



SECOND PARTY OPINION CONCERNING

Absa Group Limited Sustainable Finance Issuance Framework, May 2022

30 May 2022

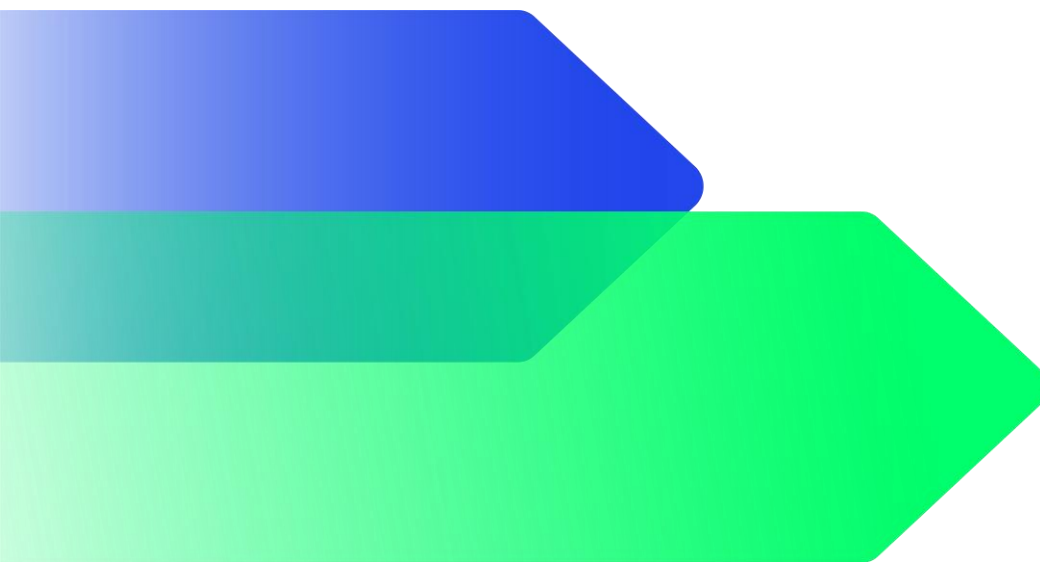
Absa Group Limited Sustainable Finance Issuance Framework, May 2022 External Review

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The External Reviewer’s Opinion

Terms of Engagement and Scope of the Second Party Opinion

Carbon Trust Africa (Pty) Limited (the “**External Reviewer**”) has been commissioned by **Absa Group Limited** (“**Absa**”) as an independent external reviewer to provide a Second Party Opinion (“**SPO**”) on the alignment of the Absa Group Limited Sustainable Finance Issuance Framework, May 2022 (the “**Framework**”), with the following applicable international sustainability standards:

For use of proceeds bonds: International Capital Markets Association’s (“**ICMA**”):

- ‘Green Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds’ (“**GBP**”) (June 2021)
- ‘Social Bond Principles, Voluntary Process Guidelines for Issuing Social Bonds’ (“**SBP**”) (June 2021)
- ‘Sustainability Bond Guidelines’ (“**SBG**”) (June 2021)

For use of proceeds loans: the jointly issued guidance by Asia Pacific Loan Market Association (“**APLMA**”) Loan Market Association (“**LMA**”) and Loan Syndications and Trading Association (“**LSTA**”):

- ‘Green Loan Principles, Supporting environmentally sustainable economic activity’ (“Green Loan Principles”, “**GLP**”) (February 2021)
- ‘Social Loan Principles’ (“**SLP**”) (April 2021)

The Framework provides a forward-looking framework for use of proceeds green, social and/or sustainable liabilities (“**Sustainable Instruments**”) which may include but is not limited to bonds, loans and deposits, and may be used by Absa Group Limited and Absa Bank Limited in relation to the Sustainable Instruments, including their respective Domestic Medium-Term Note Programmes listed on the Johannesburg Stock Exchange (“**JSE**”).

The External Reviewer’s objective has been to provide an opinion on whether the Framework is in accordance with the criteria described in the basis of opinion set out below. To provide this SPO, the External Reviewer conducted procedures as set out in the ‘Basis of the Second Party Opinion’.

In the capacity of an External Reviewer, the Carbon Trust’s role has been to act as an independent external reviewer, and to provide a Second Party Opinion as contemplated in ICMA ‘*Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews*’ (February 2021) and the LMA ‘*Guidance for Green, Social, and Sustainability-Linked Loans External Reviews*’ (March 2022). As External Reviewer, we also conform to the requirements set out by the JSE consolidated Debt Listing Requirements (“**DLR**”) Service Issue 28, as amended from time to time, with regards to the Sustainability Segment for Use of Proceeds Debt Instruments (effective as of 11 April 2022).

We have not performed any work, and do not express any conclusion outside the scope outlined in this document, regarding the financial performance of Absa Sustainable Instruments, the value of any investments in such Sustainable Instruments, or any asset deriving value from Sustainable Instruments transacted against the Framework.

Carbon Trust Second Party Opinion Statement

Aligns with the ICMA SBG (June 2021), and the Core Components and

Based on the work undertaken and the evidence provided by Absa, the External Reviewer believes that the Absa Sustainable Finance Issuance Framework aligns with the ICMA Sustainability Bond Guidelines (June 2021), the ICMA Green Bond Principles (June 2021) with regards to its

<p>Key Recommendations of ICMA GBP (June 2021) and SBP (June 2021) with regards to its environmental and social components respectively</p>	<p>environmental components and the ICMA Social Bond Principles (June 2021) with regards to its social components, with respect to:</p> <ul style="list-style-type: none"> • Core component: Use of Proceeds • Core component: Process for Project Evaluation and Selection • Core component: Management of Proceeds • Core component: Reporting • Key recommendation: Green Bond Frameworks • Key recommendation: External Reviews
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<p>Aligns with the Core Components of LMA, APLMA and LSTA Green Loan Principles (February 2021) and Social Loan Principles (April 2021) with regards to its environmental and social components respectively</p>	<p>Based on the work undertaken, and the evidence provided by Absa, the External Reviewer believes that the Absa Sustainable Finance Issuance Framework aligns with the requirements of the Core Components of the Green Loan Principles (February 2021) with regards to its environmental components and the Social Loan Principles (April 2021) with regards to its social components, with respect to:</p> <ul style="list-style-type: none"> • Use of Proceeds • Process for Project Evaluation and Selection • Management of Proceeds • Reporting
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This SPO shall be read in the context of the ‘Basis of the Second Party Opinion’, the inherent limitations of the ‘Procedures’, the respective responsibilities of the parties to the ‘Second Party Opinion Statement’, and this statement’s intended use.

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This second opinion statement ("SPO") is given by Carbon Trust Africa ("CT") and is addressed solely to Absa Group Limited in accordance with the terms of the engagement contract between CT and Absa Group Limited. Those terms permit disclosure to certain other parties as set out therein and by publication on the website of the International Capital Markets Association Green Bond Resource Centre (the "GBRC") and the LSTA website and/or Absa Group Limited), solely for the purpose of enabling Absa Group Limited to show that it has obtained a second opinion as contemplated by the ICMA GBP (2021), SBP (2021), SGB (2021), the LMA, APLMA, LSTA GLP (2021), SLP (2021) in connection with the Green/Social Issuances/Loans. Under those terms, CT has reserved the right to withdraw its consent to the continuance of such publication in certain circumstances and to make such withdrawal public Other than as expressly agreed in writing in relation to the Applicable Pricing Supplement, CT has not consented to the inclusion or incorporation by reference of this SPO in any prospectus, listing particulars, or any other document drawn up for the purpose of offering or listing any securities/loans. We have not considered the interest of any other party in the Opinion. To the fullest extent permitted by law, we accept no responsibility and deny any liability to any other party for our work, for this statement or for the conclusions we have reached. CT will not accept any form of liability for the substance of the Opinion and/or any liability for damage arising from the use of the SPO and/or the information provided in it. As the SPO is based on information made available by Absa Group Limited, CT does not warrant that the information presented in this SPO is complete, accurate or up to date. Nothing contained in this SPO shall be construed as to make a representation or warranty, express or implied, regarding the advisability of investing in any securities or loans or any asset whose value is derived from any securities or loans. Any person other than Absa Group Limited who obtains access to the SPO or a copy thereof and chooses to rely on it will do so at its own

Absa Group Limited Second Party Opinion Statement – May 2022

risk. Furthermore, this SPO shall in no event be interpreted and construed as an assessment of the economic performance and credit-worthiness of Absa Group Limited or the Green and/or Social Issuances/ Loans. The performance of Absa Group Limited and the Green and/or Social Issuances/ Loans are outside the scope of CT's engagement. We have consented to the inclusion of the SPO on the GBRC and LSTA website or in such other manner as ICMA and/or LMA, APLMA, LSTA shall from time to time use for making second opinions rendered in respect of Green and/or Social Issuances/Loans available to the public. We reserve the right to withdraw such consent at any time.

No part of the SPO may be reproduced, transmitted or (other than as set out above) published in any form or by any means without the prior written permission of CT.

Nothing in this SPO is intended, or should be construed, as commentary on whether or not any Green Issuance is, or is suitable for in a portfolio to support, a sustainable investment for the purposes of EU Regulation 2019/2088 (the Sustainable Finance Disclosure Regulation, "SFDR") or that they pursue environmentally sustainable objectives within the meaning of Regulation (EU) 2020/852 1 (Taxonomy Regulation) or similar law or regulation in any jurisdiction.

All rights reserved.

Key Findings of the External Review

Summary Characteristics of Absa Sustainable Finance Issuance Framework

About the Client

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 JSE, and both Absa Group Limited and Absa Bank Limited has a Domestic Medium-Term Note Programmes listed on the 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 representative offices in Namibia, Nigeria and 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.

About the Sustainable Finance Issuance Framework

The Absa Group Limited Sustainable Finance Issuance Framework, May 2022 outlines the criteria under which the Group intends to issue thematic liability including bonds, loans and deposits. 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. The proceeds of these issuances are to be used to finance or refinance activities or assets that are aligned with international best practice and guidance issued by the International Capital Markets Association Green Bond Principles, Social Bond Principles, the Sustainability Bond Guidelines, or the Loan Market Association Green and Social Loan Principles. Key details are set out below.

The Framework defines the respective green and/or social categories covered and the aligned Absa priority UN SDGs (identified below). The Framework defines further detail as to impact areas, eligibility criteria and prospective impact indicators for projects¹ within these categories (refer to Framework for more detail regarding eligibility criteria and impact indicators).

Look back period pertinent to both bonds and loans use of proceeds:

- New loans: disbursements up to one year prior and at any time from the date of the issuance
- Existing loans: those which have reached financial close, up to 60 months prior to the issuance, or where the assets are not yet fully operational

















Geography: Absa Group core markets, with a focus on South Africa

[Link](#) to documents relating to the Framework and future Absa issuances

The Framework maps to 6 of the Sustainable Development Goals

SDG 1	SDG 2	SDG 3	SDG 4	SDG 5	SDG 6
SDG 7	SDG 8	SDG 9	SDG 10	SDG 11	SDG 12
SDG 13	SDG 14	SDG 15	SDG 16	SDG 17	

¹ The Absa Sustainable Finance Issuance Framework stipulates that 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). Therefore, the definition of "project" as applied to Absa throughout this report, refers to the breadth of "activities or assets, loans, project financing and project investments" as defined in the Framework.

The Framework maps to 8 Green ICMA and LMA, LSTA and APLMA Green Project Categories			
	Renewable energy		Energy efficiency
	Climate change adaptation		Clean transportation
	Sustainable water and wastewater management		Pollution prevention & control
	Circular economy adapted products, production technologies & processes and/or certified eco-efficient products		Environmentally sustainable management of living natural resources and land use
	Terrestrial and aquatic biodiversity		Green buildings
The Framework maps to 4 ICMA and LMA, LSTA and APLMA Social Project Categories			
	Affordable housing		Employment generation
	Access to essential services		Socioeconomic advancement and empowerment
	Food security and sustainable food systems		Affordable basic infrastructure

Alignment to applicable international standards

This section presents a summary of the key results of the External Review² concerning Absa’s Sustainable Finance Issuance Framework, May 2022 alignment to the applicable international standards to underpin Sustainable Instruments.

For the use of proceeds of bonds, both required and recommended specifications³ of the ICMA SBG (June 2021), GBP (June 2021) and SBP (June 2021) have been applied. For the use of proceeds of loans, required specifications of the LMA, APLMA and LSTA GLP (February 2021) and SLP (April 2021) have been applied. The detailed summary of the results of the external review of the Framework can be found in the following Appendices, concerning each of the applicable international sustainability standards:

- Appendix 1: Detailed External Review in line with the Green Bond Principles (June 2021)
- Appendix 2: Detailed External Review in line with the Social Bond Principles (June 2021)
- Appendix 3: Detailed External Review in line with the Sustainability Bond Guidelines (June 2021)
- Appendix 4: Detailed External Review in line with the Green Loan Principles (February 2021)
- Appendix 5: Detailed External Review in line with the Social Loan Principles (April 2021)






² An External Review being as contemplated by the ICMA ‘Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews’ (February 2021)

³ The External Review differentiates between specifications identified in the GBP as “recommend” and “encourage”, as compared to “should”. The latter is identified as required specifications, and the former as recommended specifications. The External Review approach identifies recommended aspects that are met, as ‘going beyond requirements’ and recommended aspects that are not met, as ‘meeting requirements’ but with opportunity for enhancement. Additional opportunities for enhancement may also be identified.

