africa. Additional detail on FLISP criteria and impact will be included for relevant issuances. The group does also recognise and operate within the Banking Association of South Africa's criteria for affordable housing, which consider the consumer price index and the building cost index within the country. Specific definitions will be included for other group operating jurisdictions for relevant issuances. Definitions will be sourced from credible sources, including local government definitions (where the group operates), United Nations research, World Bank criteria, etc. Definitions will be clearly articulated and referenced in the annual allocation and impact report.







Framework review process and relevant principles/guidelines (continued)

FirstRand's social bond categories (continued)

INVESTMENT CATEGORY	SOCIAL BOND PRINCIPLE	ELIGIBILITY CRITERIA	APPLICABLE UN SDG
 <p><b>Improvement of access to funding for micro, small and medium-sized enterprises (MSMEs) and low-income populations</b></p>	<p>Access to essential services</p> <p>Employment generation and improvement through the potential effect of small and medium-sized enterprise (SME) financing and microfinance</p> <p>Socio-economic advancement and empowerment of disadvantaged groups</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of any project that aims to increase the access of small-scale industrial and other enterprises to financial services, including affordable credit at preferential rates, payment and saving accounts.</li> <li>&gt; Financing or refinancing of any project that promotes the formalisation and growth of MSMEs, as defined below, via activities and/or technical support (definitions have been aligned to the International Finance Corporation's Definitions of Targeted Sectors, and local currency equivalents will be applied to the thresholds below):                             <ul style="list-style-type: none"> <li>– Enterprises that have fewer than ten employees, and assets and annual sales of less than \$100 000 each, will be considered micro enterprises.</li> <li>– Enterprises that have fewer than 50 employees, and assets and annual sales of less than \$3 million each, will be considered small enterprises.</li> <li>– Enterprises that have fewer than 300 employees, and assets and annual sales of less than \$15 million, each will be considered medium-sized enterprises.</li> </ul> </li> </ul>	 
 <p><b>Women in the economy</b></p>	<p>Socio-economic advancement and empowerment of disadvantaged groups</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of any projects that aim to provide women and woman-owned MSMEs (within developing economies) with access to financial services, including affordable credit, payment and saving accounts, and non-financial services, including financial literacy and business skill training.</li> <li>&gt; Financing or refinancing of any MSME which qualifies as a woman-owned enterprise if it meets the following criteria:                             <ul style="list-style-type: none"> <li>– ≥51% owned by a woman or women; or</li> <li>– ≥20% owned by a woman or women, and (i) with ≥1 women as CEO/COO/president/vice-president and (ii) with ≥30% of the board of directors composed of women, where a board exists.</li> </ul> </li> </ul>	 







Framework review process and relevant principles/guidelines (continued)

FirstRand's green bond categories

INVESTMENT CATEGORY	GREEN BOND PRINCIPLES	ELIGIBILITY CRITERIA	UN SDGS
 <p>Renewable energy</p>	<p>Renewable energy</p>	<p>&gt; Financing or refinancing the construction, generation, transmission or maintenance of renewable energy and associated infrastructure, including wind, solar, tidal, hydropower, biomass, biogas and geothermal power:</p> <ul style="list-style-type: none"> <li>– Small-scale hydropower <math>\leq 25</math> MW.</li> <li>– Larger hydropower: lifecycle carbon intensity <math>\leq 100\text{gCO}_2/\text{kWh}</math> or power density <math>\geq 5\text{W}/\text{m}^2</math>.                             <ul style="list-style-type: none"> <li>• Any hydropower project will need to conduct an environmental and social risk assessment.</li> </ul> </li> <li>– Biogas: feedstock must be separated before use into recyclable and non-recyclable.                             <ul style="list-style-type: none"> <li>• Waste and non-waste feedstock will be utilised.</li> <li>• Waste feedstock includes but is not limited to animal and crop residues, food waste, algae sludge, waste paper and bagasse.</li> <li>• Non-waste feedstock will need to meet the sustainability criteria of the Roundtable on Sustainable Biomaterials and the International Sustainability &amp; Carbon Certification Plus programme, as well as have a carbon intensity of lower than <math>100\text{gCO}_2/\text{kWh}</math> (average over five years).</li> <li>• This threshold will be reduced every five years in line with a net-zero <math>\text{CO}_2\text{e}</math> in 2050 trajectory.</li> <li>• Geothermal projects: carbon intensity <math>\leq 100\text{gCO}_2/\text{kWh}</math>.</li> </ul> </li> </ul> <p>&gt; Financing or refinancing of the manufacture or import of components of renewable energy technology, including but not limited to wind turbines, solar panels, inverters and storage batteries.</p> <p>&gt; Financing or refinancing of manufacturing and supply chain/ distribution solely dedicated to renewable energy equipment and components.</p>	
 <p>Energy efficiency</p>	<p>Energy efficiency</p>	<p>&gt; Financing or refinancing of the manufacture and/or installation of components or technologies that enable energy efficiencies, e.g. smart grid technology (that are not coal-, oil- or gas-related).</p>	










