

Luxembourg, 06.02.2024

Environmental and Social Data Sheet

Overview

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| Project Name: | <i>FRB CA FACILITY</i> |
| Project Number: | <i>2023-0383</i> |
| Country: | <i>South Africa</i> |
| Project Description: | <i>The operation will provide funding to the FirstRand Bank Limited (FRB) for on-lending to private sector projects in line with EIB Climate Action eligibility criteria, in particular solar photovoltaic and wind renewable energy investments developed by independent power producers operating in South Africa.</i> |
| EIA required: | <i>Some sub-projects may require an EIA</i> |
| Project included in Carbon Footprint Exercise ¹ : | <i>No</i> |
| (details for projects included are provided in section: "EIB Carbon Footprint Exercise") | |

Environmental and Social Assessment

This operation concerns a 200 MEUR Framework Loan (FL) with the First Rand Bank of South Africa (FRB, or the FI) to finance renewable energy projects in South Africa.

The sub-projects under the FL are expected to be medium to large solar PV and onshore wind projects, with installed capacity below 100 MW and possibly some small-scale residential and C&I PV sub-projects expected to range between 3 kW_p – 3 MW_p. This operation intends to bring about environmental benefits by supporting sub-projects that increase the use of renewable energy, thus reducing GHG emissions from electricity generation and reducing environmental pollution related to coal mining, therefore helping to mitigate climate change. Though the environmental and social (E&S) impacts of the sub-projects are not fully known at this stage, these are expected to have limited adverse impacts

All the sub-projects under this operation will be financed directly by FRB. The EIB has assessed as satisfactory FRB's E&S capacity to appraise and monitor sub-projects in accordance with the relevant EIB requirements. Over the years, FRB has developed an Environmental and Social Management System (ESMS) in line with the IFC Performance Standards (PS) and the Equator Principles (EP). The FI's ESMS is considered acceptable. All projects funded by FRB must comply with the ESMS, and ultimately all the sub-projects financed through this operation will have to comply with EIB Environmental and Social Standards.

Currently FRB has a strong team of 17 dedicated Environmental and Social Specialists with relevant experience

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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Environmental Assessment

The main principles of environmental and social assessment practice enshrined in EU legislation, such as screening, scoping, independent review, public participation, disclosure and monitoring, are already present in the national legislation of South Africa, specifically in the Environmental Impact Assessment Regulations (2014).

According to the South African national legislation, all projects are subject to a scoping stage, with the competent authority deciding whether to require an Environmental and Social Impact Assessment (ESIA). If the sub-projects were in the EU, they would fall under Annex II of EIA Directive 2014/52/EU amending EIA Directive 2011/92/EU, requiring the national competent authority to decide on the need for a full EIA process. In the case of the interconnection power lines, required as associated facilities, some might be included in Annex I of the above-mentioned Directive, thus also requiring full EIAs to be performed. In addition, alignment with the basic principles of the relevant EU Directives (e.g., Habitats Directive 92/43/EEC, the amended Energy Efficiency Directive 2012/27/EU and Energy Performance of Buildings Directive 2010/31/EU) will be sought, including compliance with Best-Available-Technique (BAT), where appropriate.

The Bank will assess ESIA's and all permitting documentation (including screening decisions) when reviewing the documentation for all allocations, including compliance with EIB E&S standards. Whenever an ESIA process is required, the Bank will require the Financial Intermediary (FI) to store and keep updated any documents that may be relevant for the project (including EIA screening decisions, environmental studies/ESIA reports, environmental monitoring reports or equivalent documents) supporting the compliance with the EIB E&S Standards and national environmental regulations. The Financial Intermediary shall also deliver such documents to the Bank as part of the allocation process prior to the approval of allocations.

The FI will be required to verify that none of the sub-projects has a significant adverse impact on any site of nature conservation importance. Schemes with significant E&S risks, including on areas with high biodiversity value, or nature conservation areas, including bird migration routes, will not be eligible under this operation.

EIB Paris Alignment for Counterparties (PATH) Framework

FRB is in scope and has been screened in, based on both its size in terms of total assets and its ranking in the South African banking sector. FRB is publicly disclosing climate-related information in line with recommendations of the Task Force on Climate Related Financial Disclosures (TCFD). All past and current disclosures and relevant publications are available on FRB's web page. FRB can be considered as PATH aligned and no contractual requirements will be imposed on FRB in the finance contract.

