

# Second-Party Opinion

## FirstRand Sustainability Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the FirstRand Sustainability Bond Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021. This assessment is based on the following:



**USE OF PROCEEDS** The fourteen eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and the Social Bond Principles. Sustainalytics notes that investments and financing in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 4, 5, 6, 7, 9, 11, 12, and 15.



**PROJECT EVALUATION / SELECTION** FirstRand Limited’s Group Treasury will be responsible for providing the final approval on the selected Eligible Assets. FirstRand’s asset, liability and capital committee will be responsible for ensuring the governance relating to the Framework. FirstRand has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be strong and to be aligned with market practice.



**MANAGEMENT OF PROCEEDS** RMB’s sustainable finance and ESG advisory team, in collaboration with FirstRand Group Treasury will be responsible for the allocation and tracking of net proceeds to the Eligible Portfolio. FirstRand intends to achieve full allocation of proceeds within 24 months from the date of each issuance. The unallocated proceeds will be held and/or invested in the group’s treasury liquidity portfolio, in cash or other short-term and liquid instruments. This is in line with market practice.



**REPORTING** FirstRand intends to publish an allocation report and impact report annually on its website. The allocation reporting is expected to include asset-level details on the allocation of proceeds, proportion of financed and refinanced assets, and the balance of unallocated proceeds. In addition, the group intends to report on the quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views FirstRand’s allocation and impact reporting as aligned with market practice.

<b>Evaluation date</b>	December 6, 2021
<b>Issuer Location</b>	Johannesburg, Africa

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## Introduction

FirstRand Limited (“FirstRand”, or “the group”) is a portfolio of integrated financial service businesses that operate in South Africa, certain markets in Sub-Saharan Africa and the UK. The group’s subsidiaries include FirstRand Bank Limited (the “Bank”) which is headquartered in South Africa. As of the end of June 2021, the group had 47,413 employees and reported R26.6 billion in normalised earnings.<sup>1</sup>

The group has developed the FirstRand Sustainability Bond Framework (the “Framework”) under which it intends to issue green, social and sustainability bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future Eligible Assets (collectively, “Eligible Portfolio”) that are expected to create positive social and/or environmental impacts.

The Framework defines eligible green and social categories in the following areas:

1. Affordable Basic Infrastructure
2. Social Infrastructure
3. Affordable Housing
4. Improvement of access to funding for micro, small and medium enterprise (“MSMEs”) and low-income population
5. Women in the Economy
6. Renewable Energy
7. Energy Efficiency
8. Climate Change Adaptation
9. Green Buildings
10. Clean and Sustainable Transportation
11. Pollution Prevention and Control
12. Sustainable Management of Natural Resources
13. Climate Smart Agriculture
14. Electricity Distribution Networks

The group engaged Sustainalytics to review the FirstRand Sustainability Bond Framework, dated October 2021, and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), and Social Bond Principles 2021 (SBP).<sup>2</sup> This Framework will be published in a separate document.<sup>3</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>4</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.9, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of FirstRand’s management team to understand the sustainability impact of their business processes and planned use of

<sup>1</sup> FirstRand report, “FirstRand analysis of financial results- June 2021” (p6), at: <https://www.firststrand.co.za/media/investors/financial-results/fsr-analysis-of-financial-results-booklet-june-2021.pdf>

<sup>2</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>3</sup> The FirstRand Sustainability Bond Framework is available on FirstRand Limited’s website at: <https://www.firststrand.co.za/>

<sup>4</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

proceeds, as well as management of proceeds and reporting aspects of the Framework. FirstRand representatives have confirmed (1) they understand it is the sole responsibility of FirstRand to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and FirstRand.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that FirstRand has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the FirstRand Sustainability Bond Framework

Sustainalytics is of the opinion that the FirstRand Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP, and SBP. Sustainalytics highlights the following elements of FirstRand's Sustainability Bond Framework:

- Use of Proceeds:
  - The 14 eligible categories – Affordable Basic Infrastructure, Social Infrastructure, Affordable Housing, Improvement of access to funding for MSMEs and low-income population, Women in the Economy, 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 – are aligned with those recognized by the GBP and SBP.<sup>5</sup>
  - FirstRand has established a two-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Under the Affordable Basic Infrastructure category, FirstRand intends to finance public water, sanitation, and hygiene infrastructure and associated upgrades which are accessible to the general public. Sustainalytics notes that the Framework excludes treatment of wastewater from fossil fuel operations and considers the criteria for financing affordable basic infrastructure to be aligned with market practice.
  - For the Social Infrastructure category, the group intends to finance healthcare projects such as (i) healthcare infrastructure including facilities and equipment, (ii) programs aimed at providing universal health coverage, including financial risk protection and access to medicines and vaccines, and (iii) research and development projects with a focus on vaccines and medicines for communicable and non-communicable diseases. The group may also finance educational projects such as (i) facilities and projects that aim to provide access to campus infrastructure, tertiary education, and training, and (ii) childcare facilities.

<sup>5</sup> While the Bank is intended to be the primary issuing entity, the group's subsidiaries may issue bonds in accordance with the criteria outlined in the Framework.

- For all investments under this category, the Framework assures that financed projects will ensure free-of-cost accessibility to all. The group has further confirmed that all financed projects are expected to be based in the Sub-Saharan African region.
  - Sustainalytics recognizes the potential of investments in affordable and accessible healthcare and educational projects that are based in a developing region to generate positive social impact and considers the criteria to be aligned with market practice.
- Under the Affordable Housing category FirstRand intends to invest in (i) the construction or acquisition of housing projects that are recognized or accredited as affordable or social housing in their jurisdiction and facilitates home ownership for target populations, and (ii) mortgages to facilitate home ownership for target populations.
  - FirstRand has confirmed to Sustainalytics that target populations for both affordable housing projects and mortgages in South Africa will have a monthly income threshold of R22,000 and are first-time home buyers, defined in accordance with the Government of South Africa's Finance Linked Individual Subsidy Programme ("FLISP")<sup>6</sup> for affordable housing. Sustainalytics notes that while the monthly income threshold of R22,000 for eligible populations is aligned with government policy, it is well above the median income in South Africa,<sup>7</sup> and as such considers this to be a limitation in the Framework.
  - Regarding mortgages for end-consumers, FirstRand has confirmed that it intends to align its criteria with BASA's Financial Sector Code and Affordable Housing Standards ("the Standards").<sup>8</sup> The Standards require regulated interest rates and fees for loans towards end-consumers in the affordable housing market so that they remain affordable to the target populations. Additionally, the group has responsible lending policies to avoid the risk of predatory lending. See Section 2 for additional details.
- Under the Improvement of Access to Funding for MSMEs and Low-income Population category, FirstRand intends to finance projects that either aim to enhance financial access among small-scale industries or promote the formalization and growth among MSMEs. Sustainalytics has confirmed that the group intends to finance MSMEs that are based in developing regions and considers the criteria to be aligned with market practice.
- Under the Women in the Economy category, FirstRand intends to finance projects that provide access to financial services or capacity building programs for female-owned MSMEs in developing economies. Through such financing, the issuer intends to target businesses that are owned or managed by women which are largely based in developing regions, such as Sub-Saharan Africa. Sustainalytics considers such investments to promote accessibility to financial services for SMEs in developing regions and accordingly considers this category to be aligned with market practice.
- For the Renewable Energy category, the group intends to finance (i) assets dedicated to renewable energy projects and associated infrastructure, including wind, solar, tidal, hydropower, biomass, biogas, and geothermal projects, and (ii) manufacturing, transmission or distribution facilities solely dedicated to renewable energy components including wind turbines, solar panels, and storage batteries. Sustainalytics views the criteria to be aligned with market practice and notes the following:
  - Hydropower projects with capacity more than 25 megawatts (MW) will have lifecycle emissions are below 100 gCO<sub>2</sub> per kWh or power density of at least 5W per square meter. Further, Sustainalytics notes the Framework mandates environmental and social risk assessment for all hydropower projects.
  - Bioenergy projects may include both waste feedstock including animal, crop residues, food waste, algae sludge, wastepaper, and bagasse and non-waste feedstock that achieves a specified certification. Bioenergy projects with non-waste feedstock will have average life-cycle emissions (averaged over five years) below 100 gCO<sub>2</sub>e per kWh.<sup>9</sup> Sustainalytics views the specified biomass certification schemes – Roundtable on Sustainable Biomaterials and International Sustainability & Carbon Certification Plus – to be credible. For Sustainalytics' assessment of these certifications, please refer to Appendix 1. Regarding the use of animal residues as bioenergy feedstock, FirstRand has communicated that the feedstock may be sourced from medium- to large-scale farms. While the use of animal residue for biomass energy may improve