Framework review process and relevant principles/guidelines (continued)

FirstRand's green bond categories (continued)

INVESTMENT CATEGORY	GREEN BOND PRINCIPLES	ELIGIBILITY CRITERIA	UN SDGS
 <p><b>Climate change adaptation</b></p>	<p>Climate change adaptation</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of investments (i.e. assets, systems or activities) intended to address physical climate risk and strengthen resilience and adaptive capacity to climate-related hazards and natural disasters, and substantially decrease the direct economic losses from disasters, including water-related disasters, with a focus on protecting the poor and people in vulnerable situations. These investments must:                             <ul style="list-style-type: none"> <li>– demonstrate an understanding of the climate risk faced by the asset, system or activity;</li> <li>– ensure proper risk reduction measures are in place along with flexible management plans that account for uncertainties; and</li> <li>– demonstrate that the regular reevaluation of resilience benefits will be undertaken, and the results thereof addressed.</li> </ul> </li> <li>&gt; Examples of investments include but are not limited to climate observation and early warning systems, flood control and prevention systems, smart grids that protect against extreme weather, and porous pavement projects that focus on increased protection against river erosion.</li> <li>&gt; Financing or refinancing of projects or activities that increase the resilience of agribusinesses against climate risks, including but not limited to sub-surface drip irrigation.</li> <li>&gt; Large-scale agricultural operations will be considered eligible if they are sustainability certified by credible organisations such as:                             <ul style="list-style-type: none"> <li>– Rainforest Alliance;</li> <li>– Round Table on Responsible Soy;</li> <li>– Bonsucro;</li> <li>– Better Cotton Initiative; or</li> <li>– Roundtable on Sustainable Biomaterials.</li> </ul> </li> <li>&gt; Large-scale agricultural projects that entail livestock and/or poultry farming or production will not be considered eligible.</li> </ul>	 
 <p><b>Green buildings</b></p>	<p>Green buildings</p>	<ul style="list-style-type: none"> <li>&gt; Finance or refinance of certified greenfield projects, or the construction, reconstruction, retrofitting, renovation and/or operation of buildings to make them sustainable, improve resource efficiency and adopt environmentally sound technologies.                             <ul style="list-style-type: none"> <li>– Buildings must achieve equal to or more than 20% emissions/energy performance improvements (or primary energy demand) over baseline (baseline can be building codes such as ASHRAE 90.1 2010, SANS 10400-XA building energy efficiency code or XA building energy efficiency code, or more recent).</li> </ul> </li> <li>&gt; Alternatively buildings must at least:                             <ul style="list-style-type: none"> <li>– have Leadership in Energy and Environment Design “Gold” certification;</li> <li>– be in the Green Star 4 category or above;</li> <li>– be at Energy Water Performance (EWP) Level 6 or above; or</li> <li>– be Excellence in Design for Greater Efficiencies (EDGE) certified by the International Finance Corporation’s EDGE partners.</li> </ul> </li> <li>&gt; Moreover, additional certification focused on the health and well-being of tenants (WELL Building Standard) may be considered.</li> </ul>	 




Framework review process and relevant principles/guidelines (continued)

FirstRand's green bond categories (continued)




