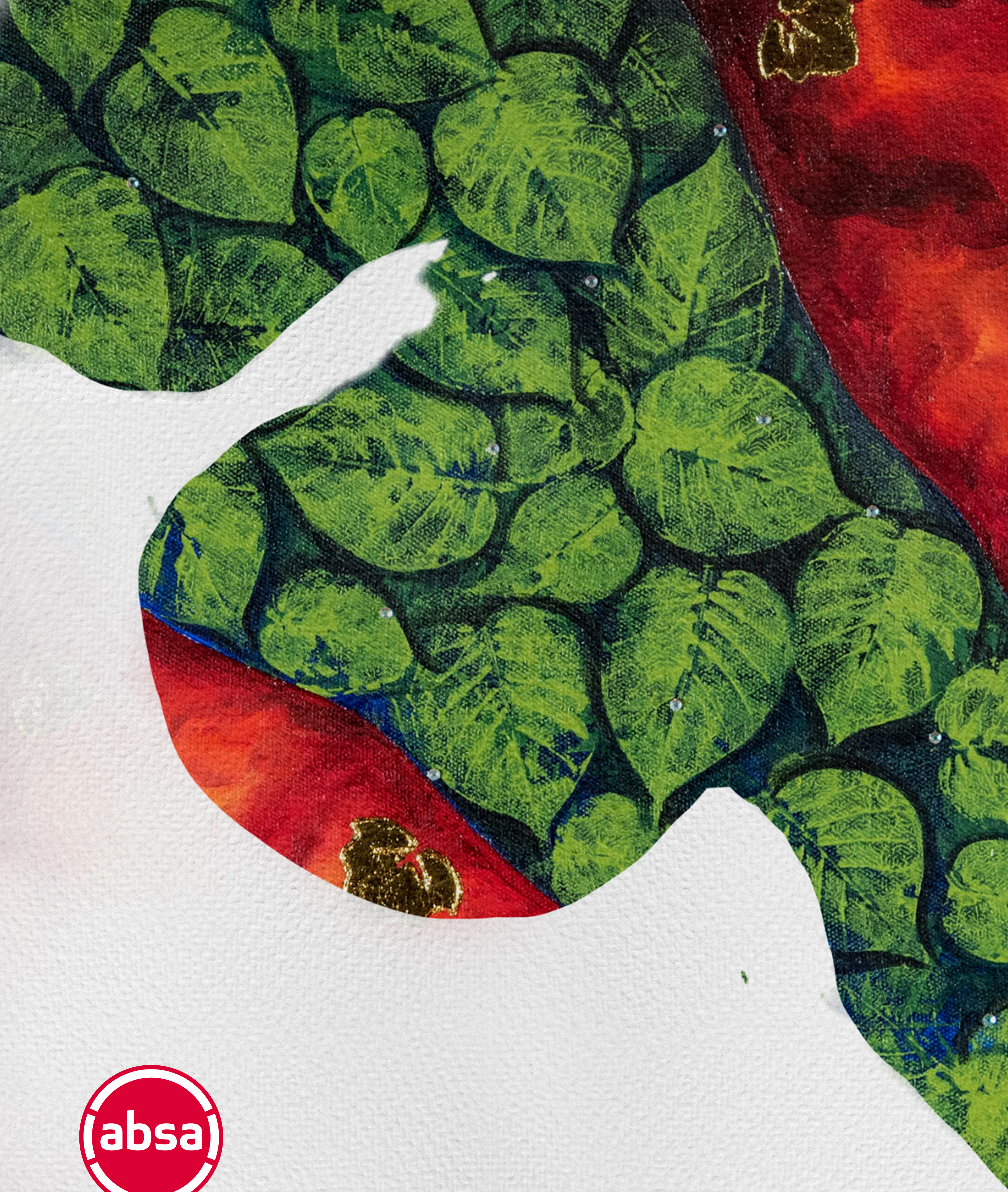


Absa Group Limited

Sustainable Finance Issuance Framework
December 2023

Sustainable Finance Issuance Framework

At Absa, we're more than a bank; we are a united Pan-African team that is inspired by our shared purpose: "Empowering Africa's tomorrow, together ... one story at a time". And it's this purpose that guides us every day, helps us create value, run and grow our business, partner with our clients to help them achieve their aspirations, and how we impact the communities and environments in which we operate.