<sup>6</sup> For more information on FLISP, see Department of Human Settlements, Government of South Africa, at: <http://dhs.mpg.gov.za/FLISP%20Brochure.pdf>

<sup>7</sup> The median monthly income in South Africa is approximately R2,100 as of 2021. See: <https://worldpopulationreview.com/country-rankings/median-income-by-country>

<sup>8</sup> FirstRand has shared a copy of the Financial Sector Code and Affordable Housing Standards with Sustainalytics.

<sup>9</sup> Sustainalytics notes that the Framework mandates the specified threshold to reduce every 5 years, in line with the 2050 trajectory for net-zero CO<sub>2</sub>e emissions.

- the environmental performance of some agricultural operations, large- and mid-scale animal farming has a significant carbon and water footprint which is not addressed by the use of animal byproducts in energy generation; further, such farming techniques may contribute to land degradation, biodiversity loss, and deforestation. Nevertheless, Sustainalytics considers the use of residues from day-to-day operations of existing facilities for energy generation as providing positive impacts in the short term.
- Eligible geothermal projects will have an emission intensity below 100 gCO<sub>2</sub>/kWh.
  - For the Energy Efficiency category, FirstRand intends to invest in the manufacturing or installation of energy-efficient components or technologies, including smart grid technology. Sustainalytics notes that the Framework limits financing to just those smart grid technologies that have no association with coal, oil, or gas. While noting the variety of definitions and applications of “smart grid” technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages the group to select projects that are clearly anticipated to deliver tangible efficiency improvements.
  - Under the Climate Change Adaptation category, the group intends to finance (i) climate adaptation infrastructure including climate observation and early warning systems, flood control and prevention systems and porous pavement projects that provides protection from river erosion, (ii) climate-resilient agribusiness projects such as subsurface drip irrigation, and (iii) large-scale agricultural projects that achieve one of the specified certification schemes.
    - For climate adaptation infrastructure, Sustainalytics notes that the Framework mandates climate risk assessment followed by a customized management plan to address the identified risks along with periodic evaluation of the resilience benefits and considers the criteria defined for financing climate adaptation projects to be aligned with market practice.
    - Sustainalytics considers the investment criteria for climate-resilient agribusiness projects to be aligned with market practice.
    - For large-scale agricultural projects, Sustainalytics views the certification schemes specified in the Framework – Rainforest Alliance, Roundtable on Responsible Soy Production, Bonsucro, Better Cotton Initiative and Roundtable on Sustainable Biomaterials – to be credible and notes that the Framework excludes investments in operations that include livestock or poultry farming or production. This is aligned with market practice. For Sustainalytics’ assessment of these certifications, please refer to Appendix 2.
  - For the Green Buildings category, FirstRand intends to invest in new or existing buildings that have achieved or are expected to achieve (i) a green building certification and associated levels as specified in the Framework, or (ii) the specified thresholds for the net Primary Energy Demand (PED) over baseline.
    - Sustainalytics views the certification schemes specified in the Framework – LEED (“Gold” or above), Green Star (“4 Stars” or above), EWP (“Level 6” or above) and EDGE – to be credible and the levels selected to be indicative of positive impact and aligned with market practice. For Green Star certification, Sustainalytics believes that buildings that achieve “4 Stars” have the potential to fall outside the top 15% performing buildings in South Africa and that this deviates from market expectations. Sustainalytics encourages the group to report on energy performance of the financed buildings.<sup>10</sup> For Sustainalytics’ assessment of these certifications, please refer to Appendix 3.
    - Uncertified buildings may be financed if they achieve at least a 20% improvement in emission or energy performance or PED compared to the baseline performance of the financed buildings, as measured by ASHRAE 90.1 2010 or a more recent standard, or SANS 10400-XA Building energy efficiency code XA. Sustainalytics considers such improvements to be aligned with market practice.
  - Under the Clean and Sustainable Transportation category, FirstRand contemplates investments in (i) projects and/or research and development associated with green hydrogen, and (ii) electric vehicles and associated infrastructure.
    - For investments in green hydrogen projects, Sustainalytics notes that the Framework limits financing to just those projects or research activities that have no association with the production of hydrogen from fossil fuel and considers the criteria to be aligned with market practice.

<sup>10</sup> Sustainalytics notes that in the South African context, 4 Star is the most commonly applied rating among Green Star certified buildings. In 2020, out of the 93 buildings that received Green Star certification, approximately 67% received 4 Star, 22% received 5 Star and 6% received 6 Star ratings. For more details, see: GBCSA report, “Integrated Annual Report – January – December 2020”, at: <https://gbcса.org.za/wp-content/uploads/2021/07/GBCSA-Integrated-Report-2020-web.pdf>

- Sustainalytics considers the financing of electric vehicles and associated infrastructure to be aligned with market practice.
  - Under the Pollution Prevention and Control category, the group intends to invest in (i) waste-to-energy, waste reduction, and recycling projects, and (ii) methane capture and nature-based carbon capture and storage projects. Sustainalytics considers the criteria to be aligned with market practice and notes the following:
    - Waste-to-energy projects involving municipal solid waste are eligible if the feedstock is segregated into recyclable, non-combustible, and hazardous materials before incineration. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine the objectives of zero-waste circular economy, i.e., waste prevention and recycling. Additionally, it is noted that the composition of residual waste, particularly fossil carbon content, is a crucial consideration for the emissions intensity. However, it is recognized that energy from waste can offer better residual waste management option than landfills in many cases, and that most of the financed projects will be based in South Africa, which has enacted regulations on recycling and waste management.<sup>11,12</sup> Sustainalytics encourages FirstRand to monitor thermal efficiency of the financed facilities.
    - For methane capture projects, Sustainalytics notes that the Framework limits investments in just those projects that are based on decommissioned or non-operational landfill facilities with a gas capture efficiency of more than 75%. Sustainalytics further notes that recovering methane produced from closed landfills will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
    - For nature-based carbon capture and storage projects, the Framework requires projects to assure afforestation, marine, wetland, or peatland conservation benefits.
  - Under the Sustainable Management of Natural Resources category, the group intends to finance (i) terrestrial and aquatic biodiversity conservation projects, (ii) water storage, conservation and treatment infrastructure including stormwater management systems, aquifer storage, sewer systems, water meters, recycling systems, and desalination and sustainable urban drainage systems, (iii) projects aimed at replacing synthetic fertilizers with biofertilizers, (iv) activities with a focus on conservation of biological species, and removal, control and eradication of invasive species to improve water catchments, (v) reforestation and afforestation projects, and (vi) preservation of natural landscapes. Sustainalytics considers the criteria to be aligned with market practice and notes the following:
    - For investments in water treatment infrastructure, Sustainalytics notes that the Framework limits investments in projects that are primarily powered by renewable energy and mandates environmental risk mitigation strategy for managing brine disposal issues associated with desalination activities.
    - For activities related to the removal, control and eradication of invasive species in water catchment areas, Sustainalytics encourages the group to report on the environmental and social benefits of these investments, while noting positively that the group has communicated in the Framework its intent to report on some of the environmental benefits.
    - For reforestation and afforestation projects, Sustainalytics notes that the Framework limits investments in just those projects that use tree species that are well-adapted to the specific site conditions and have a sustainable management plan in place, and where possible, certified by the FSC or PEFC. Refer to Appendix 4 for Sustainalytics' assessment of these certifications.
  - Under the Climate Smart Agriculture category, the group intends to invest in resource-efficient climate smart agricultural projects including energy-efficient tillage and other agricultural processes, and water-efficient activities including efficient irrigation, laser soil levelling, switching to less-water intensive crops, and water harvest and storage facilities. Sustainalytics notes that the Framework limits financing to those water management activities that achieve at least 10% reduction in water consumption and considers the criteria for financing climate smart agricultural projects to be aligned with market practice.
  - The Electricity Distribution Networks category includes investments in (i) retrofitting transmission lines or substations to improve energy efficiency and/or reduce technical losses by 15%, (ii) improvements to the grid, including grid components that facilitate the integration of renewable energy into the grid, and (iii) supporting off-grid electricity access for communities in