INVESTMENT CATEGORY	GREEN BOND PRINCIPLES	ELIGIBILITY CRITERIA	UN SDGS
 <p>Clean and sustainable transportation</p>	<p>Clean transport</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of projects and/or research and development associated with green hydrogen.                             <ul style="list-style-type: none"> <li>– The production of hydrogen from fossil fuel (brown/grey/black hydrogen) will not be considered.</li> </ul> </li> <li>&gt; Financing or refinancing of the import, manufacture or use of electric vehicles, or the construction of charging stations or supporting infrastructure.</li> </ul>	 
 <p>Pollution prevention and control</p>	<p>Pollution prevention and control</p> <p>Eco-efficient and/or circular economy adapted products, production technologies and processes</p>	<ul style="list-style-type: none"> <li>&gt; Financing or refinancing of greenfield or reconstruction projects that convert waste to energy (waste will be converted into feedstock which must be separated into recyclable and non-combustible and non-hazardous materials before incineration), capture methane gas, support recycling, and/or reduce the amount of waste produced or sent to landfill.                             <ul style="list-style-type: none"> <li>– Methane capture will only be facilitated on non-operational/ decommissioned landfill.</li> <li>– Gas capture efficiency of &gt;75% will need to be achieved.</li> </ul> </li> <li>&gt; Financing of nature-based carbon capture and storage technologies and projects with carbon capture and storage benefits such as afforestation, marine, wetland and peatland conservation.</li> </ul>	
 <p>Sustainable management of natural resources</p>	<p>Terrestrial and aquatic biodiversity conservation</p> <p>Sustainable water and wastewater management</p> <p>Environmentally sustainable management of living natural resources and land use</p>	<ul style="list-style-type: none"> <li>&gt; Finance or refinancing of any project that involves terrestrial and aquatic biodiversity conservation.</li> <li>&gt; Financing or refinancing of the following:                             <ul style="list-style-type: none"> <li>– Installation or upgrade of water capture and storage infrastructure (including stormwater management systems, water distribution systems, aquifer storage and sewer systems).</li> <li>– Water metering activities to support conservation initiatives.</li> </ul> </li> <li>&gt; Replacement of phosphate- or nitrogen-based synthetic fertilisers in areas connected to rivers or coastal water basins, including but not limited to biofertilisers.</li> <li>&gt; Financing or refinancing of any sustainable infrastructure for clean and/or potable water, water efficiency improvement, water recycling, wastewater treatment (excluding wastewater from fossil fuel operations), desalination and sustainable urban drainage systems.                             <ul style="list-style-type: none"> <li>– Projects involving desalination activities must have an environmental risk mitigation strategy that must address the management of brine.</li> <li>– Must be powered primarily by renewable energy.</li> </ul> </li> <li>&gt; Financing or refinancing of                             <ul style="list-style-type: none"> <li>– Control, removal and eradication of invasive species to improve water catchments.</li> <li>– Conservation of biological species.</li> <li>– Any project that involves reforestation, afforestation and the preservation or restoration of the natural landscape.                                     <ul style="list-style-type: none"> <li>• Projects that involve reforestation and afforestation should use tree species that are well adapted to the specific site conditions and have a sustainable management plan in place. Where possible projects should be certified by the Forest Stewardship Council and/or the Programme for the Endorsement of Forest Certification.</li> </ul> </li> </ul> </li> </ul>	  

Framework review process and relevant principles/guidelines (continued)

FirstRand's green bond categories (continued)

INVESTMENT CATEGORY	GREEN BOND PRINCIPLES	ELIGIBILITY CRITERIA	UN SDGS
 <p>Climate smart agriculture</p>	<p>Environmentally sustainable management of living natural resources and land use</p> <p>Energy efficiency</p> <p>Sustainable water and wastewater management</p>	<p>&gt; Financing or refinancing of projects that contribute to climate smart agriculture which result in a reduction in:</p> <ul style="list-style-type: none"> <li>– energy use in traction, including but not limited to efficient tillage and other agricultural processes; or</li> <li>– water consumption by at least 10% compared to the baseline (efficient irrigation, laser soil levelling, switching to less water-intensive crops, water harvest and storage facilities).</li> </ul>	 