The following summary tables express key details of the assessment results, for each of the assessed respective standards’ core components and/or key recommendations.

Table 1 Summary of External Review key findings on the alignment of the Framework with ICMA Green Bond Principles (June 2021)

GBP core component	External Review result summary
 <p>Core component Use of Proceeds</p>	<ul style="list-style-type: none"> The Framework specifies categories modelled on ICMA Green Project categories and eligibility criteria against which green projects must qualify for the use of proceeds of the related instrument to be eligible as a sustainable instrument that meets the requirements. The Framework is aligned to the United Nations Sustainable Development Goals (UN SDGs) and specifies a list of typically eligible green projects. Absa has shared a template of an Applicable Pricing Supplement as an example of the description of use of proceeds in relevant legal documentation for green, social and sustainability bonds. The Framework states that the annual allocation and impact report will define the quantum and classifications of refinancing and specify the lookback detail. The Framework includes a commitment that a robust selection process will be maintained that incorporates good practice definitions and performance requirements on an instrument or portfolio basis. Absa has included a statement in the Framework that commits to an annual review based on materiality of market developments that may warrant a change in the Framework, at Absa’s sole discretion. The Framework identifies that issuance proceeds can be used to finance ‘new’ Projects which includes loans, assets, financing of projects and /or investments into projects, for environmental, social and sustainable activities (defined as full or partial disbursements having been made within 12 months prior to the issuance and onwards) or to refinance existing green projects which have reached financial close, up to 60 months prior to issuance or where assets are not yet fully operational). Absa has committed that details will be disclosed to parties relevant to the transaction. <p>In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework is aligned to the requirements of the GBP Principle One – Use of Proceeds</p>
 <p>Core component Process for Project Evaluation and Selection</p>	<ul style="list-style-type: none"> The Framework clearly communicates Absa’s situating of sustainable finance in the context of overarching objectives, strategy, policy and processes relating to environmental sustainability. The Framework clearly communicates the environmental sustainability objectives of the eligible activities, being green projects, as defined previously (see footnote 1), and the process by which Absa determines how these fit within the eligible Green Project categories as set out by ICMA GBP, as well as providing complementary information on processes by which it identifies and manages associated environmental and social risks and mitigants through an established Environmental and Social Management System. The Framework specifies that a process for determining suitable eligibility criteria will be maintained, which incorporates evolving good practice definitions and performance requirements, and the External Reviewer has determined that the process for evaluating and selecting green projects is sufficiently robust and adaptive. The Framework sets out that eligible activities, being green projects, having been evaluated and selected, will be maintained in the Absa Sustainable Asset Register for the full duration of the bond, loan and/or deposit issuance. <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework is aligned to the requirements of the GBP Principle Two – Process for Project Evaluation and Selection</p>

 <p>Core component Management of Proceeds</p>	<ul style="list-style-type: none"> • Absa confirmed to the External Reviewer that the net proceeds of the issuance will be moved to a sub-portfolio for either Green or Social issuances, as applicable. • The Framework clearly outlines the process by which allocation of proceeds is to be managed in accordance with Absa’s formal lending and investment operations. • Absa commits to maintain its Sustainable Asset Register at a value 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 in a manner compatible the Framework, at its own discretion in its treasury liquidity portfolio, in cash or other short term and liquid instruments, until such time it can be appropriately allocated. • Proceeds are to be managed on the basis of a portfolio approach but separate for green and social projects. • External auditors will assess the Sustainable Asset Register on an annual basis by means of a limited assurance report. <p>In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework is aligned to the requirements of the GBP Principle Three – Management of Proceeds</p>
 <p>Core component Reporting</p>	<ul style="list-style-type: none"> • Absa will maintain a Sustainable Asset Register (SAR), which includes the details of approved eligible green projects, and those already assigned to be financed by the proceeds of Sustainable Instruments. The SAR will be used to track the receipt and allocation of proceeds, ensuring activities under green projects financed by Sustainable Instruments are appropriately managed and information concerning allocations and projects are available for purposes of internal and external reporting. • The Framework commits to disclose sufficient information, in line with the GBP recommendation and where additional considerations limit the amount of detail that can be made available, information should be presented in generic terms or on an aggregated portfolio basis. • The Framework commits to reporting the methodology by which quantitative performance measures are determined and to adopting, where possible, allocation and impact reporting best practice. •  It is recommended that, where possible, Absa adopts and refers to the impact reporting guidance provided in the ICMA Harmonised Framework for Impact Reporting. <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework is aligned to the requirements of the GBP Principle Four – Reporting</p>
 <p>Key recommendation Green Bond Frameworks</p>	<ul style="list-style-type: none"> • Absa has confirmed that the Framework and the Carbon Trust Second Part Opinion Statement will be made available on the Absa Debt Investor web page. • The Framework has summarised the context of the Absa Group sustainability strategy, underpinning the Framework and sustainable finance objectives that pertain to environmental impact. • The Framework includes a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements. <p>In the External Reviewer’s opinion, the Framework is aligned to the GBP key recommendation concerning Green Bond Frameworks</p>
	<ul style="list-style-type: none"> • ABSA has appointed the Carbon Trust to provide a pre-issuance external review to assess the alignment of the Framework with the GBP. • ABSA has committed to making the second party opinion available to investors on the Absa’s Debt Investor website. The Framework does not expressly mention transition

<i>Key recommendation</i>	standards or measures, and the scope of the reviewer’s engagement did not consider this requirement.
External Reviews	In the External Reviewer’s opinion, the Framework is aligned to the GBP key recommendation concerning External Reviews

Table 2 Summary of External Review key findings on the alignment of the Framework with ICMA Social Bond Principles (June 2021)

SBP core component	External Review result summary
 Core component Use of Proceeds	<ul style="list-style-type: none"> The process for use of proceeds concerning social bonds is similar to that for green bonds, having specific pertinence to use of proceeds for instruments of a primarily social benefits objective, and the impact that the issuance aims to achieve is supplemented in related underlying procedures documents. This includes alignment to Social Project categories as set out in ICMA SBP, and specified selection criteria and processes, and disclosing relevant information, including relevant share of refinancing vs financing, look-back periods and beneficiaries. The Framework states that during the asset origination process, the Asset Originating Business will consider and formalise the target populations positively impacted by the projects focussing on social impacts. <p style="text-align: center;">In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework is aligned to the requirements of the SBP Principle One – Use of Proceeds</p>
 Core component Process for Project Evaluation and Selection	<ul style="list-style-type: none"> The process for use of proceeds concerning social bonds is similar to that for green bonds, having specific pertinence to use of proceeds for instruments of a primarily social benefits objective. The Framework commits to identifying and determining how social projects fit into Social Project categories as set out in ICMA SBP, and communicating target populations, including the reason and mechanism for selection. The Framework summarises the context of the Absa Group sustainability strategy, underpinning the Framework and sustainable finance objectives that pertain to environmental impact. <p style="text-align: center;">In the External Reviewer’s opinion, Absa’s process for project evaluation and selection set out in the Framework is aligned to the requirements of the SBP Principle Two – Process for Project Evaluation and Selection</p>
 Core component Management of Proceeds	<ul style="list-style-type: none"> The process for use of proceeds concerning social bonds is similar to that for green bonds, having specific pertinence to use of proceeds for instruments of a primarily social benefits objective. Proceeds of the instrument will be tracked using a Sustainable Asset Register, which is to be updated on a quarterly basis. External auditors will assess the Sustainable Asset Register on an annual basis by means of a limited assurance report. <p style="text-align: center;">In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework is aligned to the requirements of the SBP Principle Three – Management of Proceeds</p>
 Core component Reporting	<ul style="list-style-type: none"> The process for use of proceeds concerning social bonds is similar to that for green bonds, having specific pertinence to use of proceeds for instruments of a primarily social benefits objective. <p style="text-align: center;">In the External Reviewer’s opinion, the process for reporting set out in the Framework is aligned to the requirements of the SBP Principle Four – Reporting</p>




 <p>Key recommendation Social Bond Frameworks</p>	<ul style="list-style-type: none"> • Absa has confirmed that the Framework and the Carbon Trust Second Part Opinion Statement will be made available on the Absa Debt Investor web page. • The Framework summarises the context of the Absa Group sustainability strategy, underpinning the Framework and sustainable finance objectives that pertain to social impact. • The Framework includes a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements. <p>In the External Reviewer’s opinion, the Framework is aligned to the SBP key recommendation concerning Social Bond Frameworks</p>
 <p>Key recommendation External Reviews</p>	<ul style="list-style-type: none"> • ABSA has appointed the Carbon Trust to provide a pre-issuance external review to assess the alignment of the Framework with the SBP. • ABSA has committed to making the second party opinion available to investors on the Absa’s Debt Investor website. <p>In the External Reviewer’s opinion, the Framework is aligned to the SBP key recommendation concerning External Reviews</p>

Table 3 Summary of External Review key findings on the alignment of the Framework with ICMA Sustainability Bond Guidelines (June 2021)

SBG core component	External Review result summary
<p>Alignment with SBG</p>	<ul style="list-style-type: none"> • The Framework reflects that the underlying use of proceeds for Sustainability Bonds are to be aligned with the four core components of both the GBP and SBP with regards to primary environmental and social benefits respectively. • The Framework articulates that the use of proceeds of Sustainability Bonds will clearly demonstrate both environmental and social benefits. <p>In the External Reviewer’s opinion, the Framework process with regards Sustainability Bonds is aligned to the requirements of the SBG</p>

Table 4 Summary of External Review key findings on the alignment of the Framework with the Green Loan Principles (February 2021)

GLP core component	External Review result summary
 <p>Core component Use of Proceeds</p>	<ul style="list-style-type: none"> • The process for use of proceeds concerning green loans is similar to that for green bonds, having specific pertinence to use of proceeds for loans. • All designated green projects are required to provide clear environmental benefits, and this is determined primarily through the application of recognised global and local standards listed in the Framework. • Absa commits to informing prospective investors of the environmental benefits of an instrument, and to clearly indicate that the prospective instrument will be aligned to the relevant LMA, APLMA and LSTA standard. • Absa will provide a breakdown of total facilities for the proposed green project(s) and specify whether loan proceeds will take the form of one or multiple tranches. • New loans may be transacted, and existing loans may be refinanced, and the Framework stipulates that Absa will disclose relevant definitions and look-back periods. <p>In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework is aligned to the requirements of the GLP Principle One – Use of Proceeds</p>









 <p>Core component Process for Project Evaluation and Selection</p>	<ul style="list-style-type: none"> The process for activities of project evaluation and selection concerning green loans is similar to that for green bonds, having specific pertinence to use of proceeds for loans. Absa requires that all designated green activities, of the green projects are required to provide clear environmental benefits and makes consideration for green operating expenses, look-back and refinancing. <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework is aligned to the requirements of the GLP Principle Two – Process for Project Evaluation and Selection</p>
 <p>Core component Management of Proceeds</p>	<ul style="list-style-type: none"> In the event where a green loan takes the form of one or more tranches of a loan facility, Absa will ensure each green tranche(s) is clearly designated, with proceeds of the green tranche(s) credited to a separate account or tracked by Absa appropriately. Absa maintains policies and procedures to enable tracking of the allocation of funds towards the green activities, and projects and monitoring and evaluation of alignment to the GLP on an on-going basis. <p>In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework is aligned to the requirements of the GLP Principle Three – Management of Proceeds</p>
 <p>Core component Reporting</p>	<ul style="list-style-type: none"> Absa will maintain readily available up to date information on the use of proceeds to be reviewed annually until fully drawn, and as necessary thereafter in the event of material developments. The Framework specifies applicable certifications that are required, where applicable, and that Absa will endeavour to apply best practice guidelines where applicable. The Framework sets out recommended impact metrics which include both qualitative and quantitative performance indicators; and will disclose the key underlying methodology and/or assumptions used in the quantitative determination. Absa is to disclose performance against impact metrics on an annual basis, in the form of documentation or an SPO. The Framework commits to adopting, where possible, allocation and impact reporting best practice.  Absa should endeavour to adopt in the Framework, where possible, the guidance and impact reporting templates provided in the ICMA Harmonised Framework for Impact Reporting. <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework is aligned to the requirements of the GLP Principle Four – Reporting</p>

Table 5 Summary of External Review key findings on the alignment of the Framework with the Social Loan Principles (April 2021)

SLP core component	External Review result summary
 <p>Core component Use of Proceeds</p>	<ul style="list-style-type: none"> The process for use of proceeds concerning social loans is similar to that for green loans and social bonds as relevant, having specific pertinence to use of proceeds for loans of a primarily social benefits objective. The Framework does not specify processes for revolving credit facilities and Absa has confirmed to the External Reviewer that it does not intend to utilise this type of instrument under the Framework. <p>In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework is aligned to the requirements of the SLP Principle One – Use of Proceeds</p>

 <p><i>Core component</i> Process for Project Evaluation and Selection</p>	<ul style="list-style-type: none"> The process for project evaluation and selection concerning social loans is similar to that for green loans and social bonds as relevant, having specific pertinence to use of proceeds for loans of a primarily social benefits objective. Absa commits to informing prospective investors of the social benefits of an instrument and are to clearly indicate that the prospective instrument will be aligned to the relevant LMA, APLMA and LSTA standard. <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework is aligned to the requirements of the SLP Principle Two – Process for Project Evaluation and Selection</p>
 <p><i>Core component</i> Management of Proceeds</p>	<ul style="list-style-type: none"> The process for management of proceeds concerning social loans is similar to that for green loans, having specific pertinence to use of proceeds for loans of a primarily social benefits objective. <p>In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework is aligned to the requirements of the SLP Principle Three – Management of Proceeds</p>
 <p><i>Core component</i> Reporting</p>	<ul style="list-style-type: none"> The process for reporting of Proceeds concerning social loans is similar to that for green loans, having specific pertinence to use of proceeds for instruments of a primarily social benefits objective. <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework is aligned to the requirements of the SLP Principle Four – Reporting</p>

Basis of the Second Party Opinion

Purpose of the External Review and this Report

Context for the assignment

This Absa Group Limited Sustainable Finance Issuance Framework, May 2022 outlines the criteria under which Absa Group Limited and its subsidiaries (“Absa” or “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. The proceeds of these Sustainable Instruments are to finance or refinance activities or assets that are aligned with international best practice and guidance, as set out in applicable international sustainability standards identified in ‘Applicable Standards Concerning the External Review’.

