



# Absa Group Limited

Sustainable Finance  
Issuance Framework  
May 2022



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# Introduction

## Purpose of the framework

This document outlines the criteria under which Absa Group Limited and its subsidiaries (Absa or the Group) intend to issue thematic liability instruments such as green, social and/or sustainable bonds and loans referred to as sustainable instruments in this framework (the framework). The proceeds from this endeavour will be used to finance or refinance activities or assets, loans, project financing and project investments (“projects”) aligned with international best practice and guidance issued by the International Capital Markets Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG), the Loan Market Association (LMA) Green Loan Principles (GLP) and Social Loan Principles (SLP).

The focus of this framework is consistent with Absa’s purpose – to bring possibilities to life – and the Group’s strategic priority to lead with purpose and deliver shared value to a broad range of stakeholders.

## Absa profile

Absa is a diversified financial services provider, offering products and services across retail, business, corporate, investment and wealth banking, as well as insurance. The Group, headquartered at 15 Troye Street, Johannesburg, South Africa, is a limited liability company listed on the Johannesburg Stock Exchange (JSE).

Absa owns majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, the Seychelles, South Africa, Tanzania (Absa Bank and National Bank of Commerce), Uganda and Zambia, and has representative offices in Namibia, Nigeria and the United States, as well as securities entities in the United Kingdom and the United States. The Group offers insurance in Botswana, Kenya, Mozambique, South Africa and Zambia.

## An active force for good in everything we do

Our 2018 growth strategy laid the foundation to reimagine our business as a standalone entity. However, due to the COVID-19 pandemic, 2020 brought with it a materially different operating context than the one in which our original growth strategy was set. Consequently, during 2021, we refreshed our Group strategy, re-anchoring it to 2018 while incorporating our new operating environment. Our strategic direction builds on our successes while acknowledging areas for enhancement.

In our refreshed strategy, environmental, social and governance (ESG) priorities were further elevated, along with digital. Embedding ESG aspirations into our core business strategy is vital for delivering true long-term value linked to our purpose of bringing possibilities to life. We aim to be an active force for good in everything we do, prioritising business activities with the most positive ESG impact while mitigating negative effects. Our strategic theme of *being an active force for good in everything we do* encapsulates this ambition. Our ESG strategy includes the following pillars:

### Environmental

Managing climate change and biodiversity risks and opportunities, including:

- Becoming Africa’s leader in sustainable finance
- Proactively incorporating climate change risk into the business
- Setting ambitious net-zero carbon emission targets
- Achieving a positive impact on biodiversity in the medium term.

### Social

Contributing meaningfully to the societies in which we operate, including:

- Providing inclusive financial services to small and medium enterprises (SMEs), women and youth
- Supporting education and skills development, e.g., financial literacy, tertiary education and vocational training
- Being there for communities, employees and clients when they need us most
- Championing diversity and inclusion.

### Governance

Committed to the highest standards of governance and ethics, including:

- Committing to excellence in governance and risk management
- Ensuring fair outcomes and transparency with all stakeholders
- Enabling a resilient and robust control environment.

### Public policy and regulation

Active influence on public policy and regulation, including:

- Strengthening trust-based regulatory relationships
- Acting as a strategic thought leader in crucial regulatory debates and influencing national agendas
- Supporting government policies in the collective interest of societies.

## Absa’s recent ESG journey

- Absa became a founding signatory of the UN Environment Programme Finance Initiative’s Principles for Responsible Banking (PRBs) in September 2019 as a framework for implementing sustainability across the Group.
- In December 2019, the Board approved a Group Sustainability Policy, using these principles as a framework, as well as a Coal Financing Standard. Both were published in April 2020, after engaging with various stakeholders.
- Absa was the first JSE-listed South African company to voluntarily include a climate change resolution in its annual general meeting (AGM) resolutions in March 2020. Over 99% of shareholders voted in support of the resolution.
- We established a Sustainable Finance Team within Corporate and Investment Bank (CIB) in July 2020. Our Sustainable Finance Committee meets monthly and includes employees from risk, treasury, Group sustainability and numerous CIB teams.
- Our Board elevated sustainability risk to a principal risk in our Enterprise Risk Management Framework (ERMF) in October 2020.
- In response to our AGM climate change resolution, we provided an assessment of the exposure to climate change risk in our lending and the opportunities to finance climate change mitigation and adaptation in our first Task Force on Climate-Related Financial Disclosures (TCFD) report in March 2021. We also published our first PRB report.
- We were the first South African bank to announce sustainable finance targets in March 2021. CIB aims to finance R100 billion in ESG-related loans and debt by 2025. In addition, Relationship Banking plans to finance R2.5 billion or 250MW in embedded power in South Africa by 2025.