<sup>11</sup> South African Waste Information Centre website, "Disaster Management Act (57/2002): Directions Regarding Measures to Address, Prevent and Combat the Spread of COVID-19 in Relation to Recycling of Waste", at: <http://sawic.environment.gov.za/documents/11537.pdf>

<sup>12</sup> South African Waste Information Centre website, "Waste Policy and Regulations", at: <http://sawic.environment.gov.za/?menu=13>

developing regions with no access to the electricity grid, thereby reducing their dependence on wood, coal or liquid fuel as energy sources. Sustainalytics considers these investments as aligned with market practice.

- Project Evaluation and Selection:
  - FirstRand’s Group Treasury will be responsible for providing the final approval on the selected Eligible Assets. The group’s asset, liability and capital committee will be responsible for ensuring the governance relating to the Framework.
  - FirstRand has adopted an Environmental and Social Risk Assessment (“ESRA”) process, which is applicable to all allocation decisions made under the Framework. Sustainalytics considers this risk assessment and mitigation process to be strong and to be aligned with market practice. For additional detail see Section 2.
  - Based on the clear delineation of responsibility, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - RMB’s sustainable finance & ESG advisory team, in collaboration with the group’s treasury will be responsible for the allocation and tracking of net proceeds to the Eligible Portfolio. The group will monitor the Eligible Portfolio on an annual basis.
  - FirstRand intends to achieve full allocation of bond proceeds within 24 months from the date of each issuance.
  - The unallocated proceeds will be held and/or invested in the group’s treasury liquidity portfolio, in cash or other short term and liquid instruments.<sup>13</sup>
  - Based on the management of the bond proceeds and the disclosure on the temporary use of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - FirstRand intends to publish an allocation and impact report annually on its website.
  - The allocation reporting will include asset-level details on the allocation of proceeds, the proportion of financed and refinanced assets, and the balance of unallocated proceeds.
  - The impact reporting is expected to provide category-wide impact of the assets against respective key performance indicators such as (i) number of health facilities financed, (ii) number of education facilities financed, (iii) number of affordable and sustainable housing units built, (iv) total installed capacity (MW), (v) total square meter of financed green buildings, and (vi) number of electric vehicles charging points installed etc.
  - Based on the group’s commitment to allocation reporting and, where feasible, impact reporting, Sustainalytics considers this process to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainalytics has determined that the FirstRand Sustainability Bond Framework aligns with the four core components of the GBP and SBP. For detailed information please refer to Appendix 5: Sustainability Bond/ Sustainability Bond Programme External Review Form.

## Section 2: Sustainability Performance of FirstRand

### Contribution of Framework to FirstRand’s sustainability performance

Sustainalytics is of the opinion that FirstRand demonstrates a commitment to sustainability driven by its vision and primary business objective to “create sustainable value” for all its stakeholders.<sup>14</sup> Sustainalytics highlights the following elements of FirstRand’s strategy for being particularly aligned with the Framework:

- In October 2020, the group became a signatory to the United Nations Environment Program Finance Initiative (UNEP FI) Principles for Responsible Banking (the “Principles”), with an intent to use them as a template to embed sustainability at the strategic, portfolio and transactional levels. FirstRand is working towards incorporating the Principles into its strategy and designing associated metrics.<sup>15</sup>
- The group is a core team member at The Program for Carbon Accounting Financials (PCAF), a global partnership of financial institutions aimed at developing a carbon accounting tool to measure and disclose GHG emissions of loans and investments. Currently, the group is reviewing and testing methodologies under PCAF.<sup>16</sup> In 2020, FirstRand became a supporter of the Task Force on Climate-

<sup>13</sup> Sustainalytics notes that the Framework excludes temporary allocations in any activities that are identified under the group’s exclusionary list, or have association with any coal, oil or gas-related assets.

<sup>14</sup> FirstRand Bank, “About FirstRand Group”, at: <https://www.firstrand.co.in/page/about>

<sup>15</sup> FirstRand, “Report to society”, (2020), at: <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2020.pdf>

<sup>16</sup> *Ibid*

related Financial Disclosures (TCFD).<sup>17</sup> In its inaugural annual TCFD report, FirstRand disclosed its ambition to achieve net-zero in financed emissions by 2050.<sup>18</sup> The group is encouraging its clients to transparently report on the Scope 1, 2 and 3 emissions to enable better decision making and transition planning.<sup>19</sup> The group has also set a target to facilitate over R200 billion cumulatively by 2026 in investments that address climate change and social development needs.<sup>20</sup> Additionally, the group has adopted a five-year climate-change program roadmap starting from 2020 till 2025, which will progress on the implementation of the TCFD requirements.

- The group has also developed affordable housing products to facilitate home ownership by offering mortgages to low-income communities, which would improve the quality of life, health and education for the beneficiaries. In 2020, the group's affordable housing book value grew by 24% over last year to R32.2 billion.<sup>21</sup>
- In 2018, the group launched a booster loan program for SMEs to enhance accessibility of financial services to SMEs in the group's markets. The program aims to provide preferential interest rates which are up to 50% lower than commercial rates and the loan application process is made simple and accessible. To support women-led businesses in 2020, which account for around 47% of all SMEs in South Africa, the group has assisted 1,017 women-led business via loans, to the value of R 295 million during the COVID-19 pandemic.<sup>22</sup> As of 30<sup>th</sup> June 2020, the group supported 20,228 women-led businesses with an asset base of R 8.4 billion.

Sustainalytics is of the opinion that the FirstRand Sustainability Bond Framework is aligned with the group's overall sustainability initiatives and commitments and will further the group's action of key environmental and social issues.

#### **Well-positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that while the projects financed through issuances under this Framework are expected to have positive environmental and social ("E&S") impact, the financing of such Eligible Assets could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the Eligible Assets could include risks related to occupational health and safety, human rights, predatory lending, site contamination, waste management, land and resource use, biodiversity, water quality and availability, and climate change.

Sustainalytics is of the opinion that FirstRand is able to manage and/or mitigate potential risks through implementation of the following its group-level policies and processes:

- FirstRand's environmental, social and climate risk team forms part of its group-level enterprise risk management function headed by the group's Chief Risk Officer. The group's ESRA transactional due-diligence process identifies and assesses environmental, and social risks associated with financing including compliance with the group's exclusionary criteria,<sup>23</sup> and all regional environmental and social regulations pertaining to waste management, land contamination, labor, health and safety, human rights, among others.<sup>24</sup> In line with its Exclusionary List, some of the business FirstRand will not allocate proceeds to are those involving child labor, illegal materials, cross border trade in waste, adult entertainment, and predatory ending. Sustainalytics confidentially reviewed FirstRand's credit risk management framework for the assessment, measurement, and mitigation of credit risk. The measures outlined aim to tackle predatory lending risk by assessing the borrowers credit flow, financial collaterals, and netting agreements.
- The group uses the Exploring Natural Capital Opportunities, Risks and Exposure tool to understand the impact of its investments on the economy and the environment.<sup>25</sup> The tool assesses FirstRand's

<sup>17</sup> *Ibid*

<sup>18</sup> FirstRand, Climate Related Financial Disclosures Report (2021), at: <https://www.firstrand.co.za/media/investors/annual-reporting/FirstRand-TCFD-report-2021.pdf>

<sup>19</sup> FirstRand, "Annual Integrated Report", (2021), at: <https://www.firstrand.co.za/media/investors/annual-reporting/firstrand-annual-integrated-report-2021.pdf>

<sup>20</sup> FirstRand, Climate Related Financial Disclosures Report (2021), at: <https://www.firstrand.co.za/media/investors/annual-reporting/FirstRand-TCFD-report-2021.pdf>

<sup>21</sup> FirstRand, "Report to society", (2020), at: <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2020.pdf>

<sup>22</sup> FirstRand, "Report to society", (2020), at: <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2020.pdf>

<sup>23</sup> FirstRand, "Report to society", (2020), at: <https://www.firstrand.co.za/media/investors/reports/FirstRand-report-to-society-2020.pdf>

<sup>24</sup> *Ibid*.