Absa has appointed the Carbon Trust, as a suitably qualified and experienced independent external review service provider, to provide an SPO regarding the Framework’s alignment with these international sustainability standards.

Basic Information

Issuer names: Absa Group Limited

Issuer Sustainability Framework Name: Sustainable Finance Issuance Framework

Role of Independent External Review Service Provider

<input checked="" type="checkbox"/>	Second Party Opinion / Consultant Review	<input type="checkbox"/>	Certification
<input type="checkbox"/>	Verification	<input type="checkbox"/>	Scoring / Rating
<input type="checkbox"/>	Other (<i>please specify</i>):		

Scope of Review

The review assessed the following required elements as relevant for bonds and loans, and confirmed their alignment with the applicable sustainability standards:

<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

The review assessed the following recommended elements as relevant for bonds:

<input checked="" type="checkbox"/>	(Green / Social) Bond Frameworks	<input checked="" type="checkbox"/>	External Review
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Publication of the External Review

Absa has committed that the full version of the Report and Second Party Opinion will be made available to all institutions participating in the Green and Social issuances, on request.

The full version of the Second Party Opinion and associated documents will be available on the Absa Debt Investors portal. The External Reviewer has, under the terms of its engagement, reserved the right in certain circumstances to withdraw its consent to the continued availability of the Second Party Opinion and to make public such withdrawal.

Applicable Standards Concerning the External Review

Summary

The following international sustainability standards are applicable to the review:

- ICMA Green Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds (June 2021) (“GBP”)
- ICMA Social Bond Principles, Voluntary Process Guidelines for Issuing Green Bonds (June 2021) (“SBP”)
- ICMA Sustainability Bond Guidelines (June 2021) (“SBG”)
- LMA, APLMA and LSTA Green Loan Principles (February 2021) (“GLP”)
- LMA, APLMA and LSTA Social Loan Principles (April 2021) (“SLP”)

ICMA Green Bond Principles (June 2021)

Absa has established the Framework to underpin Use of Proceeds Green Bond Issuances (as a Sustainable Instrument) and provide evidence that they will be structured to meet the principles and criteria laid out in the GBP (June 2021).

The GBP are a set of voluntary process guidelines for issuing green bonds; a green bond being a type of bond instrument “exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible Green Projects”, the latter being “projects that contribute to environmental sustainability”. The GBP are comprised of four core components and two recommendations. It is against these guidelines that the External Reviewer has reviewed the alignment of the Framework (July 2021) and the related supporting documentation.

ICMA Social Bond Principles (June 2021)

Absa has established the Framework to underpin Use of Proceeds Social Bond Issuances (as Sustainable Instruments) and provide evidence that they will be structured to meet the principles and criteria laid out in the SBP (June 2021).

The SBP are a set of voluntary process guidelines for the issuing of social bonds; a social bond being a type of bond instrument “exclusively applied to finance or re-finance in part or in full, new and/or existing eligible Social Projects, the latter being “projects which provide clear social benefits”. The SGP are comprised of four core components and two recommendations. It is against these guidelines that the External Reviewer has reviewed the alignment of the final Framework and the related supporting documentation.

ICMA Sustainability Bond Guidelines (June 2021)

The Sustainability Bond Guidelines have been published to confirm the relevance of the Green Bond Principles and the Social Bond Principles and facilitate the application of their guidance on transparency and disclosure to the Sustainability Bond Market.

Absa has established the Framework to underpin Use of Proceeds Sustainability Bond Issuances (as Sustainable Instruments) and provide evidence that they will be structured to meet the criteria laid out in the SBG (June 2021).

Green Loan Principles (February 2021)

Absa has established the Framework to underpin Use of Proceeds Green Loan transactions (as Sustainable Instruments) and provide evidence that these will be structured to meet the principles and criteria laid out in the GLP (February 2021).

The GLP are a set of recommended voluntary process guidelines for green loans to be applied on a deal-by-deal basis; a green loan being “any type of loan instrument created exclusively to finance or re-finance, in

whole or in part, new and/ or existing eligible green projects”, and which must align with the four core components of the GLP.

The GLP is comprised of four core components. It is against these, that the Carbon Trust has reviewed the alignment of the green component of the Green Loan and related supporting documentation.

Social Loan Principles (April 2021)

Absa has established the Framework to underpin Use of Proceeds Social Loan transactions (as Sustainable Instruments) and provide evidence that these will be structured to meet the principles and criteria laid out in the SLP (April 2021).

The SLP are a set of recommended voluntary process guidelines for social bonds to be applied on a deal-by-deal basis; a social loan being “any type of loan instrument created exclusively to finance or re-finance, in whole or in part, new and/or existing eligible social projects”, and which must align with the four core components of the SLP.

The SLP is comprised of four core components. It is against these, that the Carbon Trust has reviewed the alignment of the social component of the Social Loan and related supporting documentation.

Management Responsibility

Absa management are responsible for the following (the “**Procedures**”):

- Defining its objectives, strategy, policy and/or governance and management processes relating to environmental sustainability.
- Maintaining suitable processes for identifying and managing environmental and social risks and impacts of operations and projects
- Selecting and/or developing a suitable framework to underpin the issuance and management of the thematic issuances and liabilities.
- Maintaining alignment with the applicable international standards relevant to its framework, namely the GBP, SBP and SBG regarding bonds, and GLP and SLP regarding loans.
- Defining the environmental sustainability objectives of its Green, Social and Sustainability Bond Issuances and Green and Social Loan, defining the selected green and social project categories, and defining the eligible green and social projects.
- Maintaining suitable processes for identifying and managing environmental and social risks associated with the selected projects, and use of proceeds.
- Designing, implementing and maintaining management processes and internal controls relevant to the preparation and issuance of Green, Social and Sustainability Bond Issuances and the preparation and transacting of Green and Social Loans that are free from material misstatement, whether due to fraud or error.
- Developing and applying suitable eligibility criteria, exclusion criteria, taxonomies if applicable, and processes for selecting eligible sustainable and/or green/social investments underpinning its Green, Social and Sustainability Bond Issuances and Green and/or Social Loan
- Managing proceeds in accordance with its framework.
- Reporting relevant information on the management and use of proceeds to all relevant parties.
- Furthermore, regarding Green and Social Loans underpinned by the Framework, Absa management are responsible for maintaining alignment conformance with further lender and borrower requirements.

External Reviewer Responsibility

The External Reviewer’s responsibility is to plan and perform work to form an opinion on whether the Absa Group Limited Sustainable Finance Issuance Framework, May 2022 has been prepared in accordance with the

requirements of the international sustainability standards listed in ‘Applicable Standards Concerning the External Review’ with respect to thematic liabilities as described in the ‘Basis of Opinion’, and to report to Absa in the form of a ‘Second Party Opinion’ based on the work undertaken and the evidence obtained.

The Second Party Opinion is based on information provided to us by Absa and we have relied on the accuracy of that information. Our work does not include an audit or other verification that the information provided by Absa is correct or accurate.

The External Reviewer has not performed any work and does not express any conclusion regarding the ongoing effectiveness of the application of the Procedures.

Assurance Standards

The type of External Review undertaken is a Second Party Opinion as identified in the applicable international standards.

The Carbon Trust’s services are aligned to the ICMA ‘*Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews*’ (February 2021) and the LMA, APLMA and LSTA ‘*Guidance for Green, Social, and Sustainability-Linked Loans External Reviews*’ (March 2022).

The External Reviewer has worked in accordance with its assurance methodology which is based on the International Standard on Assurance Engagements 3000 (“ISAE 3000”) (Revised), **noting that this Second Party Opinion is not an assurance opinion in accordance with ISAE 3000 (Revised)**.

The External Reviewer’s Competence and Independence

Who we are

The Carbon Trust is a trusted, expert guide to Net Zero, bringing purpose led, vital expertise from the climate change frontline. We have been pioneering decarbonisation for more than 20 years for businesses, governments and organisations around the world.

We draw on the experience of over 300 experts internationally, accelerating progress and providing solutions to this existential crisis. We have supported over 3,000 organisations in 50 countries with their climate action planning, collaborating with 150+ partners in setting science-based targets, and supporting cities across five continents on the journey to Net Zero.

Independence and conflict of interest policy

The Carbon Trust’s commitment to impartiality and quality assurance is established in policies, procedures, and management structure. We, the Carbon Trust, maintain our independence from our clients and objectivity with regards to engagements, by maintaining, and adhering to appropriate governance processes that reflect industry best practice for assurance and independent review services. We evaluate potential conflicts and threats to our independence and objectivity, introduce suitable mitigants where these are relevant, and represent to the Bond Issuer concerning these issues.

Our commitment to impartiality and quality assurance is established in policies, procedures, and management structure and reflect international standards for quality management. As a result, the conclusions in this report reflect an impartial undertaking of the scope of the engagement.

The outcome of all verification and certification assessments is internally reviewed by senior management to ensure that the approach is rigorous and transparent. We have undertaken this Independent External Review guided by the fundamental ethical and professional principles of integrity, objectivity, professional competence, due care, appropriate confidentiality and professional behaviour throughout.

Competence and credentials

The Carbon Trust is a leader in the evaluation and certification of sustainability and environmental frameworks, practices, performance, and projects, providing an independent point of view to help on the decision-making in connection with thematic bonds and loans. We have a dedicated green finance team based in London, UK, with in-country experts in our country offices including South Africa. Carbon Trust is a leading provider of assurance and verification concerning thematic bonds, loans and other thematic financial instruments, in line with accepted international standards.

The Carbon Trust is an Observer to the ICMA Principles approved by the Secretariat as contemplated in the Governing framework Section 4.2 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/governance-framework/>) and provides regular inputs to updates and other matters put to public comment by ICMA with regards the Principles. Since October 2020, the Carbon Trust has been nominated to sit on the ICMA GBP and Social Bond Principles (SBP) Advisory Council.

With regards to Green Bonds for which the primary objectives for underlying projects is climate change mitigation and/or climate change adaptation, the Carbon Trust is an approved *Climate Bonds Initiative* verifier for carrying out Green Bond assessments and verifications under the *Climate Bonds Standard* methodology, which has incorporated the *Green Bond Principles*. Consult: <https://www.climatebonds.net/standards/assurance/approved-verifiers>.

The Carbon Trust evaluates our competency and suitability to perform the External Review given the objective, scope of the work and the particulars of the Green Bond and eligible projects. The Carbon Trust ensures the selection of appropriate professionals to carry out the work in order to give this Second Party Opinion Statement, based on their qualifications, training and experience. This includes the combination of multidisciplinary teams as appropriate, including team members with suitable financial expertise and environmental and sustainability expertise as required.

External Review procedures

The Carbon Trust planned and performed the work to obtain all the information and explanations considered necessary to provide a basis for its opinion. The Carbon Trust's work included, but was not restricted to, the following activities:

- Reviewed Absa's positioning of the related documents and related information in the context of overarching objectives, strategy, policy and other processes relating to environmental, social and sustainability matters as relevant.
- Evaluated the approach to define use of proceeds of debt instruments (both loans and bonds) under the Framework and the approach to defining eligibility criteria to be applied for projects to underpin these instruments, against the applicable international standards.
- Reviewed Absa's processes to identify and manage environmental and social risks and impacts and manage risk mitigants.
- Evaluated the potential environmental benefits and impacts targeted by the covered use of process defined in the Framework, and the potentially material environmental and social risks associated with the covered use of proceeds defined in the Framework.
- Reviewed the relevance and materiality of selected key performance measures identified by Absa, including against the guidance provided by the ICMA Handbook for Harmonised Framework for Impact Reporting (June 2021), as well as the anticipated reliability of impact monitoring methodologies reported by Absa.
- Reviewing the example transaction documentation demonstrated by Absa in relation to prospective Sustainable Instrument bonds and assessing the suitability of the Procedures.
- Interviewing relevant Absa personnel to understand the key related processes, systems, controls, both current and committed, and related documentation.