FirstRand's green and social bond categories

INVESTMENT CATEGORY	GREEN BOND PRINCIPLES	ELIGIBILITY CRITERIA	UN SDGS
 <p>Electricity distribution networks</p>	<p>Climate change mitigation</p> <p>Affordable basic infrastructure</p>	<p>&gt; Financing or refinancing modernisation geared at retrofitting transmission lines or substations to reduce energy use and/or technical losses by 15% and avoid electricity cuts.</p> <p>&gt; Financing or refinancing of the grid component (including but not limited to fuses and transformers) that aim to improve existing systems to facilitate the integration of renewable energy sources into the grid.</p> <p>&gt; Financing or refinancing any project that aims to improve existing systems and/or grids to facilitate the integration of renewable energy sources into the grid.</p> <p>&gt; Financing or refinancing of any project that supports off-grid electricity access and displaces fuel consumption (e.g. the replacement of kerosene lamps or diesel generators through electrification) or reduces the need for wood, coal or liquid fuel as a source of energy in the community, thereby reducing emissions.</p>	 

## Framework review process and relevant principles/guidelines (continued)

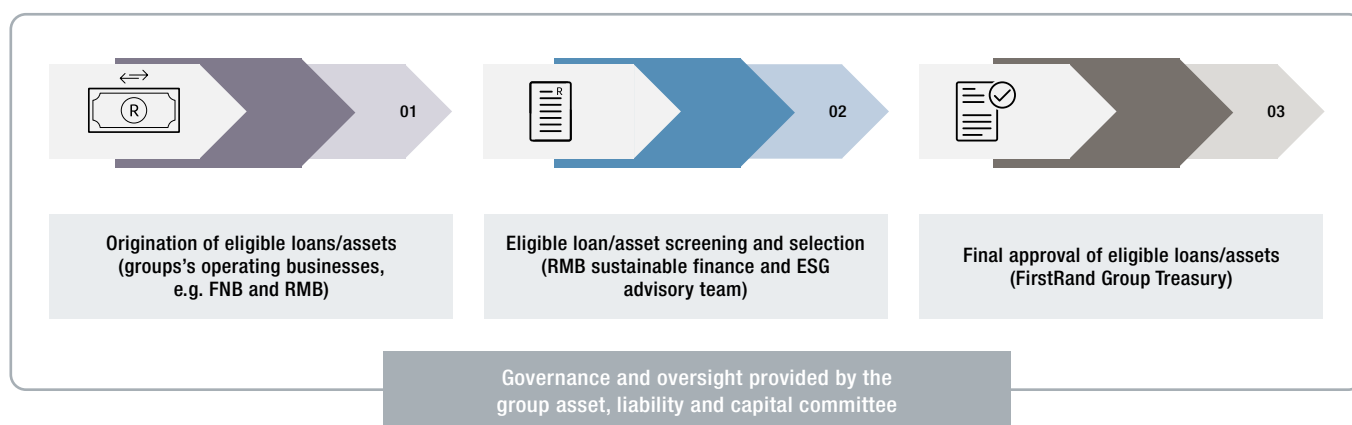
### 5.1.2 Refinancing

The proceeds from the green, social and/or sustainability bond issuance can be used to finance new loans/assets and refinance existing loans/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. 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.

## 5.2 Process for project evaluation and selection

The FirstRand financial resource management (FRM) executive committee has mandated Group Treasury to sign off on the selection and evaluation of loans/assets eligible for green, social or sustainability bonds throughout the life of all issuances. The group asset, liability and capital committee is responsible for governance relating to this framework to ensure consistency of approach and oversight.

### Overview of eligible loan/asset process



All potentially eligible green, social or sustainable loans/assets will be subjected to FirstRand's environmental and social risk management processes and will be screened against this framework's investment categories and eligibility criteria by RMB's sustainable finance and ESG advisory team.

When identifying eligible projects and their non-financial impacts, FirstRand may rely on external consultants and their data sources. This will be dealt with on a case-by-case basis. The group may (where clarification is necessary) request and require clients to sign a clarification letter confirming the use of proceeds and/or that it may provide loan/asset information to investors.

Furthermore, a loan/asset may have both green and social benefits, thus qualifying for more than one type of bond. The RMB sustainable finance and ESG advisory team will decide whether the loan/asset will use proceeds from a green bond, a social bond or a sustainability bond. In select cases a project may use proceeds from more than one bond, but the proceeds split will be determined and documented to avoid double counting.

## 5.3 Management of proceeds

The group intends to allocate the proceeds from the green, social or sustainability bond issuance(s) to an eligible loan/asset portfolio. This eligible portfolio will be selected and tracked in accordance with the use of proceeds and the evaluation and selection process described above. The RMB sustainable finance and ESG advisory team, in collaboration with Group Treasury, will be responsible for the tracking and management of proceeds allocation. FirstRand will monitor eligible portfolios on an annual basis.