<sup>25</sup> ENCORE was developed by the [Natural Capital Finance Alliance](https://encore.naturalcapital.finance/en/about) in partnership with [UNEP-WCMC](https://www.unep-wcmc.org/). More details at: <https://encore.naturalcapital.finance/en/about>



exposure to events like deforestation, pollution of the oceans, droughts, changes in biodiversity, and soil degradation and helps the group integrate insights into its existing risk management processes.

- FirstRand is one of the fifteen banks to join the Partnership for Biodiversity Accounting Financials (“PBAF”) which aims to measure and report on the impact of financial institutions’ investments on biodiversity around the world. The PBAF, through its reports, encourages the reduction of investments with high environmental impacts including the agricultural sector, especially in cash crops such as cocoa, oil palm, rubber, etc.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that FirstRand has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories in the Framework.

### Section 3: Impact of Use of Proceeds

All thirteen use of proceed categories are aligned with those recognized by GBP or SBP. Sustainalytics has focused on three below where the impact is specifically relevant in the local context.

#### Importance of social infrastructure in Sub-Saharan Africa

##### *Education*

According to a 2021 study in the Journal of African Economies, between 1970 to 2010, the percentage of children across the Sub-Saharan African region who completed primary school rose from 46% to 68% whereas the proportion of children completing lower secondary education nearly doubled from 22% to 40%. Despite these gains, nearly one in three children still does not complete primary school as of 2017. At the same time, the quality of education in Sub-Saharan Africa also suffers with less than two in three children in their third grade being able to read a letter and only about half of the children reading a word or put numbers in order as of 2017.<sup>26</sup>

In 2018, over one-fifth of children between 6 and 11 years of age and one-third of youth between the age group of about 12 and 14 in Sub-Saharan Africa were out of school.<sup>27</sup> According to the regional data collected by UNESCO Institute of Statistics in 2018, almost 60% of youth between 15 and 17 years of age were not enrolled in schools.<sup>28</sup> The data also showed a significant gender gap across the region as around 9 million girls in the age group of 6 and 11 had never gone to school at all, compared to 6 million boys while around 23% of girls were out of primary school compared to 19% of boys in the region.<sup>29</sup>

Revolutionizing access to education and skills training in science, technology and innovation for African citizens is a priority for members of the African Union. For example, according to the Agenda 2063, Africa’s blueprint for inclusive and sustainable development, the African Union aims for at least one out of every three children to have access to kindergarten education, with every child of secondary school age, and seven out of ten of its graduates without access to tertiary education to be enrolled in technical and vocational education and training programmes. It further targets a reduction in youth unemployment by at least 25% from 2013 levels through the promotion of entrepreneurship.<sup>30</sup>

Based on this context, Sustainalytics is of the opinion that FirstRand’s investments in education and training are expected to have a positive impact on efforts to improve access to education in Sub-Saharan Africa.

##### *Healthcare*

In 2015, approximately 1.6 million Africans died of both communicable and non-communicable diseases (“NCDs”) including malaria, tuberculosis and HIV-related illnesses.<sup>31</sup> These diseases can be prevented or treated with timely access to appropriate and affordable medicines, vaccines, and other health services.<sup>32</sup> However, less than 2% of the drugs consumed in Africa are produced on the continent as of 2015, indicating that most patients do not have access to locally produced affordable drugs.<sup>33</sup> As per a research conducted in

<sup>26</sup> Oxford Academic, “Journal of African Economies”, (2021) at: <https://academic.oup.com/jae/article/30/1/13/5999001>

<sup>27</sup> *Ibid*

<sup>28</sup> UNESCO, “Education in Africa” at: <http://uis.unesco.org/en/topic/education-africa>

<sup>29</sup> *Ibid*

<sup>30</sup> African Union, “Key Transformation Outcomes of Agenda 2063”, (accessed on December 4, 2021), at: <https://au.int/agenda2063/outcomes>

<sup>31</sup> Africa Renewal, “Dying from lack of medicines”, (2017) at: <https://www.un.org/africarenewal/magazine/december-2016-march-2017/dying-lack-medicines>

<sup>32</sup> *Ibid*

<sup>33</sup> *Ibid*

2008, Sub-Saharan Africa accounts for 11% of the world's population and 24% of the global disease burden.<sup>34</sup> As of 2020, communicable disease is the number one cause of death in the region, and infant mortality rates are above 5%.<sup>35</sup> According to a study published by The Lancet in 2017, NCDs in the region are increasingly being attributed to strain the health systems, adding to the already prevalent infectious diseases and maternal, neonatal, and child deaths.<sup>36</sup> Further, at least one-sixth of the population lives 2 hours away from a public hospital, thus making accessibility to healthcare another major concern.<sup>37</sup> An acute shortage of health workers in the region adds to the problem, as of 2019 there were only 25,400 health care workers whereas the actual need is for 140,500 health workers.<sup>38</sup> A vast number of people in the region suffer from diseases that are easy to prevent or treat provided there is sufficient infrastructure available.<sup>39</sup>

As part of Agenda 2063's goals to improve health and nutrition for African citizens, the African Union has established a target to reduce malnutrition, maternal, child and neo-natal deaths by half compared to 2013, making access to anti-retroviral medicines universal, and also to reduce the number of deaths from HIV/AIDs and malaria by half.<sup>40</sup>

In this context, Sustainalytics is of the opinion that FirstRand's intended investments in healthcare infrastructure and programs that aim to provide universal health coverage, including financial risk protection and access to medicines and vaccines, are expected to have a positive impact on improving health and nutrition in Sub-Saharan Africa.

### **The benefits of using renewable energy to reduce climate impacts in Sub-Saharan Africa**

Renewables are becoming an increasingly favored option in Africa not only because of their positive environmental impacts but also because of the economic considerations.<sup>41</sup> Africa has shown great progress in the development of its solar energy markets over the recent years, with the continent experiencing a growth of over 1.8GW of new solar installations, mainly driven by five countries: Egypt, South Africa, Kenya, Namibia and Ghana.<sup>42</sup> Based on International Renewable Energy Agency's analysis, it is estimated that by 2030, renewable energy could account for as much as 22% of Africa's total energy consumption and up to 50% of its total power generation.<sup>43</sup> In 2019, around 585 million people had no access to electricity in Sub-Saharan Africa and the number is expected to rise to 652 million by 2030.<sup>44</sup> On the other hand, a 2021 study by KfW, GIZ and IRENA shows that Africa's overall estimated renewable energy potential is a 1,000 times greater than its projected electricity demand in 2040. The same study also points out the key role played by investments, by estimating that annual investments in the African energy system has to double from current levels by 2030 to approximately 40 to 65 million USD to facilitate the continent's clean energy transition.<sup>45</sup> In this context, FirstRand's investments in renewable energy projects in sub-Saharan Africa can help the region achieve positive environmental and social impacts, while also helping in the continent's clean energy transition.

Based on the above, Sustainalytics is of the opinion that FirstRand's financing of renewable energy projects and associated infrastructure is expected to lead Sub-Saharan Africa's transition to a low-carbon economy.