Social Assessment

The envisaged sub-projects may have typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise nuisances, presence of security personnel and the influx of labour force during construction. The main mitigation and monitoring measures to address these risks/impacts and others are expected to be considered in the respective Environmental and Social Management Plan (ESMP), as applicable.

The Bank will require a social assessment, including the development of a management plan for mitigation of social impacts (as applicable). Compliance with national law and ILO Core Labour Standards will need to be ensured by the FI at sub-project level in accordance with the Bank's Environmental and Social Standards. Sub-projects may require the acquisition, lease or easements of land for the installation of their components, but it is expected that the implementation of the sub-projects under this FL will not lead to involuntary physical or economic displacement or resettlement.



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The FI has environmental and social policies in place, which include a Human Rights Policy and a Code of Ethics, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlying solar PV projects.

The FI will be required to undertake reasonable efforts to mitigate risks of forced labour in the supply chain. This will include, on a best effort basis, enhanced due diligence when practically achievable, and also guided by the FI's human rights commitment, ensuring that appropriate contractual provisions are passed on to contractors/suppliers for each of the sub-projects financed under the FL.

Public Consultation and Stakeholder Engagement

The Bank will verify that adequate disclosure of information and meaningful public consultations are conducted in the context of the ESIA process. At sub-project level, the FI will ensure that comprehensive grievance mechanisms, both for communities and for the sub-project workforce (including EPC contractor and sub-contractors), are in place during both implementation and the entire operation period of the sub-projects.

Stakeholder engagement activities will be conducted in compliance with national legislation and with the FI's guidelines on Stakeholder Engagement, which is considered satisfactory by the Bank.

Other Environmental and Social Aspects

The FI became an Equator Principles (EP) signatory in 2009. The adoption of EP demonstrates long-term commitment to responsible investing.

Conclusions and Recommendations

The national E&S regulatory framework is considered robust and the FI's ESMS is aligned to the EIB's E&S standards. All sub-projects shall be assessed individually by the FI and will be reviewed by the Bank as part of the ex-ante allocation approval process. The transactions in this operation are not expected to have major residual E&S impacts.

The E&S risk management process of FRB is considered to comply with the requirements of the EIB for FI, i.e., enables the appropriate identification, assessment and management of E&S risks and impacts, including:

- Screening the ultimate beneficiaries against the relevant exclusion list for both the FI and EIB.
- Ensuring that the sub-projects comply with relevant national E&S laws and regulations, and EIB E&S Standards.
- Screening and assessing all projects for their E&S and impact by dedicated E&S specialists.

Additionally, the Bank will require the following:

- The FI shall not allocate any EIB funds to sub-projects which are subject to ESIA or biodiversity assessment according to EIB E&S standards and national law, without the consent from the competent authority, and the EIA having been made available to the public.
- Under the allocation procedures, all underlying sub-projects, including their compliance with EIB standards, will be reviewed ex-ante by the EIB.



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- The FI shall store and maintain updated the relevant documents (including ESIA screening decisions, environmental consents, ESIA studies, and Nature/Biodiversity Assessments or equivalent documents supporting the compliance with the principles of the EU Habitats Directive) to be provided to the Bank upon request. In case the EIB requires such documentation, the promoter shall provide all documents requested promptly.
- For sub-projects which are subject to an ESIA, the FI shall refer this sub-project to the EIB and retain on file a copy, provide a digital copy of the ESIA study and of the environmental consent to the Bank, and confirm that the sub-project incorporates all mitigating measures recommended as a result of the ESIA.
- For sub-projects that may have an impact on a nature conservation site, the promoter shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation satisfactory to the Bank, that the sub-project does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank before the funds are allocated. Sub-projects with significant negative impacts on areas with high biodiversity value and nature conservation areas will not be eligible. Likewise, sub-projects that have a potentially adverse impact on indigenous communities and/or peoples will be excluded.
- Schemes (i) with significant negative social impacts or (ii) requiring resettlement, which cannot be mitigated to the Bank's satisfaction, shall not be eligible.
- For solar PV sub-projects, the FI shall undertake reasonable efforts to mitigate risks of forced labour in the supply chain. This will include, on a best effort basis, enhanced due diligence when practically achievable, and also guided by the FI's human rights commitment, ensuring that appropriate contractual provisions are passed on to contractors/suppliers for each of the sub-projects financed under the FL.
- The Financial Intermediary will undertake to monitor and report to the Bank on compliance with EIB E&S Standards, with a periodicity yet to be defined for the individual allocations.

Under these conditions, the operation is considered acceptable in E&S terms.