- Given South Africa's carbon-intensive economy, financing renewable energy represents a significant opportunity. We have played a leading role in financing the government's Renewable Independent Power Producer Programme (REIPPP). Cumulatively, we have been involved in deals totalling 5GW in the REIPPP.
- In August 2021, we partnered with African Rainbow Energy and Power to create South Africa's largest black-owned renewables fund, with over R6 billion in renewable assets at launch.
- In August 2021, a Group-wide Environmental and Social Risk Management System Standard for implementation was published. The framework, manual and tools ensure compliance with International Finance Corporation performance standards and local legislation.
- We finalised a Sustainability Risk Policy in September 2021 that aligns with the UN Sustainable Development Goals (SDGs) and the Paris Climate Agreement, among others.
- The Board approved our refreshed strategy, including our ESG pillar, in October 2021.
- In 2021, partnering with experts, we assessed the climate-change-related physical and transition risks in our overall loan book, along with an in-depth analysis of the physical risks in our agricultural and real estate books.
- In March 2022, the Board approved our priority SDGs.

## Absa's priority SDGs

By analysing the Group's operations, we have prioritised six SDGs representing the most relevant goals and targets to Absa's strategy, business model and operating context.



In line with the PRBs, Absa has set fossil fuel financing targets. The targets link to the appropriate SDGs, the Paris Climate Agreement, and relevant regional and local frameworks, such as the African Union Agenda 2063, the South African government's Integrated Resource Plan and the South African Financial Sector Code, which drives broad-based black economic empowerment (B-BBEE).

Absa undertakes to embrace the Just Transition objectives through mitigation and adaptation, in line with the ICMA principles for Climate Change.

## Fossil fuel financing targets

As a critical initial step in setting a net-zero carbon target for our Group (one of the priorities in our ESG strategy), we have set targets for our exposure to the oil, coal and gas sectors as a percent of total Group loans over the short, medium and long term. Our emissions targets are more ambitious than the South African government's Integrated Resource Plan, aiming at reducing the reliance on coal for energy generation, driven by cleaner, renewable electricity supply. Given the substantial change occurring in the energy sector, our targets and commitments will be reviewed on a three-year cycle from the date of adoption, at a minimum.

## Coal financing targets

Our total exposure to the coal sector (including limits) decreased significantly in 2021. From here it is expected to increase to 0.20% of our total group loans in 2022 (still well below 2020 levels), before reducing to 0.16% in 2025, 0.11% in 2030, 0.06% in 2040 and 0.03% in 2050. Assuming 70% utilisation, we expect our coal sector loans to reduce to 0.11%, 0.08%, 0.04% and 0.02% of our total loans in 2025, 2030, 2040 and 2050 respectively. Note that these targets exclude loans to Eskom. We have set an internal cap on coal sector financing.

## Oil financing targets

Given existing commitments, our total exposure to the oil sector (including limits) is expected to peak at 1.41% of our overall Group loans in 2023. Thereafter, we target a significant reduction to 0.46% of total Group loans in 2030, 0.22% in 2040 and 0.04% in 2050. Assuming 70% utilisation, we expect our oil sector loans to reduce significantly to 0.32%, 0.15% and 0.03% of total Group loans in 2030, 2040 and 2050 respectively. We have also set an internal cap on our total oil and gas financing.

## Gas financing targets

Since we consider gas a "transition fuel", the trajectory of our gas sector lending targets differs from oil and coal. Our gas sector loans are expected to exceed oil by 2027. We expect our total exposure to the gas sector (including limits) to increase from 2021's 0.51% to peak at 0.83% in 2030. Thereafter, we target a material reduction to 0.52% in 2040 and 0.32% by 2050. Assuming 70% utilisation, we expect our gas loans to increase materially (off a very low base) to 0.58% in 2030, before falling to 0.37% and 0.22% respectively in 2040 and 2050.



## Absa's environmental and social risk management policies and systems

Absa actively manages current and emerging risks through the implementation and continued operating effectiveness of the Board-approved ERMF, which includes sustainability risk as a principal risk (comprising environmental, climate change, premises environmental, indirect investment, and social risks). Within the ERMF, risks associated with customer loans that could be impacted by climate change through transition and/or physical risks fall under credit risk, the Group's most significant risk type. The Group measures and monitors its exposure to climate-sensitive industries. Where these exposures are material, Absa aims to manage the risk over the short and medium term, including using stress testing and scenario planning.