### **Benefits of sustainable land use practices in Sub-Saharan Africa**

Desertification occurs due to improper use of land and affects around 45 % of Africa's land area, with 55 % of this area being at high or very high risk of further degradation. Although the entire continent is dealing with

<sup>34</sup> Elsa, Z. "Healthcare systems in Sub-Saharan Africa: Focusing on community-based delivery (CBD) of health services and the development of local research institutes", at: [https://postgraduate.ias.unu.edu/upp/wp-content/uploads/2016/07/5\\_Zekeng\\_article.pdf](https://postgraduate.ias.unu.edu/upp/wp-content/uploads/2016/07/5_Zekeng_article.pdf)

<sup>35</sup> Falchetta, G. (2020), "Planning universal accessibility to public health care in sub-Saharan Africa", at: <https://www.pnas.org/content/117/50/31760>

<sup>36</sup> The Lancet report, "Burden of non-communicable diseases in sub-Saharan Africa, 1990–2017: results from the Global Burden of Disease Study 2017", at: [https://www.thelancet.com/journals/langlo/article/PIIS2214-109X\(19\)30374-2/fulltext](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X(19)30374-2/fulltext)

<sup>37</sup> *Ibid*

<sup>38</sup> McKinsey & Company, "Strengthening sub-Saharan Africa's health systems: A practical approach" (2010), at: <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/strengthening-sub-saharan-africas-health-systems-a-practical-approach>

<sup>39</sup> *Ibid*

<sup>40</sup> African Union, "Key Transformation Outcomes of Agenda 2063", (accessed on December 4, 2021), at: <https://au.int/agenda2063/outcomes>

<sup>41</sup> Africa Renewal, "Push for renewables: How Africa is building a different energy pathway", (2021) at: <https://www.un.org/africarenewal/magazine/january-2021/push-renewables-how-africa-building-different-energy-pathway>

<sup>42</sup> Africa Renewal, "Push for renewables: How Africa is building a different energy pathway", (2021) at: <https://www.un.org/africarenewal/magazine/january-2021/push-renewables-how-africa-building-different-energy-pathway>

<sup>43</sup> IRENA, "Africa 2030: Roadmap for a renewable energy future", (2013), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA\\_Africa\\_2030\\_REMap\\_2015\\_low-res.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2015/IRENA_Africa_2030_REMap_2015_low-res.pdf)

<sup>44</sup> United Nations University, "Smart and Just Grids: Options for Sub-Saharan Africa" (2011), at: <https://ourworld.unu.edu/en/smart-and-just-grids-options-for-sub-saharan-africa>

<sup>45</sup> KfW Development Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH & IRENA, "The Renewable Energy Transition in Africa: Powering Access, Resilience and prosperity", (2021), at: [https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/March/Renewable\\_Energy\\_Transition\\_Africa\\_2021.pdf](https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2021/March/Renewable_Energy_Transition_Africa_2021.pdf)

rampant desertification, Sub-Saharan Africa is among the most affected as a result of widespread poverty and low level of disaster preparedness in the region. Estimates suggest that two-thirds of the arable land in Sub-Saharan Africa could be lost of desertification by 2025. The degradation of soil further results in decreased food production as well as droughts, ecological imbalance and consequent degradation of the quality of life.

To combat this issue, the governments of thirty African countries have committed to restore 100 million hectares of land by 2030 via the AFR100 partnership.<sup>46</sup> This sets the continent on track to meet the UN's call for restoration of at least 350 million hectares of degraded landscapes by 2030.<sup>47</sup> The restoration efforts are expected to enhance food security, climate change resilience/adaptation and mitigation, biodiversity conservation, and combat drought, desertification and rural poverty.<sup>48</sup> Under the Sustainable Management of Natural resources category, FirstRand also aims to preserve biodiversity and native landscapes, while also promoting sustainable agricultural and water management practices, in alignment with the region's broader ambitions.

Sustainalytics is of the opinion that FirstRand's financing of sustainable agricultural practices and land use patterns is expected to contribute to the overall preservation and restoration of degraded landscape in Sub-Saharan Africa.

#### Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the UN General Assembly and form an agenda for achieving sustainable development by the year 2030. The bonds issued under the FirstRand Sustainability Bond Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Affordable Basic Infrastructure	9. Industry, Innovation and Infrastructure	9.A Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States.
Social Infrastructure	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.
Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all adequate, safe and affordable housing and basic services, and upgrade slums.
Improvement of access to funding for MSMEs and Low-income Population	9. Industry, Innovation and Infrastructure	9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.
Women in the Economy	5. Gender Equality	5.A Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

<sup>46</sup> AFR100, "AFR100", at: <https://afr100.org/content/home>

<sup>47</sup> UN, "UN Decade on Restoration, at: <https://www.decadeonrestoration.org/what-decade>

<sup>48</sup> NEPAD, "Africa is taking Ecosystems and Landscape restoration in its own hands.", at: <https://www.nepad.org/news/africa-taking-ecosystems-andlandscape-restoration-its-own-hands>

Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency.
Climate Change Adaptation	11. Sustainable Cities and Communities	11.5 By 2030, significantly reduce the number of deaths and the number of people affected and substantially decrease the direct economic losses relative to global gross domestic product caused by disasters, including water related disasters, with a focus on protecting the poor and people in vulnerable situations.
Green Buildings	9. Industry, innovation and infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Clean and Sustainable Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Management of Natural Resources	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Climate Smart Agriculture	15. Life on Land	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.
Electricity Distribution Networks	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 By 2030, double the global rate of improvement in energy efficiency.

## Conclusion

FirstRand has developed the Sustainability Bond Framework under which it may issue green, social and/or sustainability bonds and use the proceeds to finance access to basic infrastructure, financing programs for low-income populations and women-owned businesses, renewable energy, energy efficient technologies, climate adaptation infrastructure, green buildings, waste-to-energy, conservation and sustainable agriculture projects. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to have positive environmental impacts.



The FirstRand Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of

proceeds. Furthermore, Sustainalytics believes that the FirstRand Sustainability Bond Framework is aligned with the overall sustainability strategy of the company and that the green and social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 4, 5, 6, 7, 9, 11, 12, and 15. Additionally, Sustainalytics is of the opinion that FirstRand has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that FirstRand Limited is well-positioned to issue sustainability bonds and that the FirstRand Sustainability Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2021 and Social Bond Principles 2021.

## Appendices

### Appendix 1: Overview and Assessment of Feedstock Certifications

	<b>Roundtable on Sustainable Biomaterials<sup>49</sup></b>	<b>ISCC<sup>50</sup></b>
<b>Background</b>	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.	International Sustainability and Carbon Certification ("ISCC") is a German certification system that provides sustainability solutions for traceable and deforestation-free supply chains of agricultural, forestry, waste and/or residue raw materials, non-bio renewables and recycled carbon materials and fuels.
<b>Clear positive impact</b>	Promoting sustainable biomaterials.	Promoting sustainable supply chain practices.
<b>Minimum standards</b>	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of feedstock as a specific indicator of compliance.	The ISCC system has core sustainability criteria requirements that must be met. In addition to the core requirements of ISCC PLUS, voluntary add-ons can be added to adapt ISCC PLUS certificates to meet specific market requirements. Verification of GHG emissions is considered voluntary and can be added by applying as an add-on.
<b>Scope of certification or programme</b>	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.	Different certifications are available (ISCC PLUS, ISCC EU, ISCC Solid Biomass NL and ISCC Non-GMO) depending on the type of market suppliers are targeting; food, bio-based products, feed and energy. Within each specific certification, different types of agricultural materials are covered.  ISCC PLUS includes all types of agricultural and forestry raw materials, waste and residues, non-bio renewables, recycled carbon materials and fuels.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.	Certified entities undergo third party verifications audits to ensure compliance with the sustainability requirements existing based on legal requirements or voluntary agreements.
<b>Third party expertise and multi-stakeholder process</b>	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.	Standard setting is aligned with the UN Global Compact, the ISEAL Standard Setting Code and ISAE 3000.
<b>Performance Display</b>		
<b>Qualitative considerations</b>	The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.	Global recognition across more than 100 countries. There are over 23,000 ISCC certified supply chains with approximately 3,500 system users. For ISCC PLUS, no certification schemes other than ISCC are currently accepted which means that all economic operators along the supply chain must demonstrate that the ISCC sustainability criteria have been fulfilled. ISCC focuses on Stage 1 of the biofuel product life cycle; feedstock production and collection.