One of the pillars of our Growth Strategy focuses on what it means to be "an active force for good in everything that we do". Our commitment to be an active force for good includes our continued sponsorship of the Absa L'Atelier art competition. This longstanding and prestigious competition gives aspiring artists a global stage. In celebration of these breakthrough artists, we're using our corporate reports as a vehicle to showcase this continental shift towards creativity. Read more about our Growth Strategy in the Integrated Report.

Societal and natural challenges are often expressed through art, but more often, art captures moments and stories of what we were.
Our Sustainable Finance Issuance Framework aims to communicate our impact on material sustainability issues, through the use of sustainable-finance instruments such as green/social bonds and loans.

Raji Bamidele
2019 Absa L'Atelier
Ambassador Nigeria

Scan to view the artist full portfolio

Raji Bamidele is a self-taught multifaceted artist (born 1994). Through his art, Bamidele delves into the interplay of natural laws, mythology, philosophical beliefs and scientific principles, while calling into question the existence of time and being. His focus is on the resilience of the human spirit and the concept of dualism, which forms the core of the world that he envisions. He invites viewers to contemplate their place within the grand tapestry of existence.

Featured Artwork

Of Forms and forming II 2023

Table of contents

Introduction

Purpose of the framework

This document outlines the criteria under which Absa Group Limited and its subsidiaries (Absa or the Group) intend to issue thematic liability instruments such as green, social and/or sustainable bonds and loans (the framework).

The focus of this framework is consistent with Absa's purpose "Empowering Africa's tomorrow together ... one story at a time"– and the Group's strategic priority to lead with purpose and deliver shared value to a broad range of stakeholders.

Absa profile

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

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

An active force for good in everything we do

One of the strategic imperatives of our Group is to be an active force for good in everything we do. This is a crucial pillar of the organisation's strategy.

To achieve this, the organisation is embedding ESG aspirations into its core business strategy, which are key to delivering long-term value linked to its purpose. Absa's active force for good in everything we do strategy aims to purposefully create inter-generational value through active participation in managing the environment, contributing meaningfully to the societies in which we operate and being committed to the highest standards of governance and ethics.

Environmental

Promoting environmental sustainability through proactively managing climate change and biodiversity risks and opportunities and providing innovative sustainable finance products and solutions.

Social

Contributing meaningfully to the societies in which we operate through providing inclusive financial services and solutions, supporting demand-led education and youth employability interventions, and championing diversity and inclusion.

Governance

Commitment to the highest standards of governance and ethics by ensuring fair outcomes and transparency with all stakeholders for a more resilient and robust control environment.

Public policy and regulation

Promoting just and equitable societies by actively influencing public policy and regulation and strengthening trust by acting as a strategic thought leader in key regulatory dialogues.

Absa's ESG journey and progress

Absa is ranked in the top 15th percentile globally according to S&P's ESG rating, it is a leader for women's representation in the workforce and a leader in sustainable finance in Africa.

Since 2018, Absa has continuously prioritised climate change efforts, achieving many notable milestones throughout, with the long-term ambition to reach net zero state by 2050 for scope 1, 2 and 3 emissions. This commitment includes both financed emissions and operational emissions. The net zero pathway planning will take priority in the coming year. (Absa Group announces net zero targets).

Absa drives measurable, material change in its communities in a way that brings our purpose to life, differentiates and strengthens the business. To do this, the organisation will invest significantly in three specific ESG focus areas: financial inclusion; diversity and inclusion; and climate. Absa selected these areas by considering the relative importance of these matters to its stakeholders, the potential impact on its business, and its strengths and assets.

Absa has already made significant progress in many of these areas:

- **Financial inclusion:** In affordable housing, by driving social inclusivity and increased access to student housing in Kenya.
- **Diversity and inclusion:** Forbes recognised Absa as a top African organisation championing women at work (number 36 out of 400 international companies and the top South African company assessed in the survey).
- **Sustainable finance:** Having made significant progress in our sustainable finance ambition. Absa advanced and/or arranged R49.4 billion cumulatively since January 2021 – almost half of the December 2025 goal of R100 billion. Everyday Banking successfully launched an integrated and simple sustainable energy solution, helping customers manage their electricity challenges as they contend with persistent load-shedding in South Africa and the rising cost of electricity.
- **Climate:** Climate holds significant importance for investors, regulators, and various external stakeholders whilst simultaneously presenting attractive compelling business prospects such as those within the realm of environmentally friendly products. Our climate strategy encompasses five elements: financed emissions targets; green business opportunities; climate risk processes; governance, and external engagement.