The Group Sustainability Policy requires that the business strategy considers appropriate climate mitigation strategies, as expressed in the Paris Climate Agreement, and prioritises business activities that could generate the most significant positive environmental, social and economic impacts while mitigating adverse effects. It also requires forward-looking, sustainability-related risk assessments at a portfolio and strategic level and the management and mitigation of significant risks identified. In addition, Absa is working with its customers to encourage sustainable practices and economic activities. The Group promotes and supports sustainable behaviour and consumption choices, facilitates a responsible transition to a more sustainable economy, and, in its lending practices, considers customers' environmental and social impacts to drive positive outcomes.

As a steward of responsible banking, Absa has, and will continue to, incorporate industry best practice into:

- Policies with specific environmental and social components applied to business lines
- Procedures for assessing and screening environmental and social risks in business lines
- Processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements or transactions
- Processes for improving employee competency to implement the environmental and social policies and procedures as applied to business lines
- Interactions regarding environmental and social risks and opportunities.

## Instruments to be issued and listed under this framework

This framework aims to provide a foundation under which the Group can execute and, where applicable, list green, social and/or sustainable liabilities (sustainable instruments) including, but not limited to, bonds, loans, and deposits. Absa's sustainable instruments offer investors an opportunity to invest in assets that create positive environmental and social impact in the countries where Absa operates.

Absa Group Limited and Absa Bank Limited each have Domestic Medium-Term Note Programmes listed on the JSE. Both entities may utilise these programmes in accordance with the principles set out in this framework to issue green, social and/or sustainable bonds.



# Sustainable Finance Issuance Framework

## Scope

This framework articulates how Absa's sustainable instruments align with the ICMA GBP, SBP, the SBG, the LMA GLP and SLP. Accordingly, this framework has four core pillars:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of proceeds
4. Reporting.




The GBP, SBP, SBG, GLP and SLP are voluntary process guidelines that are internationally accepted by issuers/borrowers and investors/lenders and provide a credible framework for issuing sustainable instruments. However, as the sustainable finance market develops, these principles may be subject to change. As such, Absa will regularly review and update the framework in line with market developments.






## Use of proceeds




The use of proceeds forms the cornerstone in classifying an instrument as green, social and/or sustainable. The proceeds of the sustainable instruments issued under this framework will be used to finance and/or refinance a portfolio of eligible loans/assets in whole or in part that aligns with the green and social categories detailed in the tables below. The Group is committed to ensuring appropriate due diligence is conducted to ensure compliance with internal standards on each project prior to allocating funding. Use of proceeds provisions will be included in the instrument's legal documentation.

The Group will ensure that the four environmental objectives being Climate Change, Natural resource depletion, Biodiversity, Air, water and soil pollution will form the focus of the ESG agenda in the bank, with initial focus on the categories listed below.

## Green categories



Green bond/loan category	Alignment with Absa priority SDG	Impact area	Eligibility criteria
Renewable energy	 	<ul style="list-style-type: none"> <li>Renewable energy generation</li> <li>Manufacturing or importing of renewable energy technology (including inverters and storage batteries).</li> </ul>	<ul style="list-style-type: none"> <li>Solar</li> <li>Wind</li> <li>Hydropower</li> <li>Geothermal with direct emissions below 100gCO<sub>2</sub>/kWh</li> <li>Biofuel</li> <li>Green hydrogen projects</li> <li>Schemes for renewable heat use and energy storage, including heat networks, heat pumps and hydrogen heating</li> <li>Specific exclusions:               <ul style="list-style-type: none"> <li>Hydropower projects for which estimated reservoir emissions intensity is &gt;100gCO<sub>2</sub>/kWh or power density &lt;5W/m<sup>2</sup></li> <li>Geothermal projects with emission intensity over 100g CO<sub>2</sub>/kWh</li> <li>Biomass or biofuels of non-sustainable origin</li> <li>Hydrogen production through steam reforming processes using natural gas/oil or coal (grey/ black hydrogen).</li> </ul> </li> </ul>
		<ul style="list-style-type: none"> <li>Construction/maintenance/expansion of transmission infrastructure and distribution networks.</li> </ul>	<ul style="list-style-type: none"> <li>Grid expansion</li> <li>Micro-grid infrastructure</li> <li>Infrastructure directly connecting renewable energy or integrating renewable energy into existing transmission networks.</li> </ul>
Energy efficiency		<ul style="list-style-type: none"> <li>Upgrade and retrofit infrastructure and assets to increase energy and resource efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Refurbishment of residential or commercial buildings that increase energy efficiency by at least 20%</li> <li>Replacement or upgrade of lighting, appliances, production machinery, industrial processes or products to increase energy efficiency by at least 20%</li> <li>Replacement or upgrade of non-fossil fuels shipping infrastructure to increase energy efficiency by at least 20%</li> <li>Fuel-switching investments to avoid/reduce the use of fossil fuels such as coal, oil, kerosene and diesel</li> <li>Other measures dedicated to improving the efficient use of energy and preventing system losses, such as smart grid technologies</li> <li>Energy-efficient data centres and equipment.</li> </ul>