<sup>49</sup> RSB, "About certification" at: <https://rsb.org/certification/about-certification/>.

<sup>50</sup> International Sustainability Carbon Certification (ISCC): <https://www.iscc-system.org/>

## Appendix 2: Overview and Assessment of Referenced Sustainable Agriculture Certification Schemes

	Rainforest Alliance <sup>51</sup>	Roundtable on Responsible Soy (RTRS) <sup>52</sup>	Bonsucro <sup>53</sup>	Better Cotton Initiative (BCI) <sup>54</sup>	Roundtable on Sustainable Biomaterials <sup>55</sup>
<b>Background</b>	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.	The Round Table for Sustainable Soy (RTRS) works with all involved stakeholders on producing more sustainable soy through the RTRS Standard for Responsible Soy Production.	Bonsucro is a multi-stakeholder non-profit organization that issues certifications to promote sustainable practices in the sugarcane sector. The mission of the standard is to work towards improving the economic, social and environmental viability of sugarcane production.	The Better Cotton Initiative (BCI) is a global non-profit cotton sustainability program that seeks to (i) reduce the environmental impact of cotton products, (ii) improve livelihoods and economic development in cotton producing areas, (iii) improve commitment to and flow of Better Cotton through supply chain, and iv) ensure credibility and sustainability of the Better Cotton Initiative.	The Roundtable on Sustainable Biomaterials (RSB) is an international initiative that promotes and supports the sustainability of biomaterials production and processing, bringing together companies, farmers, NGOs and inter-governmental agencies. While the RSB was set up in 2007 as a means of ensuring the sustainability of liquid biofuels for transport, in 2013, it expanded its scope to include biomaterials.
<b>Clear positive impact</b>	Promoting sustainable practices in agriculture, forestry and tourism.	Promoting sustainable soy production for human consumption, animal feed and biofuels.	<ul style="list-style-type: none"> <li>Bonsucro Production Standard, including Bonsucro Production Standard for Smallholder Farmers;</li> <li>Bonsucro Chain of Custody Standard</li> </ul>	Transforming cotton production worldwide by developing 'Better Cotton' as a sustainable mainstream commodity.	Promoting sustainable biomaterials.
<b>Minimum standards</b>	Rainforest alliance establishes a minimum threshold for impact through critical criteria, and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.	The RTRS soy certification sets requirements in the areas of legal compliance and good business practices, responsible labour conditions, responsible community relations, environmental responsibility, and good agricultural practices.	<p>The Bonsucro Production Standard is comprised of 6 Principles. Each Principle is supported by a set of criteria and indicators (including core indicators) that help auditors assess compliance.</p> <p>In order to achieve certification, members must achieve full compliance with the 16 core indicators, as well as satisfy a minimum of 80% of all the indicators. An indicator which applies to a mill and</p>	In order to receive a license to grow 'Better Cotton', farmers must comply with a set of minimum requirements and "improvement" criteria across seven key principles: crop protection, water stewardship, soil health, biodiversity enhancement & land use, fibre quality, decent work and effective management. The principles and criteria form the global definition of what is considered 'Better Cotton'. In	The RSB sets minimum requirements in the areas of legality, planning, monitoring and continuous improvement, GHG emissions, human and labour rights, rural and social development, local food security, conservation, soil, water and air management, use of technology, inputs and management of waste, land rights and chain of custody. The RSB standard requires that biofuels achieve 50% lower lifecycle GHG emissions compared with a fossil fuel baseline. Each Principle also includes type of

<sup>51</sup> Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

<sup>52</sup> RTRS: <http://www.responsiblesoy.org/?lang=en>






<sup>53</sup> Bonsucro, Bonsucro The global sugarcane platform: <http://www.bonsucro.com/wp-content/uploads/2017/04/Bonsucro-PS-STD-English-2.pdf>

<sup>54</sup> BCI, "About BCI", at: <https://bettercotton.org/about-bci/>

<sup>55</sup> RSB, "About certification" at: <https://rsb.org/certification/about-certification/>.

			farm must be met by both entities in order to be considered satisfied.	recognition of the differences in production methods and workforces, BCI distinguishes between the minimum requirements for three categories of farmers (smallholders, medium farms and large farms).	feedstock as a specific indicator of compliance.
<b>Scope of certification or programme</b>	Rainforest alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.	The RTRS soy certification addresses human rights, child labour, forced labour, human health and safety, biodiversity use, soil quality, substance use (agrochemicals), GHG emissions, and resource management (energy, water, waste) through its criteria.	The Standard can be applied globally to any sugarcane mill, and their supplying area, who are looking to sell sugarcane derived products certified under the Bonsucro label. The Standard evaluates how the practices have been implemented at both the mill and farm levels and assesses the sustainable production of sugarcane and all sugarcane derived products in respect of economic, social and environmental dimensions.	BCI addresses key risks through its requirements, including human rights, child labour, biodiversity use, water stewardship and pesticide use.	The RSB certification addresses key risks such as human and labour rights, supply chain, resource management and land and biodiversity use through its criteria.
<b>Verification of standards and risk mitigation</b>	Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.	Certified entities undergo third-party audits to ensure compliance with criteria. As the certificate is valid 5 years, the certified entity is subject to annual surveillance surveys.	Certified entities undergo third party audits to ensure compliance with the criteria and continuous improvement.	BCI conducts supply chain monitoring and audits to ensure that companies sourcing cotton as Better Cotton comply with relevant Chain of Custody requirements, and to ensure continuous improvement.	Certified entities undergo a self-assessment process and, afterwards, receives a visit from a third-party auditor. Annual audits will also take place after the validation.
<b>Third party expertise and multi-stakeholder process</b>	Standard setting is aligned with the ISEAL Standard Setting Code.	The RTRS Standard for Responsible Soy Production was developed through the efforts of producers, industry and civil society, which agreed upon the Principles and Criteria for certifying soy as a responsible crop.	Standard setting is aligned with the ISEAL Standard Setting Code, the ISEAL Assurance Code, the ISEAL Impacts Code, and the EU Renewables Directive (EU RED).	The WWF founded the Better Cotton Initiative in 2005. BCI partners with the following standards, which are all recognized by BCI as being equivalent to the Better Cotton Standard System: myBMP (My Best Management Practice) in Australia, ABRAPA (Associação Brasileira dos Produtores de Algodão) in Brazil, 'Cotton made in Africa' (CmiA) and 'Smallholder Cotton Standard' (SCS) of Aid by Trade Foundation (AbTF).	RSB is a full member of the ISEAL Alliance and respects its Codes of Good Practice for multi-stakeholder sustainability standards. RSB's benchmarks are available with Rainforest Alliance, the Sustainable Agriculture Network, the Forest Stewardship Council, Bonsucro and the IFC Performance standards.