Absa is now crystallising the ambition and the metrics and targets to which we will hold ourselves accountable.

- The creation of the Strategy and Sustainability Office under our new operating model has accelerated our ESG agenda, increased our coordination and ability to scale efforts across the Group, and enabled more rigorous tracking and reporting of our progress.
- We will further enhance our communication and align our reporting disclosures with global standards and best practice.
- Continued commitment to the highest standards of governance and ethics. This is evidenced in the ESG work and how we run our business.

Just transition and sustainability

As we set our ambition within each of the focus areas, particularly climate, we gave due consideration to a just transition and the need to calibrate the pace of just transition. This means having a clear understanding, not only of the impact of our activities on environmental elements, but also on the social elements. In particular, in the markets we operate in, the social element is significantly important given the socioeconomic challenges that need to be addressed. Just transition elements will be incorporated into our process as we set more detailed targets. Our purpose will guide us as we seek to find the right balance.

Absa's priority SDGs

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

5 GENDER EQUALITY – Achieve gender equality and empower all women and girls

7 AFFORDABLE AND CLEAN ENERGY – Ensure access to affordable, reliable, sustainable and modern energy for all

8 DECENT WORK AND ECONOMIC GROWTH – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

10 REDUCED INEQUALITIES – Reduce inequality within and among countries

13 CLIMATE ACTION – Take urgent action to combat climate change and its impacts

16 PEACE, JUSTICE AND STRONG INSTITUTIONS – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

In line with the PRBs, Absa has set fossil fuel financing targets. The targets link to the appropriate SDGs, the Paris Climate Agreement, and relevant regional and local frameworks, such as the African Union Agenda 2063, the South African government's Integrated Resource Plan.

Net zero ambition

Fossil fuel financing targets

We have set the long-term ambition to reach net zero state by 2050 for our scope 1, 2 and 3 emissions. This commitment includes both financed emissions and operational emissions. We have set targets for our exposure to the oil, coal and gas sectors as a percent of total Group loans over the short-, medium- and long-term. Our emissions targets are more ambitious than the South African government's Integrated Resource Plan, aiming at reducing the reliance on coal for energy generation, driven by cleaner, renewable electricity supply. Given the substantial change occurring in the energy sector, our targets and commitments will be reviewed on a three-year cycle from the date of adoption, at a minimum.

Coal financing

We support diversifying electricity and energy supply, and we strive for a balanced energy mix, supporting clients through the energy transition. Funding of the sector will be in line with the Group's Coal Financing Standard, which provides a framework for addressing Absa Group's sustainability risks and disclosures. Coal credit exposure as a percentage of the Group loans and advances to customers (including off-balance sheet items) was 0.04% in 2022. We expect to reduce the coal credit exposure limits from 0.20% in 2023 (2022: 0.20%) to 0.11% in 2030, with further reductions to 0.06% in 2040 and 0.03% in 2050, as amended from time to time published in our *TCFD Report.*

Oil and gas financing targets

Our credit exposure limits to the oil sector are expected to peak at 1.41% of Group loans and advances to customers (including off-balance sheet items) in 2023 (2022: 1.03%). Thereafter, we target a significant reduction to 0.46% in 2030, 0.22% in 2040 and 0.04% in 2050. As we consider natural gas a transition fuel, the trajectory of our lending targets differs from oil and coal. Our gas sector Group loans and advances to customers (including off-balance sheet items) are expected to exceed oil by 2027. We expect our total credit exposure limits to the gas sector to increase to 0.60% in 2023 (2022: 0.51%) and to peak at 0.83% in 2030. Thereafter, we target a material reduction to 0.52% in 2040 and 0.32% by 2050.

Renewable energy

Absa Group celebrates being the first bank in South Africa to announce its plan to mobilise a cumulative R100 billion of sustainable finance by the end of 2025. Our Relationship Banking unit in South Africa aims to finance R2.5 billion of embedded renewable power by 2025. The Group expects to grow its renewable energy lending at a compound annual growth rate of 26% by 2025, doubling the lending commitment over the period.

