

EXECUTIVE MAYOR COUNCILLOR MPHO PARKS TAU's SPEECH AT THE LISTING OF THE FIRST- EVER LISTED GREEN BOND IN SOUTH AFRICA – JSE AND C40 CITIES

09 June 2014

Programme Director, MMCs, City Manager, Members of JSE, Business Executives, Senior City Employees and the Media

Programme Director

We meet here today to announce the City of Joburg's listing of the historic Green Bond on the Johannesburg Stock Exchange (JSE).

As the City of Johannesburg, we are cognisant of our unique position as the economic capital of South Africa and the heartland of trade and economic activity in Africa.

This is a City which is home to the headquarters of most local and multinational companies across all sectors including banking as well as finance industries because of our world-class economic and social infrastructure. It is the home of Africa's most advanced financial sector and of the Johannesburg Stock Exchange, the largest stock exchange on the continent;

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This is a City which has led the country in the issuance of municipal bonds and is using the funds generated to improve the quality of infrastructure and service delivery to our residents. In 2004 the City of Joburg was a pioneer by successfully issuing the 1st municipal bond in South Africa COJ01 with a nominal amount of R1 billion and also the 1st municipality to issue retail bonds in September 2007.

The issuance of this green bond follows the last bond issuance COJ07 with a nominal amount of R850m and a 10 year maturity that was issued in March 2011. With a total of 7 long dated bonds issued to date prior to COJG01, the City of Joburg has been a consistent and responsible issuer in the debt capital markets having issued a total of R8.5 billion in bonds and commercial paper totalling R6.1 billion. To date the City has successfully redeemed a total of R1.9 billion comprising of the COJ01, COJ03, retail bonds and partial redemption of COJ02 for R166.6 million.. The commercial paper issued between 2009 and 2011 totalled an amount of R6.1 billion, which was all

successfully redeemed and there has been no utilisation of commercial paper since the 19th April 2012. All these above mentioned listed debt instruments were issued under the R13 billion Domestic Medium Term Note (DMTN) programme. An amount of R6.6 billion in City's municipal bonds remains outstanding under the City's DMTN.

Today the City of Joburg is continuing on that trajectory by now pioneering the first listed "green bond" in South Africa and in the C40 Cities Climate Leadership Group, to raise funds primarily to help respond comprehensively to climate change through mitigation and adaptation investments.

The bond auction was a success and 150 percent oversubscribed. "This clearly demonstrates investor confidence in City of Johannesburg and commitment to environmental stewardship and climate change, while receiving a market related financial return. The issuance of this green bond will assist the City with a source of funding towards capital expenditure to expedite its environmental solutions. What distinguishes this green bond from any other general obligation bond, is that the projects to be financed are green initiatives such as the Bio Gas to Energy Project and the Solar Geyser Initiative, as well as all other projects that reduce greenhouse emissions and contribute to a resilient and sustainable City

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The City of Joburg reiterates its appreciation of the continued support from investors and the JSE since the debut bond issuance in 2004. The JSE trading platform is amongst the best and sophisticated worldwide. The COJG01 coupon at 10.18% is priced at 60 basis points lower compared to the last bond COJ07 issued in March 2011. The current bond was issued at a spread of 185 basis points against the benchmark bond R2023. This was made possible by the City's improved and solid financial position. The cash and cash equivalents have consistently and significantly increased since 2011 at R600 million to current cash levels of R5.4 billion.

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Earlier this year, the City received an unqualified audit opinion issued by the Auditor General. This was the strongest indication yet, that our governance is in good shape and that this is indeed a well-run city which adheres to the highest standards of corporate governance and financial controls.

Both Fitch and Moody ratings agencies retained their positive investment rating of Johannesburg during the past year. *“Sound financial management and budget planning support our view that the increased focus on capital expenditure will unlikely result in a significant deterioration of the city's finances. Investment policies are generally adequate to reduce investment risk to low levels.”*

The City's financial position bodes well for partnership between the City and the private sector. It is critical that the City partners and leverage private sector funding to finance the R100 billion capital spending over the next 10 years. This is all an indication that we are a City at Work building the economy of the future and we are a City at work conducting a Green Revolution.

The City through this innovative financing mechanism will benefit in terms of accessing additional funding, tapping into a new investor base with social responsible investment (SRI) mandate and positive image projected to investors in dealing with climate change challenges. Given that we are the first City in the C40 Cities Network this green bond issuance will be shared with other Cities at the UN Climate Summit to be held in New York in September 2014. This will be an opportunity not only to show case the credit strength and innovation of the City but the sophistication of South African financial markets and systems. Finally, **programme director**, the green bond is one of the critical building blocks in our programme of achieving our goal to make ***Joburg, a World Class African City.***