<p><b>Performance Display</b></p>					
<p><b>Qualitative considerations</b></p>	<p>Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people which have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementaton of social and environmental mitigation processes.</p>	<p>RTRS has more than 180 members from countries all around the world, selling over 1.3 million tonnes of RTRS certified soy. The RTRS certifications have been criticized for managing allegedly 'flawed' criteria which allow the certification of GMO and herbicide resistant crops. Additionally, the RTRS criteria allow for deforestation of secondary forest areas (not identified as primary or high conservation value). Moreover, in 2009 and 2010 two major Brazilian organisations in the soya supply chain quit the RTRS because the addition of a criteria related to deforestation. RTRS members such as Nidera, Monsansto and DuPont/Pioneer were sanctioned by Argentine authorities in the past due to forced labour, despite the fact that respecting labour laws are acondition for using the RTRS label.</p>	<p>Global recognition across more than 40 countries with approximately 500 members. Bonsucro has a robust and transparent system in place to ensure that requirements are regularly met. The Bonsucro Production Standard focuses on achieving sustainable production of sugarcane in respect to economic, social and environmental dimensions, while the Bonsucro Chain of Custody Standard focuses on the entire supply chain, including production, processing and trade.</p>	<p>Global recognition across 21 countries. In 2018, 2 million licensed BCI Farmers produced 5.1 metric tonnes of Better Cotton, accounting for 19% of global cotton product. Some observers have cited the BCI's lack of commitment to a full phase out of synthetic chemicals among other social and environmental challenges.</p>	<p>The RSB certification is considered strong by organisations such as WWF, IUCN and NRDC. In 2017, RSB certified 50 industrial facilities and 56,784 hectares of farmland.</p>

### Appendix 3: Summary of Referenced Green Building Certification Schemes





	LEED <sup>56</sup>	Green Star SA <sup>57</sup>	Energy Water Performance <sup>58</sup>	EDGE <sup>59</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC).	Green Star SA is an environmental (design) rating system developed by the Green Building Council to provide an objective measurement for green buildings in South Africa and Africa.	Created in 2011 by the Green Building Council South Africa, the Energy Water Performance Tool is an operational performance measurement tool which rates the performance of a whole office building, by comparing the energy and water usage figures against a national "average" benchmark that is adjusted.	EDGE (or "Excellence in Design for Greater Efficiencies") is a green building standard and certification system developed by the International Finance Corporation and applicable in 140 countries.
<b>Certification levels</b>	<ul style="list-style-type: none"> <li>• Certified</li> <li>• Silver</li> <li>• Gold</li> <li>• Platinum</li> </ul>	<p><i>For existing buildings only (new buildings can achieve 4 to 6-Star certifications only):</i></p> <p>1 Star (Minimum Practice)                  2 Stars (Average Practice)                  3 Stars (Good Practice)                  4 Stars (Best Practice)                  5 Stars (South African Excellence)                  6 Stars (World Leadership)</p>	<p>1. Less Efficient                  2 Less Efficient                  3 Less Efficient                  4 Less Efficient                  5 Industry Average                  6 More Efficient                  7 More Efficient                  8 More Efficient                  9 More Efficient                  10 More Efficient</p>	<ul style="list-style-type: none"> <li>• EDGE Certified</li> <li>• EDGE Advanced</li> <li>• EDGE Zero Carbon</li> </ul>
<b>Areas of Assessment</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Management</li> <li>• Indoor environment quality</li> <li>• Energy</li> <li>• Transport</li> <li>• Water</li> <li>• Materials</li> <li>• Land use and ecology</li> <li>• Emissions</li> <li>• Innovation</li> <li>• Additional Category: Socio Economic</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Water</li> </ul>	<p>1. Climatic Conditions</p> <p>2. Building Type and Occupant Use</p> <p>3. Design and Specifications</p> <p>4. Building Orientation</p> <p>Calculation of the End Use Demand Overall energy demand in buildings; heating ventilation and air conditioning demand; virtual energy for comfort, energy demand for hot water requirements; lighting energy demand; water demand in buildings; estimations on rainwater harvesting or recycled water onsite; embodied energy in building materials.</p>
<b>Requirements</b>	<p>Prerequisites independent of level of certification, and credits with associated points.</p> <p>These points are then added together to obtain the LEED level of certification</p>	<p>There are conditional as well as minimum requirements in several credits, based on the rating tool, that are required to be selected for compliance.</p> <p>There are several rating tools within Green Star. Each rating tool is designed to apply to a specific sector</p>	<p>Potable Water Performance: no requirement. A score of 1-10 may be awarded for percentage improvements in water efficiency compared to benchmarks.</p> <p>Energy: to be eligible 12 months of historic energy consumption data for the building must be available.</p>	<p>Prerequisites depending on the level of certification. To achieve the minimum level, EDGE Certified, a building must demonstrate a minimum 20% reduction in operational energy consumption, water use and embodied energy in materials as compared to typical local practices.</p>

<sup>56</sup> USGBC, "LEED rating system", at: [www.usgbc.org/LEED](http://www.usgbc.org/LEED).

<sup>57</sup> GBCSA website, "Green Star Certification", at: <https://gbcса.org.za/certify/green-star-sa/>

<sup>58</sup> GBCSA website, "Energy Water Performance", at: <https://gbcса.org.za/certify/energy-water-performance/>

<sup>59</sup> EDGE, "Certify", at: <https://www.edgebuildings.com/certify/>

	<p>There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).</p>	<p>with specific eligibility criteria for each of them (e.g. Green Star – Design &amp; As Built; Green Star – Interiors; and Green Star – Performance)</p>	<p>A score of 1-10 may be awarded where percentage reductions in energy consumption are achieved during the performance period. The score is awarded based on the level of the building's actual energy efficiency performance against benchmarks.</p>	
<p><b>Performance display</b></p>				
<p><b>Qualitative considerations</b></p>	<p>Widely recognized internationally, and strong assurance of overall quality.</p>	<p>Commonly used in Australia, New Zealand, and South Africa. Set up similar to BREEAM and LEED. Some suggest that Green Star is less stringent than BREEAM, and that a 6-star rating is roughly equivalent to “very good”, however the Green Star system has been updated since most assessments have been published, so may now be more stringent. Tailored to countries with varied climates.</p>	<p>Limited to water and energy performance. Credible since it is enforced by the Green Building Council (SA).</p>	<p>Strong assurance of overall quality due to the EDGE’s development under the IFC umbrella.</p>

## Appendix 4: Sustainalytics' Assessment of Forestry Certification Schemes

	Forest Stewardship Council (FSC) <sup>60</sup>	Programme for the Endorsement of Forest Certification (PEFC) <sup>61</sup>
<b>Background</b>	The Forest Stewardship (FSC) is a non-profit organization established in 1993 that aims to promote sustainable forest management practice by evaluating forest management planning and practices independently against FSC's standards.	Founded in 1999, the Programme for the Endorsement of Forest Certification (PEFC) is a non-profit organization that promotes sustainable forest management through independent third-party certification, this includes assessments, endorsements and recognition of national forest certification systems. PEFC was created in response to the specific requirements of small- and family forest owners as an international umbrella organization.
<b>Basic Principles</b>	<ul style="list-style-type: none"> <li>• Compliance with laws and FSC principles</li> <li>• Tenure and use rights and responsibilities</li> <li>• Indigenous peoples' rights</li> <li>• Community relations and workers' rights</li> <li>• Benefits from the forests</li> <li>• Environmental impact</li> <li>• Management plans</li> <li>• Monitoring and assessment</li> <li>• Special sites – high conservation value forests (HCVF)</li> <li>• Plantations</li> </ul>	<ul style="list-style-type: none"> <li>• Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle</li> <li>• Maintenance and enhancement of forest ecosystem health and vitality</li> <li>• Maintenance and encouragement of productive functions of forests (wood and no-wood)</li> <li>• Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems</li> <li>• Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water)</li> <li>• Maintenance of socioeconomic functions and conditions</li> <li>• Compliance with legal requirements</li> </ul>
<b>Types of standards/benchmarks</b>	<ul style="list-style-type: none"> <li>• Forest Management certification (for single/multiple applicant(s) – industrial or private forest owners, forest license holders, community forests, and government-managed forests)</li> <li>• Small and Low Intensity Management Forests (SLIMFs) program (for small forests and forests that are managed at low intensity would be eligible)</li> <li>• Chain of Custody (CoC) certification (for supply chain companies' planning, practices and products – all operations that want to produce or make claims related to FSC-certified products must possess this certificate)</li> <li>• Controlled Wood verification (for assurance that 100% virgin fiber mixed with FSC-certified and recycled fiber originates from a verified and approved source)</li> </ul>	<ul style="list-style-type: none"> <li>• Sustainable Forest Management benchmark – international requirements for sustainable forest management. National forest management standards must meet these requirements in order to obtain PEFC endorsement</li> <li>• Group Forest Management Certification – outlines the requirements for national forest certification systems who have group forest management certification</li> <li>• Standard Setting – covers the processes that must be adhered to during the development, review and revision of national forest management standards</li> <li>• Chain of Custody – outlines the conditions for obtaining CoC certification for forest-based products</li> <li>• PEFC logo Usage Rules – outlines the requirements entities must abide by when using the PEFC logo</li> <li>• Endorsement of National Systems – outlines the process that national systems must go through to achieve PEFC endorsement</li> </ul>
<b>Governance</b>	The General Assembly is comprised of all FSC members and constitutes the highest decision-making body. Members can apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers. Each chamber maintains 33.3% of the weight in votes, and votes are weighted so that the North and South hold an equal portion of authority in each chamber, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.	PEFC's governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders. In general, PEFC's governance structure is more representative of industry and government stakeholders than of social or environmental groups. Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.
<b>Scope</b>	FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good	Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59) <sup>62</sup> and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.

