

Summary Agriculture Financing Standard

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Absa Group's Agriculture Financing Standard outlines the necessary provisions and control requirements for funding specific activities within the Agriculture sector. This standard supports the Group Sustainability Risk Policy and its Enterprise Risk Management Framework.

The primary objectives of the Standard are to:

- a. Provide an overview on Financing of the Agriculture Sector.
- b. Provide the minimum requirements applicable to financing of Agriculture related products and activities, as far as it pertains to environmental and social risk.
- c. Specify the principles for enhanced due diligence required for Agriculture projects.

The Standard applies across the Group and all its subsidiaries, if applicable (including any consolidated entity acquired via a debt-for-equity swap or created through a joint venture) and all employees and workers of any aforementioned entity.

2 Overview

Agriculture in Africa is seen as a strategic sector for Absa's growth ambitions. This stems not only from a group financial perspective but also from a socio-economic perspective as Africa is a food insecure continent. It is expected that food insecurity will increase over the coming decades due to population growth and the relatively low and slow deployment of technology across the continent. Food insecurity will place increasing emphasis on agricultural production on a sustainable basis.

As Africa faces increasing food insecurity, it is imperative that we prioritise sustainability, which encompasses the preservation of ecological, natural, and social systems. Sustainability aims to create communities that are healthy, resilient, and thriving for both current and future generations, and includes environmental health, social equity, and economic progression. The finance and banking sector is expected to align with the United Nations' Principles for Responsible Banking (PRB) and the Sustainable Development Goals (SDG) to address urgent socio-economic development needs in the face of a climate emergency. Financial institutions must adjust their business models, systems, and procedures to support the global drive toward net-zero greenhouse gas emissions, limiting global warming to 1.5°C or less. Investors and consumers are increasingly demanding that financial institutions play their part in curbing climate change, making it clear that climate issues and environmental sustainability should be at the forefront of business strategies.

Absa is already a meaningful contributor to the agricultural sector and food value chains through the various financial products and services it provides. In some instances, Absa is already a strategic contributor to the food value chain. It is Absa's intention to expand its role in agriculture to achieve its financial objectives, but also to be an "active force for good" in the countries and markets it operates in.

3 Financing of Agriculture related products and activities

3.1 Activities covered in the Standard

The Standard covers the provision of financial assistance to Agriculture activities and its sub sectors. Agriculture subsectors included are Field Crops, Horticulture, Livestock, Floriculture, Forestry and Fisheries. Agriculture is a diverse sector with multiple enterprises. In cases where there are multiple enterprises in the same business, we will use the largest based on turnover as the dominant enterprise.

3.2 Activities excluded in the Standard

Absa recognises the importance of sustainable agriculture practices and is committed to responsible investment and financing. As part of this commitment, we exclude certain agricultural activities from our financial products and services.

These exclusions include:

- a. Exploitative and non-sustainable activities: Absa does not invest or finance activities that are damaging to the environment and not generally accepted as sustainable, as per environmental and health legislation applicable in various countries. These activities include logging of natural forests, drift-net fishing activities, and farming activities that violate human rights and employment rights, or that rely on child labour and other damaging labour practices.
- b. Illegal activities: We do not finance the production or trade of any product or activity that is illegal under the laws or regulations of host countries or international conventions and agreements on herbicides, pesticides, and other chemicals. Similarly, we do not invest in wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- c. Hazardous areas: Absa recognises the importance of preserving and correctly using natural resources such as water, biological waste material, energy, and chemicals. We therefore do not invest or finance activities that pose potential hazards to these resources.

3.3 Thresholds

Various thresholds are in place subject to qualifying criteria.