Green bond/loan category	Alignment with Absa priority SDG	Impact area	Eligibility criteria
<b>Pollution prevention and control</b>		<ul style="list-style-type: none"> <li>Improved waste management.</li> <li>Reduced air emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Recycling or composting activities</li> <li>Activities that divert waste from landfill and/or reduce pollution of rivers and oceans</li> <li>Activities that reduce waste from source</li> <li>Activities to capture methane gas</li> <li>Landfill gas capture and utilisation in permanently closed landfills</li> <li>Waste-to-energy projects where the majority of recyclables are separated before incineration</li> <li>Anaerobic digestion facilities for the production of biogas and digestate from bio-waste</li> <li>Circular economy projects</li> <li>Specific exclusion: Waste-to-energy activities where removal of recyclables prior to incineration cannot be ensured.</li> <li>Replacement of refrigerants with high global warming potential with solutions that lower global warming potential.</li> </ul>
<b>Sustainable water and waste water management</b>	 	<ul style="list-style-type: none"> <li>Activities that expand public access to safe and affordable drinking water</li> <li>Activities that provide access to adequate sanitation facilities</li> <li>Activities that improve water quality</li> <li>Activities that enhance water use efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Construction, maintenance and equipment for water supply and treatment infrastructure (i.e., pipework)</li> <li>Water treatment facilities</li> <li>Wastewater discharge infrastructure</li> <li>Water-saving systems and technologies (e.g., smart meters)</li> <li>Desalination projects</li> <li>Sustainable urban drainage systems</li> <li>Removal of invasive species to improve water catchments</li> <li>Specific exclusion: Desalination projects that do not have an environmental risk mitigation strategy to address brine management.</li> </ul>
<b>Green buildings</b>	 	<ul style="list-style-type: none"> <li>Green buildings that meet regional, national or internationally recognised standards or certifications.</li> </ul>	<ul style="list-style-type: none"> <li>Certified green commercial or residential buildings: Minimum Green Star 4 category, Energy Water Performance (EWP) Level 6, Leadership in Energy and Environment Design “Gold” Certification or International Finance Corporation’s Excellence in Design for Greater Efficiencies (EDGE) certification</li> <li>Replacement of existing heating/cooling systems in buildings with more efficient, non-fossil fuel powered systems, or installation of new cogeneration/ trigeneration/combined heat and power plants that generate electricity in addition to providing heating/cooling</li> <li>Waste heat recovery improvements.</li> </ul>

Green bond/loan category	Alignment with Absa priority SDG	Impact area	Eligibility criteria
<b>Clean transportation</b>		<ul style="list-style-type: none"> <li>Projects that increase access to clean transportation.</li> </ul>	<ul style="list-style-type: none"> <li>Projects to finance the manufacture, retrofit or purchase of low-carbon transportation technology (e.g., electric, hybrid and hydrogen), including vehicles, buses, tractors, trains and ships</li> <li>Electric vehicle charging stations and electric infrastructure for public transport</li> <li>Rail transportation projects for public use</li> <li>Train infrastructure upgrades</li> <li>Schemes and incentives to support the purchase of zero-emission transportation, walking, cycling, and expenditures for related infrastructure</li> <li>Mass transit infrastructure, including fossil-fuel-related projects with less than 50g CO<sub>2</sub> per passenger km and freight and water projects with less than 25kg of CO<sub>2</sub> per tonne</li> <li>Specific exclusions: <ul style="list-style-type: none"> <li>Fossil-fuel-based transportation, supporting infrastructure and transportation dedicated to fossil fuel transport</li> <li>Systems and infrastructure dedicated to the transportation of fossil fuels.</li> </ul> </li> </ul>
<b>Climate change adaptation</b>		<ul style="list-style-type: none"> <li>Investments that address physical climate risks, including floods, fires, storms, droughts, plague defence systems and related infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>Bulk raw water infrastructure projects that document an improvement in drought resilience</li> <li>Grey and blue/green infrastructure that improves stormwater run-off</li> <li>Land or aerial vehicles used to combat locust plagues</li> <li>Investments to support early warning systems, for example, climate observation or data collection.</li> </ul>
<b>Environmentally sustainable management of living natural resources and land use</b>		<ul style="list-style-type: none"> <li>Sustainable and climate-smart agriculture.</li> </ul>	<p>Projects that demonstrate:</p> <ul style="list-style-type: none"> <li>Reduction in food and/or crop losses of at least 20% (improved storage, cold chain or improved packaging)</li> <li>Increased crop productivity of at least 20% without increasing greenhouse gas (GHG) emissions</li> <li>Reduction in at least 20% of energy use in agricultural traction (low or efficient tillage and other agricultural processes)</li> <li>Reduction in water consumption of at least 20% per unit of product (drip irrigation, switching to less water-intensive crops, water harvest and storage facilities)</li> <li>Improvement in existing carbon pools (reduced tillage, no-till farming, use of agricultural waste, rehabilitation of degraded land)</li> <li>Biological nitrogen fixation – reduction in at least 20% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N<sub>2</sub>O from fertiliser use)</li> <li>Soil recovery and restoration of degraded pastureland</li> <li>Integrated cropland-livestock-forestry systems</li> <li>Animal waste treatment</li> <li>Improving energy efficiency of aquaculture farming and processing facilities</li> <li>Improving the energy efficiency of irrigation and other agriculture and livestock management processes, as well as tractor or equipment efficiency through fuel switching to low-carbon options.</li> </ul>