The group also intends to achieve a level of allocation for the eligible loan/asset portfolio that matches or exceeds the balance of net proceeds from its outstanding green, social and/or sustainability bonds. Eligible loans/assets will be added to or removed from the group eligible loan/asset portfolio to the extent required.

If any proceeds remain unallocated, the group will track funds until these have been fully allocated to new and/or existing eligible loans/assets. The group will hold and/or invest any unallocated proceeds, at its own discretion, in its treasury liquidity portfolio, in cash or in other short-term and liquid instruments. The unallocated proceeds shall not be invested in any activities identified in the group's exclusionary list or any coal-, oil- or gas-related assets. The group expects bond proceeds to be fully allocated to any eligible loan/asset portfolio within two years from the date of each issuance.

## Framework review process and relevant principles/guidelines (continued)

## 5.4 Reporting and impact measurement

The group will prepare and publish an annual allocation and impact report with respect to the green, social and/or sustainability bonds issued under this framework. The report will be published on FirstRand's website.

The report will provide:

- > the total amount of proceeds allocated to eligible loans/assets;
- > the number of eligible loans/assets;
- > the balance of unallocated proceeds;
- > the amount or the percentage of new financing and refinancing; and
- > annual impact indicators.

A summary of the impacts of the eligible loan/asset portfolio may include the metrics set out below as well as relevant narratives, where the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition, or other relevant regulation. Furthermore, the impact of the use of proceeds will be reported using the impact indicators recommended by ICMA's Handbook – *Harmonized Framework for Impact Reporting for green bonds\** and its *Harmonized Framework for Impact Reporting for Social Bonds\*\**.

### Indicative impact indicators

<b>Affordable basic infrastructure</b>	<ul style="list-style-type: none"> <li>&gt; Annual volume of water treated (m<sup>3</sup>/year)</li> <li>&gt; Additional number of people with access to safe drinking water</li> <li>&gt; Additional number of people with access to adequate sanitation facilities</li> </ul>
<b>Social infrastructure</b>	<ul style="list-style-type: none"> <li>&gt; Number of healthcare facilities financed</li> <li>&gt; Number of new or existing healthcare facilities that have experienced increases in capacity as a result of financing, i.e. additional hospital beds</li> <li>&gt; Number of people with access to health care</li> <li>&gt; Number of education facilities financed</li> <li>&gt; Number of people with access to education facilities or courses</li> <li>&gt; Projected additional student intake</li> <li>&gt; Number of households with access to childcare facilities</li> <li>&gt; Number of people with access to safe, effective, quality and affordable essential medicines and vaccines</li> <li>&gt; Number of people who have been vaccinated against communicable and non-communicable diseases</li> </ul>
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>&gt; Number of people with access to safe, affordable and sustainable housing</li> <li>&gt; Number of affordable and sustainable housing units built</li> <li>&gt; Number of mortgages provided for affordable and sustainable housing</li> </ul>
<b>Improvement of funding access for SMEs and micro business, as well as for the low-income population</b>	<ul style="list-style-type: none"> <li>&gt; Number of people with increased access to affordable credit and saving accounts</li> <li>&gt; Number of MSMEs financed as well as value of MSME loans</li> <li>&gt; Estimated number of jobs created</li> </ul>
<b>Women in the economy</b>	<ul style="list-style-type: none"> <li>&gt; Number of females with increased access to affordable credit, payment services or saving accounts</li> <li>&gt; Number of female-owned enterprises funded</li> <li>&gt; Estimated number of female jobs created</li> </ul>

\* <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2019/Handbook-Harmonized-Framework-for-Impact-Reporting-WEB-100619.pdf>

\*\* <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Framework-for-Social-Bond-Reporting-Final-140618v3.pdf>

Framework review process and relevant principles/guidelines (continued)