Social ambition

Financial inclusion/Diversity and Inclusion

In addition to the net zero target, the bank has created a key focus on growing the following social imperatives:

- **Financial Inclusion (including B-BBEE) –** supporting the funding requirements of clients and providing consumers with basic financial literacy and understanding of concepts and their rights and responsibilities as consumers in the financial services field, a drive towards promoting procurement to B-BBEE vendors, with particular focus on women-owned vendors. Aligned to the Financial Sector Charter.
- **Social Housing** – aligning to our purpose statement for housing the nation and shaping the industry in a meaningful way.
- **SME** – In addition to support the SME market across the group, we want to highlight and create a memory connection for Absa's *commitment and enabling product support* for Women and Youth.
- **Women and Youth** – to know that Absa is the bank that believes in them and the best bank to support their ambitions.

Updates are contained in the *Absa ESG Report*

Absa's environmental and social risk management policies and systems

Our approach to sustainability risk, a sub-risk of the principal risk strategy and sustainability risk in the Enterprise Risk Management Framework (ERMF), is guided by understanding the potential environmental and social impact associated with lending activities and a commitment to influence and support proper risk identification and management using effective management systems, processes and appropriate standards.

Environmental and social management system

Our environmental and social risks are assessed and screened Group-wide in accordance with Absa's ESMS. The system identifies, assesses, manages and monitors the environmental and social risks and impact of loans on an ongoing basis to avoid, eliminate, offset, or reduce risk to acceptable levels. The mechanism outlined below is aligned with the Equator Principles. Mechanisms for assessing and screening these risks include:

- Customer-facing employees and credit analysts review the transaction for environmental and social risks as part of the credit review and approval process, guided by our specialist environmental credit risk management teams and designated environmental and social officers in the Absa Regional Operations.
- Credit analysts consider environmental and social risks when providing credit facilities, as environmental credit risk is embedded in the credit risk process. They document applicable material risks and mitigating actions in the credit paper.
- Transactions are referred to the appropriate committees for approval, as determined by our Credit Policy and business procedures, for initial support and final credit approval.
- Financing requests for sensitive sectors are assessed on a case-by-case basis, and the process includes various considerations as guided by our standards. We appoint independent environmental consultants to assess, manage and mitigate the identified risks where appropriate. A transaction will be rejected or approved based on a holistic decision considering numerous factors, including environmental, human rights and social risks. Financing will only be provided if all requirements are met. Moreover, identified gaps regarding environmental and social risks are included in action plans and covenanted in facility agreements, where appropriate.
- Client exposures and facilities are reviewed regularly as part of credit risk management processes where action plans, covenants and any new developments are considered by mandated officials and committees.
- We have implemented exclusion lists that limit funding for high-risk environmentally and socially sensitive sectors.

Instruments to be issued and listed under this framework

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

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

Sustainable Finance Issuance Framework

Scope

The 2023 framework is an update on our inaugural framework published in May 2022. It outlines how Absa's sustainable instruments align with international best practice and guidance published by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), including the following: ICMA Green Bond Principles (GBP) 2021; ICMA Social Bond Principles (SBP) 2021; ICMA Sustainability Bond Guidelines (SBG) 2021; LMA Green Loan Principles (GLP) 2023; and LMA Social Loan Principles (SLP) 2023. This Framework will apply to new sustainable finance use of proceeds fundraising activities entered into and/or issued from date of publication of the Framework.

Accordingly, this framework has four core pillars:

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

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

Use of proceeds

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

Green categories

Green bond/ loan category	Alignment with UN SDGs	Impact area	Eligibility criteria
Renewable energy	7 Affordable and clean energy; 13 Climate action	• Renewable energy generation • Manufacturing or importing of renewable energy technology (including inverters and storage batteries).	• Solar • Wind • Hydropower • Geothermal with direct emissions below 100gCO_2/kWh • Biofuel • Green hydrogen projects • Schemes for renewable heat use and energy storage, including heat networks, heat pumps and hydrogen heating • Specific exclusions: ◦ Hydropower projects for which estimated reservoir emissions intensity is >100gCO_2/kWh or power density <5W/m^2 ◦ Geothermal projects with emission intensity over 100g CO_2/kWh ◦ Biomass or biofuels of non-sustainable origin ◦ Hydrogen production through steam reforming processes using natural gas/oil or coal (grey/black hydrogen).
		• Construction/ maintenance/expansion of transmission infrastructure and distribution networks.	• Grid expansion • Energy storage • Micro-grid infrastructure • Infrastructure directly connecting renewable energy or integrating renewable energy into existing transmission networks.
Energy efficiency	7 Affordable and clean energy	• Upgrade and retrofit infrastructure and assets to increase energy and resource efficiency.	• Refurbishment of residential or commercial buildings that increase energy efficiency by at least 20% • Replacement or upgrade of lighting, appliances, production machinery, industrial processes or products to increase energy efficiency by at least 20% • Replacement or upgrade of non-fossil fuels shipping infrastructure to increase energy efficiency by at least 20% • Fuel-switching investments to avoid/reduce the use of fossil fuels such as coal, oil, kerosene and diesel • Other measures dedicated to improving the efficient use of energy and preventing system losses, such as smart grid technologies • Energy-efficient data centres and equipment.