- Interviewing relevant Absa personnel to assess compliance with the Framework and the implementation of associated policies and procedures.
- Preparation and revision of the SPO, incorporating the findings, conclusions and relevant information gathered during the evaluation process.

Relevant documentation

Absa documentation

The following documents provided by Absa have been reviewed (“**Absa Documentation**”):

- Absa Group Limited Sustainable Finance Issuance Framework, May 2022 (final framework provided 30 May 2022)
- Absa Sustainable asset register (SAR)
- Absa Sustainable Finance Asset Committee (SFAC) Terms of Reference
- Absa CIB Financial Resources Committee Terms of Reference (FRC)
- Absa SFAC committee minutes 23 March 2022
- Absa Proposed issuance governance process overview
- Absa Enterprise Risk Framework
- Absa Group Sustainability Policy
- Absa Environmental and Social Management Systems (ESMS) – Sustainability Risk Standard
- Absa Group Environmental Social Governance Report 2021
- Absa Group Integrated Report 2021

Other documentation

In addition to the documents noted in ‘Applicable Standards Concerning the External Review’ and ‘Assurance Standards’, the following documentation has been considered in conducting the External Review (“**Other documentation**”):

- ICMA Handbook for Harmonised Framework for Impact Reporting (June 2021)
- LMA, APLMA and LSTA ‘Guidance on Green Loan Principles’ (February 2021)
- LMA, APLMA and LSTA ‘Guidance on Social Loan Principles’ (March 2022)
- Johannesburg Stock Exchange consolidated Debt Listing Requirements Service Issue 28, as amended from time to time, with regards to the Sustainability Segment for Use of Proceeds Debt Instruments (effective as of 11 April 2022)

Limitations of the External Review

Given that our External Review work (in relation to the scope) was undertaken prior to Sustainable Finance transactions (either bonds or loans), our procedures have been confined to the External Reviewer activities set out in this document and did not evaluate individual eligible green, social and sustainability projects to be financed or conformance of individual transactions to the Framework. We did not perform assessments on data and information beyond the defined scope and External Reviewer activities as defined in this Report.

The Carbon Trust does not perform any review of, and does not express any conclusion regarding, the effectiveness of management functions about the use of proceeds Sustainable Instruments, or continued performance in terms of transactional arrangements.

The Second Party Opinion Statement is based on information and data available, and the results of our assessment carried out, on or before 27 May 2022 and no further information and data subsequent to that date was considered or further assessment carried out.


Appendix 1: Detailed External Review in line with the ICMA Green Bond Principles (June 2021)



Set out below are our component specific findings and statements in relation to each of the four ICMA GBP core components and two recommendations, as they relate to the Framework.





Principle One – Use of Proceeds

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

GBP (June 2021) specification	Issuer practice	Assessment result
<p>Designated eligible Green Projects should provide clear environmental benefits which will be assessed and, where feasible, quantified by the issuer</p>	<p>The Sustainable Finance Issuance Framework (SFIF) specifies categories in which an activity, and/or project must fall to be eligible as a sustainable instrument, including criteria and aligned Sustainable Development Goals (SDGs). Criteria, SDGs and eligible activities, loans and asset types are categorised, non-exhaustively, according to ICMA GBP and SBP project categories. Categories are renewable energy, energy efficiency, pollution prevention and control, sustainable water and wastewater management, green buildings, clean transportation, affordable housing, access to essential services, employment generation, socioeconomic advancement and empowerment, climate change adaptation, and environmentally sustainable management of living natural resources and land use. The framework is designed to simultaneously align with the GBP, SBP, SBG, GLP and SLP. The social and green categories are separated and clearly identified as such for ease of use.</p> <p>Some eligibility criteria require quantification of environmental benefits by Absa in the Use of Proceeds section. In the Impact Reporting section of the framework impact indicators are specified providing guidance for quantitative reporting per sustainability category.</p> <p>If multiple green project categories are contributed toward through the financing instrument, the impact indicators will provide insight into the ways in which the proceeds are split across categories by supplying financial and physical metrics in this regard.</p>	

<p>The use of proceeds may align with the non-exhaustive GBP explicitly-recognised project categories advancing environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control</p>	<p>The SFIF provides specific categories in which the Use of Proceeds must prove to be contributing in terms of the specified criteria and eligible projects. The categories are based on ICMA eligible Green Project categories.</p> <p>The Framework references the following the following GBP environmental objectives:</p> <table border="1" data-bbox="557 331 1845 531"> <tr> <td><input checked="" type="checkbox"/></td> <td>Climate change mitigation</td> <td><input checked="" type="checkbox"/></td> <td>Climate change adaptation</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Natural resource conservation</td> <td><input type="checkbox"/></td> <td>Biodiversity conservation</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Pollution prevention & control</td> <td><input type="checkbox"/></td> <td>Other (please specify):</td> </tr> </table> <p>The categories for Green Bond eligible projects as per the Framework align with eight of the GBP categories:</p> <table border="1" data-bbox="557 616 1845 1284"> <tr> <td><input checked="" type="checkbox"/></td> <td>Renewable energy</td> <td><input checked="" type="checkbox"/></td> <td>Energy efficiency</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Pollution prevention and control</td> <td><input checked="" type="checkbox"/></td> <td>Environmentally sustainable management of living natural resources and land use</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Terrestrial and aquatic biodiversity conservation</td> <td><input checked="" type="checkbox"/></td> <td>Clean transportation</td> </tr> <tr> <td><input checked="" type="checkbox"/></td> <td>Sustainable water and wastewater management</td> <td><input checked="" type="checkbox"/></td> <td>Climate change adaptation</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Eco-efficient and/or circular economy adapted products, production technologies and processes</td> <td><input checked="" type="checkbox"/></td> <td>Green buildings</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs</td> <td><input type="checkbox"/></td> <td>Other (please specify):</td> </tr> </table>	<input checked="" type="checkbox"/>	Climate change mitigation	<input checked="" type="checkbox"/>	Climate change adaptation	<input checked="" type="checkbox"/>	Natural resource conservation	<input type="checkbox"/>	Biodiversity conservation	<input checked="" type="checkbox"/>	Pollution prevention & control	<input type="checkbox"/>	Other (please specify):	<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 checked="" 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 type="checkbox"/>	Other (please specify):	
<input checked="" type="checkbox"/>	Climate change mitigation	<input checked="" type="checkbox"/>	Climate change adaptation																																			
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<input checked="" type="checkbox"/>	Pollution prevention & control	<input type="checkbox"/>	Other (please specify):																																			
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<input type="checkbox"/>	Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs	<input type="checkbox"/>	Other (please specify):																																			
<p>The use of proceeds may refer to other taxonomies and nomenclatures as</p>	<p>The Framework commits to refer to and adopt, where possible, allocation and impact reporting best practice. Based on discussion with Management it is understood that the intention is to ensure that any applicable taxonomies or nomenclatures are considered when updating the eligibility criteria and thresholds for green and social projects.</p>																																					

<p>guidance as to what is considered green and eligible, and draw upon (appropriate) independent definitions, analysis, advice and guidance on the quality of different green solutions and environmental practices</p>		
<p>The Use of Proceeds should be appropriately described in the legal documentation of the security</p>	<p>The Framework includes a statement that mentions that the Use of Proceeds of the debt instrument for eligible green or social projects, should be appropriately described in the instrument’s financial documentation. This is included in the Framework and the reviewer is satisfied that requirements are met.</p>	
<p>If refinancing, the issuer should provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced</p>	<p>The reviewer recommended that the Framework explicitly provides disclosure requirements to which the instruments must adhere, to ensure that the requirements as per the GBP are met. This includes transparency on the share of financing vs. refinancing of an instrument where applicable.</p> <p>Absa agreed and specified in the SFIF that the net proceeds for a financed or refinanced project will be specified in the allocation and impact report of the sustainable instrument.</p> <p>Absa confirmed that all eligible Green Project categories as per the Framework are eligible for refinancing from the proceeds of the issuance.</p>	
<p>If refinancing and to the extent relevant, the issuer should define the expected look-back period for refinanced eligible Green Projects</p>	<p>Absa have included a statement specifying a maximum 60-month look-back period.</p>	
<p>Where issuers wish to finance projects towards implementing a net zero emissions strategy aligned with the goals of the Paris Agreement, guidance from the ICMA ‘Climate</p>	<p>The Framework includes a statement that Absa have undertaken to embrace the Just Transition objectives as per the Paris Agreement through mitigation and adaptation activities with the guidance of the ICMA Climate Transition Finance Handbook.</p>	

Transition Finance Handbook’ may be sought		
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Detailed Review Result


Aligns with ICMA GBP (June 2021) Principle One – Use of Proceeds	In the External Reviewer’s opinion, the Framework provides strong guidance in terms of the types of eligible themes and green projects, and this is supported by appropriate internal procedures.
	In the External Reviewer’s opinion, the processes for use of proceeds set out in the Framework meets the requirements of the GBP Principle One – Use of Proceeds.




Principle Two - Process for Project Evaluation and Selection


External Review Summary

Key ■ *Meets requirements* ■ *Does not meet requirements* ■ *Not relevant / applicable* ■ *Opportunity for enhancement*

GBP (June 2021) specification	Issuer practice	Assessment result
The issuer should clearly communicate to investors the environmental sustainability objectives of the eligible Green Projects	Absa committed to i) presenting Absa’s intention of informing prospective investors of the environmental and/or social benefits of an instrument and commit to directly inform investors of the foreseen impact of the instrument once issuance goes to market and will present impact indicators to investors at that point and ii) are to clearly indicate that the prospective instrument will be aligned to the relevant ICMA standard.	■
The issuer should clearly communicate to investors the process by which it determines how projects fit within the eligible Green Project categories	<p>The Framework outlines that Absa will follow a three-stage approach to align green and social asset origination and liability raising efforts to the Use of Proceeds criterion of the framework. The three-stage process is as follows:</p> <ol style="list-style-type: none"> 1. Categorisation of eligible assets or project by the Asset Origination Business 2. Screening of eligible assets or projects by the Financial Resources Committee 3. Approval and allocation of eligible assets to sustainable instruments <p>Furthermore, Absa has made available to the External Reviewer, the proposed issuance governance process overview which has further clarified the above process.</p>	■

	<p>The framework specifies that Absa’s Corporate and Investment Bank (“CIB”) and the Retail and Business Bank (“RBB”) working with the Sustainable Finance Team (“Asset Originating Business”), will screen potential eligible projects against the Use of Proceeds criteria outlined in this Framework, and present these to the Lending Commitments Committee, or an equivalent business committee for approval. The Asset Originating Business will maintain a Sustainable Asset Register (“SAR”), which will include the details of approved eligible projects, and eligible assets or projects already assigned to be financed by the proceeds of Sustainable Instruments. The SAR is presented to the relevant Financial Resource Committee (“FRC”) for review on a periodic basis, and thereafter recommended to the Africa Treasury Committee (“ATC”).</p> <p>The Framework is in alignment with this requirement.</p>	
<p>The issuer should clearly communicate to investors complementary information on processes by which it identifies and manages associated social and environmental risks</p>	<p>The Framework explicitly states that Absa actively manages current and emerging risks through the implementation and continued operating effectiveness of the Board-approved Enterprise Risk Management Framework (“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 which is the Group’s largest risk type. Absa measures and monitors its exposure to climate sensitive industries and where these exposures are material, Absa aims to manage the risk over the short and medium term, including using stress testing and scenario planning.</p> <p>According to the Framework, the Group Sustainability Policy requires that the business strategy considers appropriate climate mitigation and adaptation 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.</p> <p>As it constitutes an underlying document to the SFIF, the reviewer requested that it viewed the Group Sustainability Policy in order to confirm the processes and policies related to environmental and social risk management and mitigation in place. The Reviewer further recommended that the Group Sustainability Policy be made publicly available and accessible on the Absa website.</p> <p>Absa agreed in an interview on 10 May 2022 to share the Absa Group Sustainability Policy with the Reviewer and has further confirmed that the Group Sustainability Policy is already publicly available. The Reviewer therefore confirms that Absa will communicate to investors complementary information on processes by which it identifies and manages the environmental and social risks associated with the relevant green projects.</p>	