*Indicative impact indicators (continued)*

<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>&gt; Total installed capacity MW</li> <li>&gt; Annual generated renewable power (MWh/year)</li> <li>&gt; Estimated annual CO<sub>2</sub> equivalent emission reduction (tons CO<sub>2</sub>eq/year)</li> <li>&gt; Number of people with access to clean energy services</li> <li>&gt; Estimated number of jobs created</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>&gt; Estimated annual CO<sub>2</sub> equivalent emissions reduction/avoidance (tons CO<sub>2</sub>eq/year)</li> <li>&gt; Annual energy savings (MWh/year)</li> </ul>
<b>Climate change adaption</b>	<ul style="list-style-type: none"> <li>&gt; Description of the specific climate risk being addressed by the investment and how the project improves resilience to climate change</li> </ul>
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>&gt; Number of green buildings funded with eligible certification (e.g. EDGE)</li> <li>&gt; Total m<sup>2</sup> of green buildings funded</li> <li>&gt; Total m<sup>2</sup> of energy-efficient property funded</li> <li>&gt; Estimated annual CO<sub>2</sub> equivalent emissions reduction/avoidance (tons CO<sub>2</sub>eq/year)</li> <li>&gt; Number of mortgages provided to green-certified houses/residential projects</li> <li>&gt; Number of people benefited</li> </ul>
<b>Clean and sustainable transport</b>	<ul style="list-style-type: none"> <li>&gt; Number of electric vehicles financed</li> <li>&gt; Number of electric vehicle charging points installed</li> <li>&gt; Number of people with access to electric vehicles</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>&gt; Total installed capacity MW from waste to energy</li> <li>&gt; Annual generated waste to energy power (MWh/year)</li> <li>&gt; Annual greenhouse gas (GHG) emission reductions (tons CO<sub>2</sub>eq/year)</li> <li>&gt; Annual waste used for energy (tons/year)</li> <li>&gt; Annual waste reused or recycled before and after the project</li> <li>&gt; Percentage emission improvements</li> <li>&gt; Annual carbon captured and/or stored (tons CO<sub>2</sub>eq/year)</li> </ul>
<b>Sustainable management of natural resources</b>	<ul style="list-style-type: none"> <li>&gt; Area (ha/year) of terrestrial and/or biodiversity conserved</li> <li>&gt; Annual capacity of water captured (kl/year)</li> <li>&gt; Number of water meters installed</li> <li>&gt; Annual volume of water saved/recycled (m<sup>3</sup>/year)</li> <li>&gt; Annual volume of wastewater treated for reuse (m<sup>3</sup>/year)</li> <li>&gt; Additional number of people with access to safe drinking water</li> </ul>
<b>Climate smart agriculture</b>	<ul style="list-style-type: none"> <li>&gt; Annual energy savings (MWh/year)</li> <li>&gt; Annual volume of water saved/recycled (m<sup>3</sup>/year)</li> <li>&gt; Estimated annual CO<sub>2</sub> equivalent emission reduction (tons CO<sub>2</sub>eq/year)</li> <li>&gt; Annual non-GHG emission reduction (e.g. reduction of N<sub>2</sub>O fertiliser emissions)</li> <li>&gt; Productivity gains due to climate smart agriculture (tons of product type/ha year)</li> </ul>
<b>Electricity distribution networks</b>	<ul style="list-style-type: none"> <li>&gt; Annual number and length (km/year) of networks financed</li> <li>&gt; Investment per target population (USDm/thousand persons)</li> <li>&gt; Number of people with access to safe electricity distribution networks</li> <li>&gt; Annual avoidance of energy losses (MWh/year)</li> <li>&gt; Renewable energy capacity integrated (MW)</li> <li>&gt; Estimated annual GHG emission reduction (tons CO<sub>2</sub>eq/year)</li> </ul>



## 6 External review

### **6.1 Second-party opinion**

This framework has been reviewed by Sustainalytics, an independent party with experience and a track record in issuing second-party opinions (SPOs). Sustainalytics confirms the framework's alignment with the ICMA GBP, SBP and SBG (2021).

The SPO from Sustainalytics expresses a view on:

- > the use of proceeds, the project selection process and the management of bonds; and
- > key performance indicators and relevant impact reporting.

The SPO will be made available to investors along with this framework on the group's website.

### **6.2 Verification**

FirstRand will request, on an annual basis, starting one year after issuance and until maturity (or full allocation), a limited assurance report of the allocation of the green, social and/or sustainability bond proceeds to eligible loans/assets, to be provided by its external auditor.

[www.firstrand.co.za](http://www.firstrand.co.za)