Green bond/ loan category	Alignment with UN SDGs	Impact area	Eligibility criteria
Pollution prevention and control	13 Climate action	• Improved waste management.	• Recycling or composting activities • Activities that divert waste from landfill and/or reduce pollution of rivers and oceans • Activities that reduce waste from source • Activities to capture methane gas • Landfill gas capture and utilisation in permanently closed landfills • Waste-to-energy projects where the majority of recyclables are separated before incineration • Anaerobic digestion facilities for the production of biogas and digestate from bio-waste • Circular economy projects • Specific exclusion: Waste-to-energy activities where removal of recyclables prior to incineration cannot be ensured.
		• Reduced air emissions.	• Replacement of refrigerants with high global warming potential with solutions that lower global warming potential.
Sustainable water and waste water management	6 Clean water and sanitation 12 Responsible consumption and production	• Activities that expand public access to safe and affordable drinking water • Activities that provide access to adequate sanitation facilities • Activities that improve water quality • Activities that enhance water use efficiency.	• Construction, maintenance and equipment for water supply and treatment infrastructure (i.e., pipework) • Water treatment facilities • Wastewater discharge infrastructure • Water-saving systems and technologies (e.g., smart meters) • Sustainable urban drainage systems • Removal of invasive species to improve water catchments • Specific exclusion: Desalination projects that do not have an environmental risk mitigation strategy to address brine management. • Flood mitigation

Green buildings	7 Affordable and clean energy
	13 Climate action
		• Green buildings that meet regional, national or internationally recognised standards or certifications.	• Certified green commercial or residential buildings:
			  ○ Minimum Green Star 4 category, Energy Water Performance (EWP) Level 6, Leadership in Energy and Environment Design "Gold" Certification or International Finance Corporation's Excellence in Design for Greater Efficiencies (EDGE) certification
			  ○ Replacement of existing heating/cooling systems in buildings with more efficient, non-fossil fuel powered systems, or installation of new cogeneration/trigeneration/combined heat and power plants that generate electricity in addition to providing heating/cooling
			• Waste heat recovery improvements.

Green bond/ loan category	Alignment with UN SDGs	Impact area	Eligibility criteria

Clean transportation	13 CLIMATE ACTION	• Projects that increase access to clean transportation.	• Projects to finance the manufacture, retrofit or purchase of low-carbon transportation technology (e.g., electric, hybrid and hydrogen), including vehicles, buses, tractors, trains and ships
			• Electric vehicle charging stations and electric infrastructure for public transport
			• Rail transportation projects for public use
			• Train infrastructure upgrades
			• Schemes and incentives to support the purchase of zero-emission transportation, walking, cycling, and expenditures for related infrastructure
			• Mass transit infrastructure, including fossil-fuel-related projects with less than 50g CO_2 per passenger km and freight and water projects with less than 25kg of CO_2 per tonne
			• Specific exclusions:
			  ○ Fossil-fuel-based transportation, supporting infrastructure and transportation dedicated to fossil fuel transport
			  ○ Systems and infrastructure dedicated to the transportation of fossil fuels.