<p>The issuer is encouraged to position the information regarding the Green Bond in the context of its overarching objectives, strategy, policy and/or processes relating to environmental sustainability</p>	<p>This External Reviewer specifically assessed Absa’s Framework. The Framework outlines the criteria under which Absa Group Limited and its subsidiaries intend to issue thematic liability instruments (including green, social and/or sustainable bonds). The proceeds of such issuances would be used to finance or refinance activities for projects that are aligned with the guidance issues by the ICMA GBP.</p> <p>Furthermore, the SFIF explicitly states that 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).</p> <p>See recommendation and Absa’s response regarding Group Sustainability Policy Above.</p> <p>This requirement is therefore met.</p>	
<p>The issuer is encouraged to provide information on the alignment with official or market-based taxonomies, related eligibility criteria, and exclusion criteria (if relevant)</p>	<p>The Framework includes a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements. In addition, the reviewer recommended sustainability criteria be enhanced and that it be defined by sector before assets are included in the SAR. Absa in turn confirmed that this is the process that is being implemented. The requirement is therefore met.</p>	
<p>The issuer is encouraged to disclose any green standards or certifications referenced in project selection</p>	<p>With regard to green buildings, projects that are to be deemed eligible will require, at minimum, Green Star 4 category, EWP Level 6, Leadership in Energy and Environment Design “Gold” Certification or International Finance Corporation’s EDGE certification.</p> <p>The Framework sets out the general eligibility criteria for loans allocated to financing green buildings which meet a list of recognised global standards that are defined as “Acceptable Certifications”. Green residential and non-residential buildings include industrial property, offices, retail property, hotels, hospitals, restaurants and data centres. The building standards referenced in the Framework provide wider sustainability benefits, and do not focus only on energy or emissions. Notably, the Framework accepts the upper score rankings e.g., Gold or Platinum certification which is a good indicator that Absa holds to robust standards when determining the eligibility of green buildings to be financed under this Framework.</p> <p>For Sustainable Fishery, projects that are to be deemed eligible will require at minimum to meet or exceed the Marine Stewardship Council (MSC) certification standard for the Fishing Industry and the Marine Stewardship Council (MSC) certification for chain of custody certification for suppliers of seafood products.</p>	

	<p>This requirement is therefore met.</p>	
<p>The issuer is encouraged to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant projects</p>	<p>The Framework states that the Absa Group ESG policy aims to prioritise business activities that have the most positive ESG impact, while mitigating negative impacts.</p> <p>The Absa Group-wide environmental and social risk management system standard for implementation complies with the IFC performance standards and local legislation.</p> <p>The Group’s client assessment policy and ESMS details the minimum requirements and controls for identifying transactions with potential environmental and social risks, outlines when the Equator Principles and guarantee provider requirements must be applied and gives details of the circumstances under which referral to the environmental credit risk management team is required.</p> <p>The Framework includes a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements. Absa has committed to enhancing sustainability criteria and creating definitions by sector prior to assets being included in the SAR.</p> <p>The Group Sustainability Policy requires that the business strategy considers appropriate climate mitigation and adaptation 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.</p> <p>As it constitutes an underlying document to the Framework, the reviewer requested that it view the Group Sustainability Policy to confirm the processes and policies related to environmental and social risk management and mitigation in placed.</p> <p>Absa shared with the reviewer the Absa Group Sustainability Policy, as well as the ESMS Sustainability Risk Standard. Absa has further confirmed that the Absa Group Sustainability policy is publicly available.</p> <p>Absa confirmed to the External Reviewer as contained in the Framework, that it will communicate to investors complementary information on processes by which it identifies and manages the environmental and social risks associated with the relevant projects.</p> <p>The requirement is therefore met.</p>	

Detailed Review Result





<p align="center">Aligns with ICMA GBP (June 2021) Principle Two – Process for Project Evaluation and Selection</p>	<p>In the External Reviewer’s opinion, Absa has established clear requirements under the Framework and internal procedures to ensure that it complies with the GBP regarding the process for project evaluation and selection. Furthermore, Absa have included a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements.</p> <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework meets the requirements of the GBP Principle Two – Process for Project Evaluation and Selection.</p>
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Principle Three – Management of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

GBP (June 2021) specification	Issuer practice	Assessment result
The net proceeds of the Green Bond, or an amount equal to these net proceeds, should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner	The Reviewer sought clarification from Absa regarding whether proceeds of sustainable issuances be credited to sub-accounts or a sub-portfolio and how proceeds will be managed regarding Green and/or Social issuances and the SAR. Absa confirmed that the net proceeds of the issuance will be moved to a sub-portfolio for either Green or Social issuances. The Framework aligns to the requirement.	■
The aforementioned process should be attested to by the issuer in a formal internal process linked to the issuer’s lending and investment operations for eligible Green Projects	The ATC owns the final selection of eligible activities for green projects for Sustainable Instruments, throughout the life of all Sustainable Instruments. The eligible list of green 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.	■

	<p>Absa intends to utilise the proceeds from Sustainable Instruments for eligible activities, and projects as presented in the SAR, and will be selected in accordance with the Use of Proceeds Criteria and Process for Project Evaluation and Selection outlined above.</p> <p>The process meets the requirement as set out in the GBP.</p>	
<p>Whilst the Green Bond is outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible Green Projects made during that period</p>	<p>As stated in the Framework, Absa aims to maintain the SAR at a level that at least matches or exceeds the balance of net proceeds from its outstanding Sustainable Instruments.</p> <p>The ATC will regularly update the SAR for the balance of tracked net proceeds to match allocations to eligible green projects.</p> <p>The Framework therefore aligns to the requirement.</p>	
<p>The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds</p>	<p>The Framework includes a statement that states the 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. The Framework therefore aligns to the requirement.</p>	
<p>The proceeds of Green Bonds can be managed per bond (bond-by-bond approach) or on an aggregated basis for multiple green bonds (portfolio approach)</p>	<p>The External Reviewer clarified with Absa that proceeds are to be managed on a portfolio approach, separately for green and social use of proceeds/instruments.</p> <p>The Framework therefore aligns to the requirement.</p>	
<p>A high level of transparency is encouraged; it is recommended that an issuer’s management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal</p>	<p>The SAR will be used to track the receipt and allocation of proceeds, ensuring green projects financed by Sustainable Instruments are appropriately managed for purposes of internal and external monitoring and reporting. The Group may add or remove eligible green projects from the SAR to the extent required.</p> <p>Absa confirmed that external auditors will assess the SAR on an annual basis by means of a limited assurance report. The Framework therefore meets the requirement.</p>	

<p>tracking method and the allocation of funds from the Green Bond proceeds</p>		
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Detailed Review Result



<p>Aligns with ICMA GBP (June 2021) Principle Three – Management of Proceeds</p>	<p>In the External Reviewer’s opinion, Absa has established a transparent approach in its Framework and internal procedures regarding how Absa manages green bond proceeds. The approach demonstrates alignment with the GBP.</p> <p>In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework meets the requirements of the GBP Principle Three – Management of Proceeds.</p>
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Principle Four - Reporting

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

<p>GBP (June 2021) specification</p>	<p>Issuer practice</p>	<p>Assessment result</p>
<p>The issuer should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments</p>	<p>The Absa sustainable Finance Team (otherwise known as the Asset Originating Business) will maintain a Sustainable Asset Register (SAR), which will include the details of approved eligible projects, and eligible projects already assigned to be financed by the proceeds of Sustainable Instruments. In addition to these functions, the SAR will be used to track the receipt and allocation of proceeds, ensuring projects financed by Sustainable Instruments are appropriately managed for purposes of internal and external reporting.</p> <p>In addition to the SAR, Absa will prepare and publish annual reports with respect to Sustainable Instruments issued under the framework. These reports will include both allocation and impact reporting, where in the case of allocation reporting, the reports will include the total amount of proceeds allocated to eligible projects, the number of eligible projects, and the balance of unallocated proceeds.</p>	<p style="text-align: center;">■</p>

	<p>Collectively, the mechanism contained within the SAR to track the allocation of proceeds, as well as the allocation reporting mechanism for the total proceeds allocated and the balance of unallocated proceeds satisfy the requirement that the issuer keep information on the use of proceeds. Absa have committed that the SAR is to be reviewed internally on a quarterly basis.</p> <p>Absa confirmed that it intends to create a portfolio with a suitable buffer in excess of allocated activities, for green projects. This information is updated on a quarterly basis by the Sustainable Finance team and reported to the Sustainable Finance Asset Committee on a quarterly basis. Furthermore, Absa has stated that it will endeavour to create an automated process to monitor and ensure that non-contamination takes place, that use of proceeds conforms to principles and that information to this effect is current, reliable, and available on a timely basis.</p> <p>The External Reviewer considers the systems and processes in place as satisfactory and aligned with requirement.</p>	
<p>The annual report should include a list of the projects to which Green Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Where additional considerations limit the amount of detail that can be made available, information should be presented in generic terms or on an aggregated portfolio basis</p>	<p>Absa has provided the template it has developed and intended for annual reports relating to Sustainable Instruments issued under the Sustainable Finance Framework. This annual reporting will comprise both allocation and impact reporting. Allocation reporting will comprise the total amount of proceeds allocated to eligible green projects, the number of eligible green projects, and the balance of unallocated proceeds. Impact reporting will include a description of an impact indicator which can describe the level of impact that an activity, for green projects (as set out in the Framework in terms of ICMA GBP) may have.</p> <p>The Framework thus satisfies the requirement that annual reports will include a list of green projects to which Green Bond proceeds have been allocated, the amounts allocated, and their expected impact.</p> <p>The Framework contains clear commitment to disclose sufficient information, in line with the GBP recommendation that where additional considerations limit the amount of detail that can be made available, information should be presented in generic terms or on an aggregated portfolio basis. The requirement is therefore met.</p>	
<p>Recommended: Transparency is of particular value in communicating the expected and/or achieved impact of projects; the use</p>	<p>As part of the impact reporting mechanism included in the annual reporting process, the SFIF has provided both quantitative and qualitative impact indicators for each project category. This satisfies the recommendation that qualitative performance indicators, and where applicable, quantitative performance indicators, will be used to communicate the expected and/or achieved impact of green projects.</p> <p>The Framework also includes a statement committing to the disclosure of the key underlying methodology and/or assumptions used in the quantitative determination. The recommendation is therefore met.</p>	

<p>of qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination is recommended</p>		
<p>Recommended: The issuer should refer to and adopt, where possible, the guidance and impact reporting templates provided in the ICMA Harmonised Framework for Impact Reporting</p>	<p>The External Reviewer recommended that Absa refer to and commit to adopting, where possible, the guidance and impact reporting templates provided in the ICMA Harmonised Framework for Impact Reporting in the SFIF. Absa stated that it will strive to, where possible, allocation and impact reporting best practice.</p> <p>The Framework therefore aligns to the requirement The External Reviewer recommends that future versions of the Framework make direct reference to the ICMA Harmonised Framework for Impact Reporting.</p>	




Detailed Review Result


<p>Aligns with ICMA GBP (June 2021) Principle Four – Reporting</p>	<p>In the External Reviewer’s opinion, the Framework provides clear guidance and transparency on the Absa’s responsibility to report on an annual basis. This benefits Absa, as well as its shareholders and investors, and demonstrates alignment with the GBP.</p> <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework meets the requirements of the GBP Principle Four – Reporting.</p>
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Key Recommendations – Green Bond Frameworks

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

GBP (June 2021) specification	Issuer practice	Assessment result
<p>The issuer should explain the alignment of their Green Bond or Green Bond programme with the four core components of the GBP or in a Green Bond Framework or in their legal documentation, which should be in a readily accessible format to investors</p>	<p>The Framework aligns with the four core components of the GBP.</p> <p>Absa has confirmed that the Framework and the Carbon Trust Second Part Opinion Statement will be made available on the Absa Debt Investor web page.</p>	
<p>It is recommended that issuers summarise in their Green Bond Framework relevant information within the context of the issuer’s overarching sustainability strategy. This may include reference to the five high level environmental objectives of the GBP</p>	<p>Absa has summarised in the Framework the context of the Absa Group sustainability strategy and therefore it meets the requirement.</p>	
<p>Issuers are also encouraged to disclose any taxonomies, green standards or certifications referenced in project selection</p>	<p>The Framework commits Absa to a robust selection process that incorporates good practice definitions and performance requirements. The Framework therefore meets the requirement.</p>	

<p>When communicating Paris-aligned transition strategies in the context of projects targeting climate change mitigation, issuers are encouraged to use guidance from the Climate Transition Finance Handbook</p>	<p>The Framework includes a statement that Absa have undertaken to embrace the Just Transition objectives as per the Paris Agreement through mitigation and adaptation activities with the guidance of the ICMA Climate Transition Finance Handbook.</p>	
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Detailed Review Result




<p>Aligns with ICMA GBP (June 2021) Key recommendation – Green Bond Framework</p>	<p>The Framework clearly demonstrates alignment to the ICMA GBP and communicates clearly to investors Absa’s overarching sustainability strategy. In the External Reviewer’s opinion, the internal process and contents set out in the Framework meets the recommended aspects of the GBP Key recommendations – Green Bond Framework.</p>
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Key Recommendation – External Review

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

<p>GBP (June 2021) specification</p>	<p>Issuer practice</p>	<p>Assessment result</p>
<p>It is recommended that issuers appoint (an) external review provider(s) to assess through a pre-issuance external review the alignment of their Green</p>	<p>Absa has appointed the Carbon Trust to provide a pre-issuance independent external review to assess the alignment of the Framework with the four core components of the GBP.</p>	