<sup>60</sup> Forest Stewardship Council, FSC Principles and Criteria for Forest Stewardship: <https://ca.fsc.org/preview.principles-criteria-v5.a-1112.pdf>

<sup>61</sup> PEFC, Standards and Implementation: <https://www.pefc.org/standards-implementation>

<sup>62</sup> ISO, ISO/IEC Guide 59:2019: <https://www.iso.org/standard/23390.html>

	<p>Practice for Setting Social and Environmental Standards.</p>	
<p><b>Chain-of-Custody</b></p>	<ul style="list-style-type: none"> <li>● The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards</li> <li>● CoC standard includes procedures for tracking wood origin</li> <li>● CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products</li> <li>● CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC</li> </ul>	<ul style="list-style-type: none"> <li>● Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC</li> <li>● Only accredited certification bodies can undertake certification</li> <li>● CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content.</li> <li>● The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials</li> <li>● The CoC standard includes specifications for the physical separation of certified and non-certified wood</li> <li>● The CoC standard includes specifications about procedures for dealing with complains related to participant’s chain of custody</li> </ul>
<p><b>Non-certified wood sources</b></p>	<p>FSC’s Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> <li>a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others,</li> <li>b. Wood harvested in violation of traditional and civil rights,</li> <li>c. Wood harvested in forests where high conservation values are threatened by management activities,</li> <li>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</li> </ol> <p>Wood from management units in which genetically modified trees are planted.</p>	<p>The PEFC’s Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> <li>a. forest management activities that do not comply with local, national or international laws related to: <ul style="list-style-type: none"> <li>- operations and harvesting, including land use conversion,</li> <li>- management of areas with designated high environmental and cultural values,</li> <li>- protected and endangered species, including CITES species,</li> <li>- health and labour issues,</li> <li>- indigenous peoples’ property, tenure and use rights,</li> <li>- payment of royalties and taxes.</li> </ul> </li> <li>b. genetically modified organisms, forest conversion, including conversion of primary forests to forest plantations.</li> </ol>
<p><b>Accreditation/verification</b></p>	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). In the same way that a certification body checks that a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process, PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF’s rules and regulations.</p>
<p><b>Qualitative considerations</b></p>	<p>Sustainalytics views both FSC and PEFC as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices<sup>63</sup> and both have also faced criticism from civil society actors.<sup>64,65</sup> In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are similar or equal to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>	

<sup>63</sup> FESPA, FSC, PEFC and ISO 38200: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

<sup>64</sup> Yale Environment 360, Greenwashed Timber: How Sustainable Forest Certification Has Failed: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

<sup>65</sup> EIA, PEFC: A Fig Leaf for Stolen Timber: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

## Appendix 5: Sustainability Bond / Sustainability Bond Programme - External Review Form

### Section 1. Basic Information

Issuer name:	FirstRand Limited
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	FirstRand Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	December 6, 2021
Publication date of review publication:	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

**1. USE OF PROCEEDS**

Overall comment on section *(if applicable)*:

The fourteen eligible categories for the use of proceeds are aligned with those recognized by both the Green Bond Principles and the Social Bond Principles. Sustainalytics considers that investments and financing in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals (“SDGs”), specifically SDGs 4, 5, 6, 7, 9, 11, 12, and 15.

**Use of proceeds categories as per GBP:**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use           |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input checked="" type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input checked="" type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input checked="" type="checkbox"/> Other (please specify):<br>Climate smart agriculture<br>Electricity distribution networks |

If applicable please specify the environmental taxonomy, if other than GBPs:

**Use of proceeds categories as per SBP:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure   | <input type="checkbox"/> Access to essential services  |
| <input checked="" type="checkbox"/> Affordable housing  | <input type="checkbox"/> Employment generation (through SME financing and microfinance)  |
| <input type="checkbox"/> Food security  | <input type="checkbox"/> Socioeconomic advancement and empowerment   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify):<br>Social infrastructure<br>Improvement of access to funding for micro, small and medium enterprise (“MSMEs”) and low-income population<br>Women in the economy |

If applicable please specify the social taxonomy, if other than SBP:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

FirstRand Limited's Group Treasury will be responsible for providing the final approval on the selected Eligible Assets. FirstRand's asset, liability and capital committee will be responsible for ensuring the governance relating to the Framework. FirstRand has a dedicated environmental and social risk assessment and mitigation process that is applicable to all allocation decisions made under the Framework. Sustainalytics considers this process to be strong and to be aligned with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available                | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

RMB's sustainable finance and ESG advisory team, in collaboration with FirstRand Group Treasury will be responsible for the allocation and tracking of net proceeds to the Eligible Portfolio. FirstRand intends to achieve full allocation of proceeds within 24 months from the date of each issuance. The unallocated proceeds will be held and/or invested in the group's treasury liquidity portfolio, in cash or other short-term and liquid instruments. This is in line with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |



**Additional disclosure:**

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only                             | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):  |

**4. REPORTING**

Overall comment on section (if applicable):

FirstRand intends to publish an allocation report and impact report annually on its website. The allocation reporting is expected to include asset-level details on the allocation of proceeds, proportion of financed and refinanced assets, and the balance of unallocated proceeds. In addition, the group intends to report on the quantitative impact where feasible and has provided indicative metrics within the Framework. Sustainalytics views FirstRand's allocation and impact reporting as aligned with market practice

**Use of proceeds reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported:**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts       | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input checked="" type="checkbox"/> Other (please specify): |   |
| The proportion of financed and refinanced assets            |   |
| The balance of unallocated proceeds                         |   |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify):                 |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
|---|--|

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Number of beneficiaries                |
| <input checked="" type="checkbox"/> Target populations    | <input checked="" type="checkbox"/> Other ESG indicators (please specify): |
|   | Number of health facilities financed                                       |
|   | Number of education facilities financed                                    |
|   | Number of affordable and sustainable housing units built                   |
|   | Total installed capacity (MW)  |
|   | Total square meter of financed green buildings                             |
|   | Number of electric vehicles charging points installed                      |

**Frequency:**

- |  |                                      |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual       | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): |                                      |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other (please specify):             |
|   | Information will be available on company's website                      |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other (please specify):                     |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP**

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. The firm works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. The world's foremost issuers, from multinational corporations to financial institutions to governments, also rely on Sustainalytics for credible second-party opinions on green, social and sustainable bond frameworks. In 2020, Climate Bonds Initiative named Sustainalytics the "Largest Approved Verifier for Certified Climate Bonds" for the third consecutive year. The firm was also recognized by Environmental Finance as the "Largest External Reviewer" in 2020 for the second consecutive year. For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com).



Named

2015: Best SRI or Green Bond Research or Rating Firm  
2017, 2018, 2019: Most Impressive Second Opinion Provider



The  
**Green Bond**  
Principles



The  
**Social Bond**  
Principles