Green bond/loan category	Alignment with Absa priority SDG	Impact area	Eligibility criteria
Environmentally sustainable management of living natural resources and land use		<ul style="list-style-type: none"> <li>Sustainable forestry.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainable forest management activities that increase carbon stocks or reduce the impact of forested land</li> <li>Reforestation on previously forested land</li> <li>Afforestation on non-forested land.</li> </ul>
		<ul style="list-style-type: none"> <li>Sustainable fishery.</li> </ul>	Sustainable fisheries and seafood: <ul style="list-style-type: none"> <li>Reduction of at least 20% in food losses through efficient cold chain and storage for small- and medium-sized fishing with sustainable fishing quotas</li> <li>Investments to meet, keep or exceed the Marine Stewardship Council (MSC) certification standard for the Fishing Industry</li> <li>Investments to implement a registered Fishery Improvement Project</li> <li>Traceability systems to ensure sustainability of operations, facilities and supply chain in the fishing industry (this investment should meet, keep or exceed the MSC certification for the chain of custody certification for suppliers of seafood products).</li> </ul>

## Social categories

In categorising social projects/assets, Absa will consider and formalise the target populations positively impacted by financed social projects. This consideration will include the reasoning for selecting the target population and mechanisms for addressing the target population through the social project. Target populations will be of a disadvantaged or vulnerable group, or if the general population is applicable to the types of activities/ use of proceeds, the Asset Originating Business will consider whether the activity has the potential to exclude some vulnerable or disadvantaged populations.

Social bond/loan category	Alignment with Absa priority SDG	Impact area	Eligibility criteria
Affordable housing	 	<ul style="list-style-type: none"> <li>Affordable and/or social housing.</li> </ul>	<ul style="list-style-type: none"> <li>Construction or investment in affordable and/or social housing deemed as such in the applicable jurisdiction</li> <li>Investment in improving the quality of existing social and affordable housing facilities.</li> </ul>
Access to essential services	 	<ul style="list-style-type: none"> <li>Activities that expand access to education for previously disadvantaged or low-income groups.</li> </ul>	<ul style="list-style-type: none"> <li>Construction and renovation of education facilities that improve the quality and capacity of the facility</li> <li>Projects that improve technological access within the education sector</li> <li>Student housing.</li> </ul>
		<ul style="list-style-type: none"> <li>Activities that expand access to healthcare for previously disadvantaged or low-income groups.</li> </ul>	<ul style="list-style-type: none"> <li>Construction and renovation of health facilities that improve the quality and capacity of the facility</li> <li>Projects that improve technological access within the healthcare sector.</li> </ul>
Employment generation		<ul style="list-style-type: none"> <li>Activities that generate employment through the potential effect of SME financing and microfinance.</li> </ul>	<ul style="list-style-type: none"> <li>Funding SMEs</li> <li>Funding projects that promote growth for SMEs</li> <li>Small, medium and micro enterprises are categorised as per the South African Department of Small Business Development Schedule 1 of National Definitions of Small Enterprise in South Africa</li> <li>Specific exclusion: SMEs whose business activities could be considered harmful to the environment or are in contravention of any of the other criteria outlined above.</li> </ul>



<p><b>Socioeconomic advancement and empowerment</b></p>		<ul style="list-style-type: none"> <li>• Activities that promote gender equality and equal opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Women-owned enterprises. (enterprises that are at least 50% owned by women or enterprises that are at least 20% owned by women and have more than one woman in leadership positions, such as CEO, COO, President or Vice President) or 30% of the board of directors is composed of women where a board exists</li> <li>• Projects that aim to provide women and female-owned enterprises with access to financial services, including affordable credit, payment and saving accounts and non-financial services such as financial and business training</li> <li>• Projects and services that create job opportunities for women.</li> </ul>
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**Exclusions:** Projects with high environmental or social risks or that cause material harm to achieving the Group's priority SDGs.