<p>Bond or Green Bond programme and/or Framework with the four core components of the GBP</p>		
<p>The issuer should make external reviews publicly available and use the template for external reviews made available by ICMA</p>	<p>Absa has committed to make the second party opinion or independent verification statement available to investors on the Debt Investor Page of Absa’s website. Additionally, in instances where issuances will be listed on the JSE and/or other international stock exchanges, Absa has committed to make the second party opinion or independent verification statement available to serve as confirmation of the green, social and/ or sustainable credentials of the issuance, and that this will be in accordance with the Debt Listing Requirements of the JSE and/or the listing requirements of the applicable exchanges.</p> <p>The Carbon Trust has, where applicable, referred to and utilised the templates for external reviews made available by ICMA. The requirement is therefore met.</p>	
<p>It is recommended that, post issuance, an issuer’s management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the Green Bond proceeds to eligible Green Projects</p>	<p>Absa has endeavoured to use the Sustainable Asset Register to track the receipt and allocation of proceeds, and that the SAR will be appropriately managed for the purposes of internal and external monitoring and reporting. An external auditor will be appointed on an annual basis to review the SAR and underlying process by means of a limited assurance report.</p>	
<p>The issuer should consult the ICMA Guidelines for External Reviews (February 2021) concerning recommendations and explanations on the different types of reviews</p>	<p>The Carbon Trust has, in its capacity as external reviewer, where applicable, referred to and utilised the templates for external reviews made available by ICMA. The requirement is therefore met.</p>	

<p>Issuers should make external reviews publicly available on their website and/or through any other accessible communication channel as appropriate and if feasible, as well as use the template for external reviews available in the sustainable finance section of ICMA’s website.</p>	<p>Absa has committed to make the second party opinion or independent verification statement available to investors on the Debt Investor Page of Absa’s website. The requirement is therefore met.</p>	
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Detailed Review Result

<p>Aligns with ICMA GBP (June 2021) Key recommendation – External Reviews</p>	<p>Absa has engaged the Carbon Trust to provide a Second Party Opinion Statement on the Absa Sustainable Finance Issuance Framework in accordance with ICMA guidelines. Absa have agreed to make both the Framework and SPO publicly available on the Absa Debt Investors website.</p> <p>In the External Reviewer’s opinion, the internal process for reporting and the contents set out in the Framework meets the recommended aspects of the GBP Key recommendation – External Reviews.</p>
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Appendix 2: Detailed External Review in line with the Social Bond Principles (June 2021)



Set out below are our component specific findings and statements in relation to each of the four ICMA Social Bond Principles core components and two recommendations, as they relate to the Framework. These are integrated with the suggested ICMA template.

Principle One – Use of Proceeds

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
The utilisation of the proceeds of the bond for eligible Social Projects should be appropriately described in the legal documentation of the security.	Please see Appendix 1: GBP Principle One – Use of Proceeds	
All designated eligible Social Projects should provide clear social benefits, which will be assessed and, where feasible, quantified by the issuer.	<p>The SFIF specifies categories in which social projects must fall to be considered eligible as a sustainable instrument, including criteria and aligned Sustainable Development Goals (SDGs). Criteria, SDGs and typical eligible social projects are categorised, non-exhaustively, according to ICMA Social Project categories.</p> <p>The social and green categories are separated and clearly identified as such for ease of use.</p> <p>Some eligibility criteria require quantification of social benefits by Absa. Furthermore, in the Impact Reporting section of the framework impact indicators are specified providing guidance for quantitative reporting per sustainability category.</p>	

	<p>If multiple social project categories are contributed toward through the financing instrument, the impact indicators will provide insight into the ways in which the proceeds are split across categories by supplying financial and physical metrics in this regard.</p>													
<p>The SBP explicitly recognise several broad categories of eligibility for Social Projects. The non-exhaustive list of Social Projects are intended to capture the most usual types of projects supported and expected to be supported by the social bond market.</p>	<p>The Framework provides specific categories in which the Use of Proceeds must prove to be contributing in terms of the specified criteria and eligible social projects. The categories are based on ICMA eligible Social Project categories. The categories listed in the Framework which align with the SBP Social Project categories are:</p> <table border="1" data-bbox="555 443 1845 678"> <tr> <td data-bbox="555 443 645 512"><input type="checkbox"/></td> <td data-bbox="645 443 1182 512">Affordable Basic Infrastructure</td> <td data-bbox="1182 443 1272 512"><input checked="" type="checkbox"/></td> <td data-bbox="1272 443 1845 512">Access to Essential Services</td> </tr> <tr> <td data-bbox="555 512 645 580"><input checked="" type="checkbox"/></td> <td data-bbox="645 512 1182 580">Affordable housing</td> <td data-bbox="1182 512 1272 580"><input checked="" type="checkbox"/></td> <td data-bbox="1272 512 1845 580">Employment Generation</td> </tr> <tr> <td data-bbox="555 580 645 678"><input type="checkbox"/></td> <td data-bbox="645 580 1182 678">Food security and sustainable food systems</td> <td data-bbox="1182 580 1272 678"><input checked="" type="checkbox"/></td> <td data-bbox="1272 580 1845 678">Socioeconomic advancement and empowerment</td> </tr> </table>	<input type="checkbox"/>	Affordable Basic Infrastructure	<input checked="" type="checkbox"/>	Access to Essential Services	<input checked="" type="checkbox"/>	Affordable housing	<input checked="" type="checkbox"/>	Employment Generation	<input type="checkbox"/>	Food security and sustainable food systems	<input checked="" type="checkbox"/>	Socioeconomic advancement and empowerment	
<input type="checkbox"/>	Affordable Basic Infrastructure	<input checked="" type="checkbox"/>	Access to Essential Services											
<input checked="" type="checkbox"/>	Affordable housing	<input checked="" type="checkbox"/>	Employment Generation											
<input type="checkbox"/>	Food security and sustainable food systems	<input checked="" type="checkbox"/>	Socioeconomic advancement and empowerment											
<p>Social Projects directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population(s)</p>	<p>The Framework specifies that the Asset Originating Business will consider and formalise the target populations positively impacted by financed social projects. Included in this consideration will be the reason for the target population selected and mechanisms for addressing the target population through the social projects. Target populations will be of a disadvantaged or vulnerable group, or if no specific target population is identified (being rather the general population), the Asset Originating Business will consider whether the activity has the potential to exclude some vulnerable or disadvantaged populations, e.g., through costs, geography, etc.</p> <p>The requirement is therefore met.</p>													

Detailed Review Result

<p>Aligns with ICMA SBP (June 2021) Principle One – Use of Proceeds</p>	<p>In the External Reviewer’s opinion, the Framework provides strong guidance in terms of the types of eligible themes and social projects, and this is supported by appropriate internal procedures to comply with the SBP when determining eligible social projects.</p> <p>In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework meets the requirements of the SBP Principle One – Use of Proceeds.</p>
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Principle Two - Process for Project Evaluation and Selection

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ■ Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
The issuer of a Social Bond should clearly communicate to investors the social objectives of the Social Projects	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■
The issuer should clearly communicate the process by which the issuer determines how the projects fit within the eligible Social Project categories (examples are identified above)	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■
The issuer should clearly communicate to investors complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant Project(s)	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■
The issuer is encouraged to position the information communicated above within the context of the issuer’s overarching objectives, strategy, policy and/or processes relating to social sustainability	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■
The issuer is encouraged to Provide information on the related eligibility criteria, including if applicable, exclusion criteria and also disclose any social standards or certifications referenced in project selection.	<p>Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection</p> <p>The Framework makes explicit reference to relevant Green Building certifications and standards that may also apply to Affordable Housing and Access to essential services projects.</p>	■
The issuer is encouraged to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■

Detailed Review Result

Aligns with ICMA SBP (June 2021) Principle Two – Process for Project Evaluation and Selection	<p>In the External Reviewer’s opinion, Absa has established clear requirements under the Framework and internal procedures to ensure that it complies with the SBP regarding the process for project evaluation and selection. Furthermore, Absa have included a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements.</p> <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework meets the requirements of the SBP Principle Two – Process for Project Evaluation and Selection.</p>
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Principle Three – Management of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
The net proceeds of the Social Bond, or an amount equal to these net proceeds, should be periodically adjusted to match Voluntary Process Guidelines for Issuing Social Bonds allocations to eligible Social Projects made during that period. The issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.	Please see Appendix 1: GBP Principle Three – Management of Proceeds	■
The proceeds of Social Bonds can be managed per bond (bond by-bond approach) or on an aggregated basis for multiple Social Bonds (portfolio approach).	Please see Appendix 1: GBP Principle Three – Management of Proceeds	■
A high level of transparency is encouraged; it is recommended that an issuer’s management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Social Bond proceeds.	Please see Appendix 1: GBP Principle Three – Management of Proceeds	■

Detailed Review Result

Aligns with ICMA SBP (June 2021)	<p>In the External Reviewer’s opinion, Absa has established a transparent approach in its Framework and internal procedures regarding management of manage social bond proceeds. The approach demonstrates alignment with the SBP.</p>
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Principle Three – Management of Proceeds	In the External Reviewer’s opinion, Absa’s approach to the management of proceeds as set out in its Framework and Processes, is in accordance with the requirements of the SBP Principle Three – Management of Proceeds.
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Principle Four - Reporting

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in the case of material developments.	Please see Appendix 1: GBP Principle Four - Reporting	■
This annual report should include a list of the projects to which Social Bond proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the SBP recommend that information is presented in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).	Please see Appendix 1: GBP Principle Four - Reporting	■
<i>Recommended:</i> Transparency is of particular value in communicating the expected and/or achieved impact of projects. The SBP/GBP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures (e.g. number of beneficiaries, especially from target populations) and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination.	Please see Appendix 1: GBP Principle Four - Reporting	■
<i>Recommended:</i> Issuers should refer to and adopt, where possible, the guidance and impact reporting templates provided in the Harmonised Framework for Impact Reporting for Social Bonds.	Please see Appendix 1: GBP Principle Four - Reporting	■
<i>Recommended:</i> The use of a summary, which reflects the main characteristics of a Social Bond or a Social Bond programme, and illustrates its key features in alignment with the four core components of the SBP, may help inform market participants. To that end, a template can be	Please see Appendix 1: GBP Principle Four - Reporting	■

<p>found in the sustainable finance section of ICMA’s website, which - once completed - can be made available online for market information.</p>		
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Detailed Review Result


<p>Aligns with ICMA SBP (June 2021) Principle Four – Reporting</p>	<p>In the External Reviewer’s opinion, the Framework provides a clear approach to the Absa’s responsibility to report on an annual basis. This benefits Absa, as well as its shareholders and investors, and demonstrates alignment with the SBP.</p> <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework meets the requirements of the SBP Principle Four – Reporting.</p>
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Key Recommendations – Social Bond Frameworks

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▮ Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
<p>Issuers should explain the alignment of their Social Bond or Social Bond programme with the four core components of the SBP in a Social Bond Framework or in their legal documentation. Such Social Bond Framework and/or legal documentation should be available in a readily accessible format to investors.</p>	<p>The reviewer confirms that the Absa Framework aligns with the four core principles of the SBP. Absa has committed to make the Framework and the Carbon Trust Second Party opinion statement publicly available on the Absa debt investors webpage.</p>	<p style="text-align: center;">■</p>

<p>It is recommended that issuers summarise in their Social Bond Framework relevant information within the context of the issuer’s overarching sustainability strategy.</p>	<p>The SFIF provides a summary of the Group Sustainability Policy that 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.</p> <p>As it constitutes an underlying document to the SFIF, the reviewer requested that it view the Group Sustainability Policy in order to confirm the processes and policies related to environmental and social risk management and mitigation in place. Absa have confirmed that the Group Sustainability Policy is publicly available and accessible on the Absa website.</p> <p>The requirement is therefore met.</p>	
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Detailed Review Result




<p>Aligns with ICMA SBP (June 2021) Key recommendation – Social Bond Framework</p>	<p>Absa has engaged the Carbon Trust to provide a Second Party Opinion Statement on the Absa Sustainable Finance Issuance Framework in accordance with ICMA guidelines. The framework is in alignment with the recommendations set out in the SBP. Absa have committed to make both the Framework and SPO publicly available on the Absa debt investors website.</p> <p>In the External Reviewer’s opinion, the Framework and Process for reporting meets the recommended aspects of the SBP Key recommendation – Social Bond Frameworks.</p>
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Key Recommendation – External Review

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

SBP (June 2021) specification	Issuer practice	Assessment result
<p>It is recommended that issuers appoint (an) external review provider(s) to assess</p>	<p>Absa has appointed the Carbon Trust to provide a pre-issuance external review to assess the alignment of the Framework with the four core components of the SBP.</p>	