4 Managing the Agriculture portfolio

Absa will provide financial assistance, including, but not limited, to advisory, products, services and funding to Agricultural clients which:

- a. Fall within the Compliance and Sanctions framework of Absa;
- b. Meet Absa's lending requirements;
- c. Have appropriate Environmental, Social and Governance (ESG) policies in place where required by regulation and subject to the thresholds of this Standard, including water usage registration in countries where applicable;
- d. Have sustainability policy/ies in place, addressing the environmental and social risks they are exposed to as well as the governance structures/principles they adhere to;
- e. Develop projects and manage operations in accordance with Equator Principles, the International Finance Corporation (IFC) Performance Standards, the IFC General Environmental, Health, and Safety Guidelines, the applicable IFC Industry/Sub- Sector Guidelines, the World Bank Group Environmental, Health and Safety guidelines, where these are applicable;
- f. Transactions are screened against the Absa Environmental and Social Management System (ESMS) Standard;
- g. Develop projects and manage operations in accordance with the Nationally Determined Contributions (NDCs) to the Paris Climate Agreement within the countries where we operate;
- h. Have disaster recovery and response plans in place, where required; and
- i. Within the sphere of a producer, sustainability refers to amongst other water and water usage, land and land usage (production system), climate change and use of specific technologies to improve sustainability.

4.1 Specific agriculture finance activities to promote sustainability

- a. Our focus will be on water and water usage. Irrigation farmers would need to prove that a valid water usage license is in place. We will also qualify water quality and quantity.
- b. We would also finance technologies and production systems that assist in climate smart agriculture and sustainability like no-till production systems, effective irrigation systems, precision farming equipment and shade netting on long term crops etc.
- c. Green energy projects such as solar and wind to replace carbon-based energy will be encouraged amongst our client base and promoted where economics allow.

5 Absa sector portfolio finance and risk parameters

Absa will strive to achieve a balanced Agriculture portfolio funding diversification mix between long term and short-term finance (working capital). Adherence to sound lending principles and in compliance with the regulatory environments in the various countries Absa has a presence. Business risks impacted by changes in the general macroeconomic environment, sector specific, sentiment and/or legal and regulatory landscape will be closely monitored.

6 Enhanced Due Diligence for the Agriculture sector

6.1 Equator Principles (EP)

Absa Group has adopted the Equator Principles framework and applies this to all qualifying transactions, countries and sectors. The EP will be applied to all financial products in line with EP thresholds as agreed by EP Finance Institutions. Absa Group also applies the EP to financing expansions or upgrades of an existing project.

6.2 Environmental and Social Due Diligence (ESDD)

The ESDD process provides insight on the types of potential risks and impacts associated with the transaction activity/ies. An ESDD will be undertaken for all activities that have a significant impact on the environment and people, communities, society in line with the Absa Group Environmental and Social Management System (ESMS) and guidance provided in the Environmental and Social Standard.

The detail and nature of the ESDD performed will be informed by the level of risk associated with the transaction or deal, considering the financial product being provided, term, and degree of Absa participation in the transaction.

Social risks in terms of Human Rights Exploitation

The Agriculture sector is high risk in terms of exploitation of human rights, especially child labour. The Protection of the fundamental rights of workers in alignment to the IFC Environmental and Social Performance Standard 2, is guided by several international conventions and instruments, including those of the International Labour Organization (ILO) and the United Nations (UN). Absa will endeavour to influence protection of human rights.

6.3 World Bank Group Environmental, Health and Safety (EHS) guidelines

The EHS Guidelines contain the performance levels and measures that are generally considered to be achievable in new facilities by existing technology at reasonable costs.

7 Alignment to the Nationally Determined Contributions (NDCs) and the Paris Climate Agreement

Absa strives to align its operations with the Nationally Determined Contributions (NDCs) of the countries where it operates, and to support the objectives of the Paris Climate Agreement. Our commitments and progress will be disclosed according to the Taskforce for Climate Related Financial Disclosures (TCFD) recommendations.

8 Just Transitioning

We support a Just Transition that addresses Africa's agricultural challenges and promotes sustainable and inclusive economic growth, employment, and decent work for all. Our objective, therefore, is to aid farming and farming-related industries in achieving sustainable and inclusive growth. We strive to provide services that facilitate the transition to sustainable agricultural practices, promoting an ethical and inclusive supply chain, and ensuring that stakeholders have a say in our climate change decisions.