Climate change adaptation	13 CLIMATE ACTION	• Investments that address physical climate risks, including floods, fires, storms, droughts, plague defence systems and related infrastructure.	• Bulk raw water infrastructure projects that document an improvement in drought resilience • Grey and blue/green infrastructure that improves stormwater run-off • Land or aerial vehicles used to combat locust plagues • Investments to support early warning systems, for example, climate observation or data collection.
Environmentally sustainable management of living natural resources and land use	13 CLIMATE ACTION	• Sustainable and climate-smart agriculture.	Projects that demonstrate: • Reduction in food and/or crop losses of at least 20% (improved storage, cold chain or improved packaging) • Increased crop productivity of at least 20% without increasing greenhouse gas (GHG) emissions • Reduction in at least 20% of energy use in agricultural traction (low or efficient tillage and other agricultural processes) • Reduction in water consumption of at least 20% per unit of product (drip irrigation, switching to less water-intensive crops, water harvest and storage facilities) • Improvement in existing carbon pools (reduced tillage, no-till farming, use of agricultural waste, rehabilitation of degraded land) • Biological nitrogen fixation – reduction in at least 20% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N_2O from fertiliser use) • Soil recovery and restoration of degraded pastureland • Integrated cropland-livestock-forestry systems • Animal waste treatment • Improving energy efficiency of aquaculture farming and processing facilities • Improving the energy efficiency of irrigation and other agriculture and livestock management processes, as well as tractor or equipment efficiency through fuel switching to low-carbon options.

Green bond/ loan category	Alignment with UN SDGs	Impact area	Eligibility criteria
Environmentally sustainable management of living natural resources and land use	13 CLIMATE ACTION	• Sustainable forestry.	• Sustainable forest management activities that increase carbon stocks or reduce the impact of forested land • Reforestation on previously forested land • Afforestation on non-forested land.
	13 CLIMATE ACTION	• Sustainable fishery.	Sustainable fisheries and seafood: • Reduction of at least 20% in food losses through efficient cold chain and storage for small- and medium-sized fishing with sustainable fishing quotas • Investments to meet, keep or exceed the Marine Stewardship Council (MSC) certification standard for the Fishing Industry • Investments to implement a registered Fishery Improvement Project • Traceability systems to ensure sustainability of operations, facilities and supply chain in the fishing industry (this investment should meet, keep or exceed the MSC certification for the chain of custody certification for suppliers of seafood products).

Social categories

Absa has identified the target populations who will be positively impacted by financed social projects as detailed in the table below.

Social bond/ loan category	Alignment with UN SDGs	Target population	Impact area	Eligibility criteria
Affordable housing	8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	Aligned to the Banking Association of SA definition (income level of <R29 600) pm as amended from time to time	• Affordable and/or social housing.	• Construction or investment in affordable and/or social housing deemed as such in the applicable jurisdiction • Investment in improving the quality of existing social and affordable housing facilities.
Access to essential services	5 GENDER EQUALITY 10 REDUCED INEQUALITIES 11 Sustainable cities and communities	General population, women, youth and previously disadvantaged low-income groups aligned to the Financial Sector Charter of SA as amended from time to time	• Activities that expand access to education for previously disadvantaged or low-income groups.	• Construction and renovation of education facilities that improve the quality and capacity of the facility • Projects that improve technological access within the education sector • Student housing.
			• Activities that expand access to healthcare for previously disadvantaged or low-income groups.	• Construction and renovation of health facilities that improve the quality and capacity of the facility • Projects that improve technological access within the healthcare sector.
Employment generation	8 DECENT WORK AND ECONOMIC GROWTH	General public, corporate, commercial, SMEs as defined by the bank from time to time, women and youth focus	• Activities that generate employment and achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors	• Projects and services that create job opportunities for women and/or youth • Funding SMEs • Funding projects that promote growth • for SMEs • Development of trade schools, job training or job placement programs for the underemployed, young people, women, veterans and any other vulnerable populations. • Development or provision of agricultural training programs to increase uptake of new technology and introduce efficient farming practices.

Social bond/ loan category	Alignment with UN SDGs	Target population	Impact area	Eligibility criteria
Socioeconomic advancement and empowerment		General population women and youth excluded and marginalised communities • Small, medium and micro enterprises	• Activities that promote gender equality and equal opportunities. • Activities that promote socioeconomic advancement and empowerment through the potential effect of corporate, commercial and SME financing.	• Women-owned enterprises. (enterprises that are at least 50% owned by women or enterprises that are at least 20% owned by women and have more than one woman in leadership positions, such as CEO, COO, President or Vice President) or 30% of the board of directors is composed of women where a board exists. • Projects that aim to provide women and female-owned enterprises with access to financial services, including affordable credit, payment and saving accounts and non-financial services such as financial and business training. • Funding SMEs • Funding projects that promote growth for SMEs

- **Exclusions:** Projects with high environmental or social risks or that cause material harm to achieving the Group's priority SDGs.
- All Group Priority SDGs are included in the green and social categories reflected above.