<p>through pre-issuance external review the alignment of their Social Bond or Social Bond programme with the four components of the SBP</p>		
<p>Post issuance, it is recommended that an issuer’s management of proceeds be supplemented by the use of an external auditor, or other third party, to verify the internal tracking and the allocation of funds from the Social Bond proceeds.</p>	<p>Absa has committed to use the Sustainable Asset Register to track the receipt and allocation of proceeds, and that the SAR will be appropriately managed for the purposes of internal and external monitoring and reporting. Proceeds of the instrument will be tracked using a sustainable asset register, which is to be updated on a quarterly basis. Absa have confirmed that external auditors will assess the Sustainable Asset Register on an annual basis by means of a limited assurance report.</p> <p>The requirement is therefore met.</p>	
<p>The issuer should make external reviews publicly available and use the template for external reviews made available by ICMA</p>	<p>Absa has committed to make the second party opinion or independent verification available to investors on the Debt Investor Page of Absa’s website. Additionally, in instances where issuances will be listed on the JSE and/or other international stock exchanges, Absa has committed to make the second party opinion or independent verification available to serve as confirmation of the green, social and/ or sustainability credentials of the issuance, and that this will be in accordance with the Debt Listing Requirements of the JSE and/or the listing requirements of the applicable exchanges.</p> <p>The Carbon Trust has, where applicable, referred to and utilised the templates for external reviews made available by ICMA. The requirement is therefore met.</p>	
<p>The issuer should consult the ICMA Guidelines for External Reviews (February 2021) concerning recommendations and</p>	<p>Carbon Trust has, in its capacity as external reviewer, where applicable, referred to and utilised the templates for external reviews made available by ICMA. Absa has sought an external review on the use of proceeds of the Absa Sustainable Finance Issuance Framework.</p> <p>The requirement is therefore met.</p>	

<p>explanations on the different types of reviews</p>		
<p>The SBP encourage external review providers to disclose their credentials and relevant expertise and communicate clearly the scope of the review(s) conducted.</p>	<p>The Carbon Trust has provided Absa with a statement of our credentials and expertise relevant to this review and provided a clear communication of the scope of the review conducted.</p>	
<p>Issuers should make external reviews publicly available on their website and/or through any other accessible communication channel as appropriate and if feasible, as well as use the template for external reviews available in the sustainable finance section of ICMA’s website.</p>	<p>Absa has committed to make the Second Party Opinion available to investors on the Debt Investor Page of Absa’s website. The reviewer consulted and used, where possible, the ICMA template for external reviews.</p>	

Detailed Review Result

<p>Aligns with ICMA SBP (June 2021) Key recommendation – External Reviews</p>	<p>Absa has engaged the Carbon Trust to provide a Second Party Opinion Statement on the Absa Sustainable Finance Issuance Framework in accordance with ICMA guidelines. Absa has committed to make both the SFIF and SPO publicly available on the Absa debt investors website.</p> <p>In the External Reviewer’s opinion, the process for external reviews set out in the Framework and implemented meets the recommended aspects of the SBP Key recommendation – External Reviews.</p>
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Appendix 3: Detailed External Review in line with the Sustainability Bond Guidelines (June 2021)

Sustainability Bonds are any type of bond instrument where the proceeds or an equivalent amount will be exclusively applied to finance or re-finance a combination of both Green and Social Projects. Sustainability Bonds are aligned with the four core components of both the GBP and SBP with the former being especially relevant to underlying Green Projects and the latter to underlying Social Projects.

Therefore, the alignment of the Framework to both the GBP and SBP is required in order to meet the standards of the SBG. Should the Use of Proceeds of a Sustainability Bond only have either a social or environmental benefit, the instrument would not be in alignment with the SBG. The reviewer strongly recommended that a clear statement to this effect be included in the SFIF.

The Framework articulates that the use of proceeds of Sustainability Bonds will clearly demonstrate both environmental and social benefits.

All requirement under the SBGs is therefore met.

Appendix 4: Detailed External Review in line with the Green Loan Principles (February 2021)



Set out below are our component specific findings and statements in relation to each of the four GLP core components, as they relate to the Green Loan.




Principle One – Use of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ■ Opportunity for enhancement

GLP (February 2021) specification	Carbon Trust comment	Assessment result								
Designated eligible Green Projects should provide clear environmental benefits which will be assessed and, where feasible, quantified by the borrower	Please see Appendix 1: GBP Principle One – Use of Proceeds	■								
The use of proceeds may align with the non-exhaustive GLP explicitly-recognised project categories advancing environmental objectives such as: climate change mitigation, climate change adaptation, natural resource conservation, biodiversity	<p>The SFIF provides specific categories and eligibility criteria pertaining to the use of green loan proceeds. The categories are based on the LMA, APLMA and LSTA eligible Green Project categories.</p> <p>The Framework therefore aligns with the requirement.</p> <p>The Framework provides coverage over the following GLP key areas of environmental concern as specified in the Framework:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Climate change</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Natural resource depletion</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Loss of biodiversity</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Air, water and soil pollution</td> </tr> </tbody> </table>	<input checked="" type="checkbox"/>	Climate change	<input checked="" type="checkbox"/>	Natural resource depletion	<input checked="" type="checkbox"/>	Loss of biodiversity	<input checked="" type="checkbox"/>	Air, water and soil pollution	■
<input checked="" type="checkbox"/>	Climate change	<input checked="" type="checkbox"/>	Natural resource depletion							
<input checked="" type="checkbox"/>	Loss of biodiversity	<input checked="" type="checkbox"/>	Air, water and soil pollution							

<p>conservation, and pollution prevention and control</p>	<p>The categories for Green Loan eligible green projects as per the Framework align with eight of the GLP categories:</p> <table border="1" data-bbox="555 279 1843 778"> <tr> <td data-bbox="555 279 645 347">☒</td> <td data-bbox="645 279 1182 347">Renewable energy</td> <td data-bbox="1182 279 1272 347">☒</td> <td data-bbox="1272 279 1843 347">Energy efficiency</td> </tr> <tr> <td data-bbox="555 347 645 443">☒</td> <td data-bbox="645 347 1182 443">Pollution prevention and control</td> <td data-bbox="1182 347 1272 443">☒</td> <td data-bbox="1272 347 1843 443">Environmentally sustainable management of living natural resources and land use</td> </tr> <tr> <td data-bbox="555 443 645 544">☐</td> <td data-bbox="645 443 1182 544">Terrestrial and aquatic biodiversity conservation</td> <td data-bbox="1182 443 1272 544">☒</td> <td data-bbox="1272 443 1843 544">Clean transportation</td> </tr> <tr> <td data-bbox="555 544 645 644">☒</td> <td data-bbox="645 544 1182 644">Sustainable water and wastewater management</td> <td data-bbox="1182 544 1272 644">☒</td> <td data-bbox="1272 544 1843 644">Climate change adaptation</td> </tr> <tr> <td data-bbox="555 644 645 778">☒</td> <td data-bbox="645 644 1182 778">Eco-efficient and/or circular economy adapted products, production technologies and processes</td> <td data-bbox="1182 644 1272 778">☒</td> <td data-bbox="1272 644 1843 778">Green buildings</td> </tr> </table>	☒	Renewable energy	☒	Energy efficiency	☒	Pollution prevention and control	☒	Environmentally sustainable management of living natural resources and land use	☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation	☒	Sustainable water and wastewater management	☒	Climate change adaptation	☒	Eco-efficient and/or circular economy adapted products, production technologies and processes	☒	Green buildings	
☒	Renewable energy	☒	Energy efficiency																			
☒	Pollution prevention and control	☒	Environmentally sustainable management of living natural resources and land use																			
☐	Terrestrial and aquatic biodiversity conservation	☒	Clean transportation																			
☒	Sustainable water and wastewater management	☒	Climate change adaptation																			
☒	Eco-efficient and/or circular economy adapted products, production technologies and processes	☒	Green buildings																			
<p>The use of proceeds may refer to other taxonomies and nomenclatures as guidance as to what is considered green and eligible, and draw upon (appropriate) independent definitions, analysis, advice and guidance on the quality of different green solutions and environmental practices</p>	<p>Please see Appendix 1: GBP Principle One – Use of Proceeds</p>																					
<p>The Use of Proceeds should be appropriately described in the legal documentation of the security</p>	<p>Please see Appendix 1: GBP Principle One – Use of Proceeds</p>																					

<p>If refinancing, the borrower should provide an estimate of the share of financing vs. re-financing, and where appropriate, also clarify which investments or project portfolios may be refinanced</p>	<p>Please see Appendix 1: GBP Principle One – Use of Proceeds</p>	
<p>If refinancing and to the extent relevant, the issuer should define the expected look-back period for refinanced eligible Green Projects</p>	<p>Please see Appendix 1: GBP Principle One – Use of Proceeds</p>	
<p>A green loan may take the form of one or more tranches of a loan facility, and may be made by way of a term loan or revolving credit facility. In such cases, the green tranche(s) must be clearly designated, with proceeds of the green tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.</p>	<p>The Framework includes a statement that states that 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. The requirement is therefore met.</p> <p>Furthermore, the reviewer was supplied with an Applicable Pricing Supplement (APS) template as an indication of the intended disclosure related to tranches. It was clear that this information would be provided due to the reporting requirements specified in the APS.</p> <p>Absa does not intend to make use of Revolving Credit Facilities under this framework. Although not explicit in the Framework, it was confirmed in an interview with Absa Management that the scope of the Framework did not include revolving credit facilities. The External Reviewer has recorded Management’s representation on the matter.</p> <p>This requirement is therefore met.</p>	

Detailed Review Result

<p>Aligned to GLP (February 2021)</p>	<p>In the External Reviewer’s opinion, the Framework provides strong guidance in terms of the types of eligible themes and green projects, and this is supported by appropriate internal procedures.</p>
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Principle One – Use of Proceeds	In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework meets the requirements of the GLP Principle One – Use of Proceeds.
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Principle Two – Process for Project Evaluation and Selection

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

GLP (February 2021) specification	Carbon Trust comment	Assessment result
The borrower should clearly communicate to investors the environmental sustainability objectives of the eligible Green Projects	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	■
The borrower should clearly communicate to investors the process by which it determines how projects fit within the eligible Green Project categories	<p>The Framework states that Absa will prepare and publish an annual report with respect to Sustainable Instruments issued under this Framework and will compel borrowers to conform to the reporting requirements as set out in the GLP, to allow it to do so in turn.</p> <p>This report will include allocation and impact reporting where available and will be made available on the Debt Investor page of Absa’s website. Given that Absa has confirmed it will manage Sustainable Instruments on a portfolio approach, and that some details concerning loans are expected to be sensitive or confidential, the External Review anticipates limited information concerning individual loans to be disclosed on publicly. This is</p>	■

	<p>acknowledged by the SLP as a due consideration.</p> <p>Absa committed to communicate to prospective lenders the environmental and/or social benefits of an instrument and are to clearly indicate that the prospective instrument will be aligned to the relevant LMA, APLMA and LSTA standard.</p>	
The borrower should clearly communicate to investors complementary information on processes by which it identifies and manages associated social and environmental risks	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	
The borrower is encouraged to position the information regarding the Green Loan in the context of its overarching objectives, strategy, policy and/or processes relating to environmental sustainability	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	
The borrower is encouraged to provide information on the alignment with official or market based taxonomies, related eligibility criteria, and exclusion criteria (if relevant)	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	
The borrower is encouraged to disclose any green standards or certifications referenced in project selection	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	
The borrower is encouraged to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant projects	Please see Appendix 1: GBP Principle 2 - Process for Project Evaluation and Selection	

Detailed Review Result

<p>Aligned to GLP (February 2021) Principle Two – Process for Project Evaluation and Selection</p>	<p>In the External Reviewer’s opinion, Absa has established clear requirements under the Framework and internal procedures to comply with the GLP regarding the process for project evaluation and selection. Furthermore, Absa have included a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements.</p> <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework meets the requirements of the GLP Principle Two – Process for Project Evaluation and Selection.</p>
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Principle Three – Management of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▮ Opportunity for enhancement

GLP (February 2021) specification	Carbon Trust comment	Assessment result
<p>The net proceeds of the Green Loan, or an amount equal to these net proceeds, should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner (including tranches)</p>	<p>Please see Appendix 1: GBP Principle three – Management of Proceeds</p>	<div style="width: 20px; height: 20px; background-color: green; margin: 0 auto;"></div>
<p>If the Green Loan takes the form of one or more tranches, each green tranche must be clearly designated, with proceeds credited to a separate account or tracked by the borrower in an appropriate manner</p>	<p>The Framework includes a statement that states that 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 projects will be clearly labelled. Proceeds of such tranche(s) will be credited to a separate account and tracked appropriately.</p> <p>The requirement is therefore met.</p>	<div style="width: 20px; height: 20px; background-color: green; margin: 0 auto;"></div>
<p>Borrowers are encouraged to establish an internal governance process through which</p>	<p>Please see Appendix 1: GBP Principle three – Management of Proceeds</p>	<div style="width: 20px; height: 20px; background-color: green; margin: 0 auto;"></div>

they can track the allocation of funds towards Green Projects.		
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Detailed Review Result