## Sustainable categories

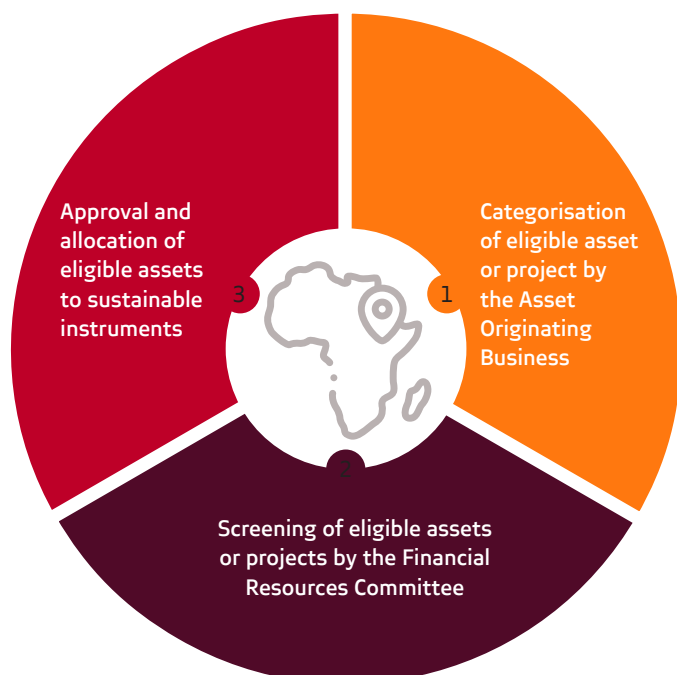
Sustainability instruments are to be aligned with the four core components of both the GBP and SBP. The use of proceeds of Sustainability Bonds will clearly demonstrate both environmental and social benefits.

## Refinancing

The proceeds from the green, social and/or sustainability bond issuance can be used to finance new loans/assets and refinance existing loans/assets. New loans are those where disbursements have been made up to one year prior to the issue of the bond and at any time from the date of the issuance. Existing loans are those which have reached financial close, up to 60 months prior to the issuance, or where the assets are not yet fully operational.

## Process for project evaluation and selection

Absa will follow a three-step approach to align green, social, and/or sustainable asset origination and liability raising efforts to this framework's use of proceeds criterion.



The CIB and the Retail and Business Bank (RBB), working with the Sustainable Finance Team (Asset Originating Business), will screen and categorise potential eligible green and social assets or projects against the use of proceeds criteria outlined in this framework and present eligible assets or projects to the Lending Commitments Committee, or an equivalent business committee, for approval. The Asset Originating Business will maintain a Sustainable Asset Register (SAR), including the details of approved eligible assets or projects and eligible assets or projects already assigned to be financed through the proceeds of sustainable instruments. The SAR is presented to the relevant Financial Resource Committee (FRC) for review periodically and thereafter recommended to the Absa Group Treasury Committee (ATC).

The ATC owns the final selection of eligible assets or projects for sustainable instruments throughout the life of all sustainable instruments. The eligible list of assets or projects submitted to ATC will have already been evaluated for adherence to Absa's internal environmental and social risk management policies and systems and screened against the use of proceeds criterion by the Asset Originating Business and the Group FRC. For each sustainable instrument, the ATC will select eligible assets from the SAR that will be financed or refinanced, in whole or in part, with the net proceeds as specified in the final terms or pricing supplement of the sustainable instrument.

The ATC is responsible for governing the framework to ensure consistency of approach and oversight and will manage any future updates to the framework, including amendments to the use of proceeds criteria. Any proposed amendments to the use of proceeds criteria will be recommended by the Asset Origination Business, reviewed by the FRC and approved by the ATC. In performing its responsibility, the ATC may also make use of external consultants and their data sources, as required. The ATC will govern any future updates to this framework, including expanding the list of eligible categories and overseeing its implementation. The ATC is also responsible for the final approval of the selection and evaluation of eligible assets.