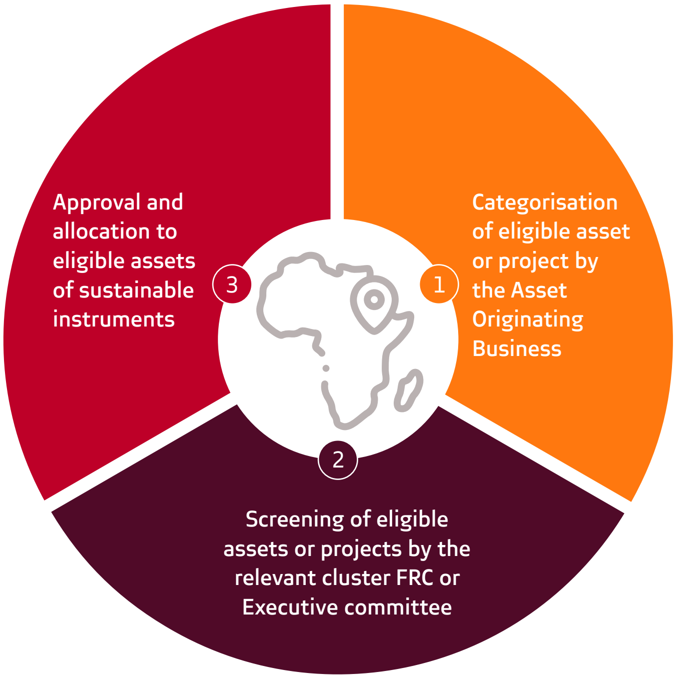
Sustainable categories

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

New finance and refinancing of green and social assets

The proceeds from the green, social and/or sustainability bond issuance and/or green or social deposits, can be used to finance new loans/assets and refinance existing loans/assets. New loans are those where disbursements have been made up to one year prior to the issue of the sustainability instruments and at any time from the date of the issuance. Existing loans are those which have reached commercial operation date and/or financial close, up to 60 months prior to the issuance, or where the assets are not yet fully operational. The percentage of proceeds applied to refinancing versus new financing will be disclosed per issuance and updated in the annual ESG report.

Process for project evaluation and selection



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

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

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

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

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

Management of proceeds

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

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

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

Reporting

Absa will prepare and publish details with respect to sustainable instruments issued under this framework in its ESG reports. This report will include allocation and impact reporting, where available, and will be made available on Absa's website. The report will provide an overview of the portfolio of eligible projects/assets that proceeds have been allocated to, 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 aligned to the ICMA Harmonised Reporting framework.

Allocation reporting includes the following:

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

Impact reporting

A summary of the impacts of the allocated portfolio for a sustainable instrument may include the metrics set out below, as well as relevant project narratives, to the extent that the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation. Absa will adopt industry best practice principles for impact reporting and/or align to ICMA harmonised reporting guidelines where possible.

	Impact indicator
Renewable energy	• Total installed capacity (MW) • Generated power (GWh) • Estimated annual CO_2 equivalent emission reduction (tonnes CO_2eq/year).
Energy efficiency	• Estimated annual CO_2 equivalent emissions reduction/avoidance (tonnes CO_2eq/year) • Annual energy savings (MWh/year).
Pollution prevention and control	• Total installed capacity (MW) from waste to energy • Annual generated waste-to-energy power (MWh/year) • Annual GHG emission reductions (tonnes CO_2eq/year) • Annual waste used for energy (tonnes/year) • Annual waste reused or recycled before and after the project • Percentage emission improvements.
Climate change adaptation	• Description of the specific climate risk being addressed by the investment and how the project improves resilience to climate change.

Environmentally sustainable management of living natural resources and land use	• For agriculture projects:
	  ○ Annual non-GHG emission reduction (e.g., reduction of N_2O fertiliser emissions)
	  ○ Productivity gains due to climate-smart agriculture (tonnes of product type/ha year)
	• Reduction in post-harvest losses (tonnes of product type/year)
	• Area (ha/year) of biodiversity conserved
	• Area (ha/year) of forestation or reforestation
	• Amount/size (ha/year) of sustainable agriculture, animal husbandry, fisheries.