<p>Aligned to GLP (February 2021) Principle Three – Management of Proceeds</p>	<p>In the External Reviewer’s opinion, Absa has established a transparent approach in its Framework and internal procedures regarding management of green loan proceeds. The approach demonstrates alignment with the GLP.</p> <p>In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework meets the requirements of the GLP Principle Three – Management of Proceeds.</p>
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Principle Four – Reporting

External Review Summary

Key  Meets requirements  Does not meet requirements  Not relevant / applicable  Opportunity for enhancement

GLP (February 2021) specification	Carbon Trust comment	Assessment result
<p>The borrower should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments</p>	<p>Please see Appendix 1: GBP Principle Four - Reporting</p> <p>Absa will ensure that it undertakes the necessary underpinning borrower processes to allow it to meet reporting requirements as set out in the GLP.</p>	
<p>The annual report should include a list of the projects to which Green Loan proceeds have been allocated, as well as a brief description of the projects, the amounts allocated, and their expected impact. Where confidentiality agreements, competitive considerations or large number of underlying projects limit the amount of detail that can be made available, information should be presented in generic terms or on an aggregated project portfolio basis</p>	<p>Please see Appendix 1: GBP Principle Four - Reporting</p>	

<p>Transparency is of particular value in communicating the expected and/or achieved impact of projects; the use of qualitative performance indicators and, where feasible, quantitative performance measures and disclosure of the key underlying methodology and/or assumptions used in the quantitative determination is recommended</p>	<p>Please see Appendix 1: GBP Principle Four - Reporting</p>	
<p>Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports</p>	<p>Please see Appendix 1: GBP Principle Four - Reporting</p>	

Detailed Review Result

<p>Aligned to GLP (February 2021) Principle Four – Reporting</p>	<p>In the External Reviewer’s opinion, the Framework provides clear guidance and transparency on Absa’s responsibility to report on an annual basis. This benefits Absa, as well as its shareholders and investors, and demonstrates alignment with the GLP.</p> <p>In the External Reviewer’s opinion, Absa’s approach to reporting as set out in its Framework and internal procedures is in accordance with the requirements of the GLP Principle Four – Reporting.</p>
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Appendix 5: Detailed External Review in line with the Social Loan Principles (April 2021)




Set out below are our component specific findings and statements in relation to each of the four SLP core components, as they relate to the Framework.

Principle One – Use of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▮ Opportunity for enhancement

SLP (April 2021) specification	Carbon Trust comment	Assessment result
Designated eligible Social Projects should be appropriately described in the finance documents and, if applicable, marketing materials for the financing.	Please see Appendix 1: GBP Principle One – Use of Proceeds	■
All designated Social Projects should provide clear benefits of a social nature, which, where feasible, will be assessed, quantified, measured and reported by the borrower.	Please see Appendix 2: SBP Principle One – Use of Proceeds	■
Where funds are to be used, in whole or part, for refinancing, it is	Please see Appendix 2: SBP Principle One – Use of Proceeds	■

<p>recommended that borrowers provide an estimate of the share of financing versus refinancing. Where appropriate, they should also clarify which investments or portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Social Projects</p>														
<p>A social loan may take the form of one or more tranches of a loan facility, and may be made by way of a term loan or revolving credit facility.</p>	<p>With regards to tranches of a loan facility, please see Appendix 6: GLP Principle One – Use of Proceeds</p> <p>Absa does not intend to make use of Revolving Credit Facilities under this framework. Although not explicit in the Framework, it was confirmed in an interview with Absa Management that its scope did not include revolving credit facilities. The External Reviewer has recorded Management’s representation on the matter.</p> <p>This requirement is therefore met.</p>													
<p>The SLP explicitly recognise several broad categories of eligibility for Social Projects. The non-exhaustive list of Social Projects are intended to capture the most usual types of projects supported and expected to be supported by the social loan market.</p>	<p>As per SBP section the Framework provides specific categories in which the Use of Proceeds must prove to be contributing in terms of the specified criteria and eligible social projects. The categories are based on ICMA eligible Social Project categories.</p> <p>The categories listed in the Framework which align with the Social Project categories as per the SLP are:</p> <table border="1" data-bbox="555 1034 1843 1267"> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td>Affordable Basic Infrastructure</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Access to Essential Services</td> </tr> <tr> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Affordable housing</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Employment Generation</td> </tr> <tr> <td style="text-align: center;"><input type="checkbox"/></td> <td>Food security and sustainable food systems</td> <td style="text-align: center;"><input checked="" type="checkbox"/></td> <td>Socioeconomic advancement and empowerment</td> </tr> </table>	<input type="checkbox"/>	Affordable Basic Infrastructure	<input checked="" type="checkbox"/>	Access to Essential Services	<input checked="" type="checkbox"/>	Affordable housing	<input checked="" type="checkbox"/>	Employment Generation	<input type="checkbox"/>	Food security and sustainable food systems	<input checked="" type="checkbox"/>	Socioeconomic advancement and empowerment	
<input type="checkbox"/>	Affordable Basic Infrastructure	<input checked="" type="checkbox"/>	Access to Essential Services											
<input checked="" type="checkbox"/>	Affordable housing	<input checked="" type="checkbox"/>	Employment Generation											
<input type="checkbox"/>	Food security and sustainable food systems	<input checked="" type="checkbox"/>	Socioeconomic advancement and empowerment											
<p>Social Projects directly aim to address or mitigate a specific social issue and/or</p>	<p>Absa specified that the Asset Originating Business will consider and formalise the target populations positively impacted by financed social projects. Included in this consideration will be the reason for the target population selected and mechanisms for addressing the target population through the social project. Target populations will be of a disadvantaged or vulnerable group, or if no specific target population identified (being rather the general</p>													

<p>seek to achieve positive social outcomes especially but not exclusively for a target population(s)</p>	<p>population), the Asset Originating Business will consider whether the activity has the potential to exclude some vulnerable or disadvantaged populations, e.g., through costs, geography, etc.</p> <p>Absa will report on the social impacts of the social projects in accordance with the impact indicators outlined in the Framework.</p> <p>Absa will make public an annual report that will provide an overview of the portfolio of eligible activities, for social projects 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</p> <p>The framework aligns with the requirement.</p>	
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Detailed Review Result




<p>Aligned to SLP (April 2021) Principle One – Use of Proceeds</p>	<p>In the External Reviewer’s opinion, the Framework provides strong guidance in terms of the types of eligible themes and social p , and this is supported by appropriate internal procedures.</p> <p>In the External Reviewer’s opinion, the process for use of proceeds set out in the Framework meets the requirements of the SLP Principle One – Use of Proceeds.</p>
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Principle Two – Process for Project Evaluation and Selection

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▮ Opportunity for enhancement

SLP (April 2021) specification	Carbon Trust comment	Assessment result
<p>The borrower should clearly communicate to investors the Social</p>	<p>Please see Appendix 2: SBP Principle Two – Process for Project Evaluation and Selection</p>	<p style="text-align: center;">■</p>

<p>objectives of the eligible Projects</p>		
<p>The borrower should clearly communicate to investors the process by which the borrower determines how the project(s) to be funded fit within the eligible Social Project categories</p>	<p>The Framework states that Absa will prepare and publish an annual report with respect to Sustainable Instruments issued under this Framework. This report will include allocation and impact reporting where available and will be made available on the Debt Investor page of Absa’s website. Given that Absa has confirmed it will manage Sustainable Instruments on a portfolio approach, and that some details concerning loans are expected to be sensitive or confidential, the External Review anticipates limited information concerning individual loans to be disclosed on publicly. This is acknowledged by the SLP as a due consideration.</p> <p>Absa have committed to compel borrowers to aligning with the requirements of the SLP with regards to the Process for Project Evaluation and Selection criteria as set out in the Framework.</p> <p>Absa committed to communicate to prospective investors the environmental and/or social benefits of an instrument and are to clearly indicate that the prospective instrument will be aligned to the relevant LMA, APLMA and LSTA standard.</p>	
<p>The borrower should clearly communicate to investors complementary information on processes by which it identifies and manages associated social and environmental risks</p>	<p>Please see Appendix 1: GBP Principle Two – Process for Project Evaluation and Selection.</p> <p>Absa will solicit the necessary information to enable project evaluation and selection in conformance with its processes as captured in the Framework.</p>	
<p>The borrower is encouraged to disclose any social standards or certifications referenced in project selection.</p>	<p>Please see Appendix 1: GBP Principle Two – Process for Project Evaluation and Selection.</p>	

Detailed Review Result

<p style="text-align: center;">Aligned to SLP (April 2021)</p> <p>Principle Two – Process for Project Evaluation and Selection</p>	<p>In the External Reviewer’s opinion, Absa has established clear requirements under the Framework and internal procedures to ensure it complies with the SLP regarding the process for project evaluation and selection. Furthermore, Absa have included a commitment that a robust selection process will be implemented that incorporates good practice definitions and performance requirements.</p> <p>In the External Reviewer’s opinion, the process for project evaluation and selection set out in the Framework meets the requirements of the SLP Principle Two – Process for Project Evaluation and Selection.</p>
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Principle Three – Management of Proceeds

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▬ Opportunity for enhancement

SLP (April 2021) specification	Carbon Trust comment	Assessment result
The net proceeds of the Social Loan, or an amount equal to these net proceeds, should be credited to a dedicated account or otherwise tracked by the borrower in an appropriate manner.	Please see Appendix 2: GBP Principle Three – Management of Proceeds	■
Management of proceeds of the Social Loan should be attested to by the borrower in a formal internal process linked to the borrower’s lending and investment operations for Social Projects, so as to maintain transparency and promote the integrity of the product.	Please see Appendix 2: GBP Principle Three – Management of Proceeds	■
Where a social loan takes the form of one or more tranches of a loan facility, each tranche applicable to the Social Project must be clearly labelled, with proceeds of such tranche(s) credited to a separate account or tracked by the borrower in an appropriate manner.	Please see Appendix 5: GLP Principle Three – Management of Proceeds	■
Borrowers are encouraged to establish an internal governance process through which they can track the allocation of funds towards Social Projects.	Please see Appendix 2: GBP Principle Three – Management of Proceeds	■

Detailed Review Result

<p style="text-align: center;">Aligned to SLP (April 2021)</p>	<p>In the External Reviewer’s opinion, Absa has established a transparent approach in its Framework and internal procedures regarding management of social loan proceeds. The approach demonstrates alignment with the SLP.</p>
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Principle Three – Management of Proceeds	In the External Reviewer’s opinion, the process for management of proceeds set out in the Framework meet the requirements of the SLP Principle Three – Management of Proceeds.
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Principle Four – Reporting

External Review Summary

Key ■ Meets requirements ■ Does not meet requirements ■ Not relevant / applicable ▮ Opportunity for enhancement

SLP (April 2021) specification	Carbon Trust comment	Assessment result
<p>The borrower should should make and keep readily available up to date information on the use of proceeds, such information to be renewed annually until the social loan is fully drawn, and as necessary thereafter in the event of material developments.</p>	<p>The SFIF states that Absa will prepare and publish an annual report with respect to Sustainable Instruments issued under this Framework. This report will include allocation and impact reporting where available and will be made available on the Debt Investor page of Absa’s website. Given that Absa has confirmed it will manage Sustainable Instruments on a portfolio approach, and that some details concerning loans are expected to be sensitive or confidential, the External Review anticipates limited information concerning individual loans to be disclosed on publicly. This is acknowledged by the SLP as a due consideration.</p> <p>Absa committed to communicate to prospective investors the environmental and/or social benefits of an instrument and are to clearly indicate that the prospective instrument will be aligned to</p>	<div style="background-color: green; width: 20px; height: 20px; margin: 0 auto;"></div>

	the relevant LMA, APLMA and LSTA standard.	
The annual report should include a list of the Social Projects to which the social loan proceeds have been allocated and a brief description of the projects, the amounts allocated and their expected impact. Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the SLP recommend that information is presented in generic terms or on an aggregated project portfolio basis.	Please see Appendix 1: GBP Principle Four - Reporting	
Transparency is of particular value in communicating the expected impact of projects. The SLP recommend the use of qualitative performance indicators and, where feasible, quantitative performance measures, including the disclosure of the key underlying methodology and/or assumptions used in any quantitative determination is recommended	Please see Appendix 1: GBP Principle Four - Reporting	
Borrowers with the ability to monitor achieved impacts are encouraged to include those in regular reports.	Please see Appendix 1: GBP Principle Four - Reporting	

Detailed Review Result

<p>Aligned to SLP (April 2021) Principle Four – Reporting</p>	<p>In the External Reviewer’s opinion, the Framework provides clear guidance and transparency on its responsibility to report on an annual basis. This benefits Absa, as well as its shareholders and investors, and demonstrates alignment with the SLP.</p> <p>In the External Reviewer’s opinion, the process for reporting set out in the Framework meets the requirements of the SLP Principle Four – Reporting.</p>
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The Carbon Trust is an independent company with a mission to accelerate the move to a decarbonised future. The Carbon Trust:

- > advises businesses, governments and the public sector on opportunities in a sustainable, low-carbon world;
- > measures and certifies the environmental footprint of organisations, products and services;
- > helps develop and deploy low-carbon technologies and solutions, from energy efficiency to renewable power.

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