Eligible assets may have green, social and/or sustainable benefits, thus qualifying for more than one type of sustainable issuance. In this regard, the ATC will ultimately determine allocation as green, social or sustainable. In select cases when a project may use proceeds from more than one type, the proceeds split will be determined and documented to avoid double counting.



## Management of proceeds

Absa intends to utilise the proceeds from sustainable instruments for eligible assets or projects, as presented in the SAR, which will be selected in accordance with the use of proceeds criteria and process for project evaluation and selection presented above. The SAR will be used to track the receipt and allocation of proceeds, ensuring assets and projects financed by sustainable instruments are appropriately managed for internal and external monitoring and reporting purposes. The Group may add or remove eligible assets or projects from the SAR to the extent required.

The Group aims to maintain the SAR at a level that at least matches or exceeds the balance of net proceeds from its outstanding sustainable instruments. If any sustainable instrument proceeds remain unallocated, Absa will temporarily hold and/or invest the unallocated proceeds, at its discretion in its treasury liquidity portfolio, in cash or other short-term and liquid instruments, until such time it can be appropriately allocated. These proceeds will be managed in a manner deemed acceptable to ensure the funds are applied as intended.

Where a green, social or sustainable loan takes the form of one or more tranches of a loan facility, each tranche applicable to the green, social or sustainable project will be clearly labelled. Proceeds of such tranche(s) will be credited to a separate account and tracked appropriately.

## Reporting

Absa will prepare and publish details with respect to sustainable instruments issued under this framework in its annual reports. This report will include allocation and impact reporting, where available, and will be made available on Absa's website. The report will provide an overview of the portfolio of eligible projects/assets that have been allocated, including their impact. Absa will use qualitative performance indicators and, where feasible, quantitative performance measures, disclosing the key underlying methodology and/or assumptions used in the quantitative determination. Absa will refer to and adopt, where possible, allocation and impact reporting best practice.

### Allocation reporting includes the following:

- Total proceeds allocated to eligible assets or projects
- Number of eligible assets or projects
- Balance of unallocated proceeds
- Amount or the percentage of new financing and refinancing.

### Impact reporting:

A summary of the impacts of the allocated portfolio for a sustainable instrument may include the metrics set out below, as well as relevant project narratives, to the extent that the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation.

Impact indicator	
<b>Renewable energy</b>	<ul style="list-style-type: none"> <li>• Total installed capacity (MW)</li> <li>• Generated power (GWh)</li> <li>• Estimated annual CO<sub>2</sub> equivalent emission reduction (tonnes CO<sub>2</sub>eq/year).</li> </ul>
<b>Energy efficiency</b>	<ul style="list-style-type: none"> <li>• Estimated annual CO<sub>2</sub> equivalent emissions reduction/avoidance (tonnes CO<sub>2</sub>eq/year)</li> <li>• Annual energy savings (MWh/year).</li> </ul>
<b>Pollution prevention and control</b>	<ul style="list-style-type: none"> <li>• Total installed capacity (MW) from waste to energy</li> <li>• Annual generated waste-to-energy power (MWh/year)</li> <li>• Annual GHG emission reductions (tonnes CO<sub>2</sub>eq/year)</li> <li>• Annual waste used for energy (tonnes/year)</li> <li>• Annual waste reused or recycled before and after the project</li> <li>• Percentage emission improvements.</li> </ul>
<b>Climate change adaptation</b>	<ul style="list-style-type: none"> <li>• Description of the specific climate risk being addressed by the investment and how the project improves resilience to climate change.</li> </ul>
<b>Environmentally sustainable management of living natural resources and land use</b>	<ul style="list-style-type: none"> <li>• For agriculture projects: <ul style="list-style-type: none"> <li>◦ Annual non-GHG emission reduction (e.g., reduction of N<sub>2</sub>O fertiliser emissions)</li> <li>◦ Productivity gains due to climate-smart agriculture (tonnes of product type/ha year)</li> </ul> </li> <li>• Reduction in post-harvest losses (tonnes of product type/year)</li> <li>• Area (ha/year) of biodiversity conserved</li> <li>• Area (ha/year) of forestation or reforestation</li> <li>• Amount/size (ha/year) of sustainable agriculture, animal husbandry, fisheries.</li> </ul>
<b>Sustainable water and waste water management</b>	<ul style="list-style-type: none"> <li>• Annual volume of water saved/recycled (m<sup>3</sup>/year)</li> <li>• Annual volume of wastewater treated for reuse (m<sup>3</sup>/year)</li> <li>• Additional number of people with access to safe drinking water.</li> </ul>



Impact indicator	
<b>Green buildings</b>	<ul style="list-style-type: none"> <li>• Number of green buildings funded by eligible certification (e.g., EDGE, Green Building Council South Africa Green Star, etc.)</li> <li>• Total m<sup>2</sup> of green buildings funded</li> <li>• Total m<sup>2</sup> of energy-efficient properties funded</li> <li>• Estimated annual CO<sub>2</sub> equivalent emissions reduction/avoidance (tonnes CO<sub>2</sub>eq/year)</li> <li>• Number of mortgages provided to green-certified houses/residential projects</li> <li>• Number of people who benefitted.</li> </ul>
<b>Clean transportation</b>	<ul style="list-style-type: none"> <li>• Annual GHG emission reductions (tCO<sub>2</sub>eq/year) of rail/water/conveyor route in comparison to road transport</li> <li>• Number of people with access to sustainable transport systems</li> <li>• Level of service (passenger km/year)</li> <li>• Number of low-carbon vehicles financed.</li> </ul>
<b>Affordable housing</b>	<ul style="list-style-type: none"> <li>• Number of people with access to safe, affordable and/or sustainable housing</li> <li>• Number of affordable and/or sustainable housing units built</li> <li>• Size of affordable mortgage book (Rbn) and value of new business in a particular year (Rbn).</li> </ul>
<b>Access to essential services</b>	<ul style="list-style-type: none"> <li>• Number of education facilities financed</li> <li>• Spend on education (Rm)</li> <li>• Number of people provided with financial literacy training</li> <li>• Number of people with access to education facilities or courses</li> <li>• Additional student projected intake</li> <li>• Number of healthcare facilities financed</li> <li>• Number of new or existing healthcare facilities that have experienced increases in capacity from financing, i.e., additional hospital beds</li> <li>• Number of people with access to healthcare</li> <li>• Number of households with access to childcare facilities.</li> </ul>
<b>Socioeconomic advancement and empowerment</b>	<ul style="list-style-type: none"> <li>• Number of females and/or BEE groups with increased access to affordable credit, payment services, saving accounts or non-financial services</li> <li>• Number of female-owned enterprises funded</li> <li>• Estimated number of jobs created</li> <li>• Value of personal loans book and new business (Rbn)</li> <li>• Procurement from women-owned companies and BEE companies (Rbn).</li> </ul>
<b>Employment generation</b>	<ul style="list-style-type: none"> <li>• Number of SMEs financed and value of SME loans (Rbn)</li> <li>• Estimated number of jobs created.</li> </ul>

**Note:** For some assets or projects, qualitative measures such as GHG emissions reduction might not be feasible to measure due to the complexity of methodologies. In such cases, the impact report will include qualitative information or other proxy quantitative data. Where required, Absa will seek technical expert guidance on impact reporting for such projects on a case-by-case basis.

## External review

This framework and/or issuances under this framework will be reviewed by an experienced second-party opinion provider or independent verifier, as deemed appropriate. The second-party opinion or independent verification will be made available along with this framework to investors on Absa's website. Absa will request, on an annual basis, starting one year after issuance and until maturity (or full allocation), a limited assurance report of the allocation of the green, social and/or sustainability bond/loan proceeds to eligible loans/assets, to be provided by an external auditor. For issuances that will be listed on the JSE and/or other international stock exchanges, these independent reports will serve as confirmation of the instrument's green, social and/or sustainable status, in accordance with the JSE Debt Listings Requirements and/or the listing requirements of other exchanges.



# Abbreviations

AGM	Annual general meeting
ATC	Absa Group Treasury Committee
CIB	Corporate and Investment Bank
EDGE	Excellence in Design for Greater Efficiencies
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
FRC	Financial Resource Committee
GBP	Green Bond Principles
GLP	Green Loan Principles
ICMA	International Capital Markets Association
JSE	Johannesburg Stock Exchange
LMA	Loan Market Association
MSC	Marine Stewardship Council
PRB	Principles for Responsible Banking
RBB	Retail and Business Bank
REIPPP	Renewable Independent Power Producer Programme
SAR	Sustainable Asset Register
SBG	Sustainability Bond Guidelines
SBP	Social Bond Principles
SDG	Sustainable Development Goals
SLP	Social Loan Principles
SME	Small and medium enterprises
TCFD	Task Force on Climate-Related Financial Disclosures



# Disclaimer

This document has been prepared by the Corporate and Investment Banking division of Absa Bank Limited – a registered bank in the Republic of South Africa with company registration number 1986/004794/06 and with its registered office at Absa Towers West, 15 Troye Street, Johannesburg, Republic of South Africa (Absa).

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