Sustainable water and waste water management	• Annual volume of water saved/recycled (m^3/year) • Annual volume of wastewater treated for reuse (m^3/year) • Additional number of people with access to safe drinking water.
Green buildings	• Number of green buildings funded by eligible certification (e.g., EDGE, Green Building Council South Africa Green Star, etc.) • Total m^2 of green buildings funded • Total m^2 of energy-efficient properties funded • Estimated annual CO_2 equivalent emissions reduction/avoidance (tonnes CO_2eq/year) • Number of mortgages provided to green-certified houses/residential projects • Number of people who benefitted.
Clean transportation	• Annual GHG emission reductions (tCO_2eq/year) of rail/water/conveyor route in comparison to road transport • Number of people with access to sustainable transport systems • Level of service (passenger km/year) • Number of low-carbon vehicles financed.
Affordable housing	• Number of people with access to safe and affordable and/or sustainable housing • Number of affordable and/or sustainable housing units built • Size of affordable mortgage book (Rbn) and value of new business in a particular year (Rbn).

	Impact indicator
Access to essential services	• Number of education facilities financed • Spend on education (Rm) • Number of people provided with financial literacy training • Number of people with access to education facilities or courses • Additional student projected intake • Number of healthcare facilities financed • Number of new or existing healthcare facilities that have experienced increases in capacity from financing, i.e., additional hospital beds • Number of people with access to healthcare • Number of households with access to childcare facilities.
Socioeconomic advancement and empowerment	• Number of females and/or B-BBEE groups with increased access to affordable credit, payment services, saving accounts or non-financial services • Number of female-owned enterprises funded aligned to the B-BBEE definition • Estimated number of jobs created • Value of personal loans book and new business (Rbn) • Procurement from women-owned companies and B-BBEE companies (Rbn). • Number of SMEs financed and value of SME loans (Rbn).
Employment generation	• Number of SMEs financed and value of SME loans (Rbn) • Estimated number of jobs created disaggregated by women, youth and under represented groups • Number of new jobs created and/or supported in green/related supply chains • Number of loans/financial services provided to economically disadvantaged groups (as defined against local references) • Number of people benefitting from training, re-training and education.

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

External review

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

Abbreviations

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

Disclaimer

This document has been prepared by the Corporate and Investment Banking division of Absa Bank [Group] Limited – a registered bank in the Republic of South Africa with company registration number 1986/004794/06 [1986/003934/06].

This document is not, nor is it intended to be, advice as defined and/or contemplated in the Financial Advisory and Intermediary Services Act, 37 of 2002, FAIS Act or any other financial, investment, trading, tax, legal, accounting, retirement, actuarial or other professional advice or service whatsoever. You must obtain your own advice prior to making any decision or taking any action whatsoever based hereon. Absa disclaims any liability for any direct, indirect or consequential damage or losses that you may suffer from using or relying on the information contained herein, even if notified of the possibility of such damage or loss and irrespective of whether or not you have obtained independent advice. This document is neither an offer to sell nor a solicitation of an offer to buy any securities and/or financial or investment products or services (the Products). All the risks and significant issues related to or associated with the subject matter herein are not disclosed. Therefore, you should fully understand any risks and significant issues related to or associated with them. Absa gives no recommendation, guide, warranty, representation, undertaking or guarantee concerning the accuracy, adequacy and/or completeness of the information or any view or opinion provided or expressed herein. All opinions and views are given as of the date hereof and are subject to change without notice. Absa expressly disclaims any liability for any damage or loss resulting from errors or omissions in the information, data or views contained or expressed herein, even if notified of the possibility of such damage or loss. Absa does not warrant or guarantee merchantability, non-infringement of third-party rights or fitness for a particular use and/or purpose.

The information and views contained in this document are proprietary to Absa and are protected by copyright under the Berne Convention. In terms of the Copyright Act, 98 of 1978, as amended, no part of this document may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, electronic scanning, recording, or by any information storage or retrieval system, without the prior permission in writing from Absa. The illegal or attempted illegal copying or use of this information or views may result in criminal or civil legal liability.

Absa Bank Limited, Reg. No. 1986/004794/06 is an Authorised Financial Services Provider in the Republic of South Africa. Registered Credit Provider, Reg. No. NCRCP7.

www.absa.africa

Contact information

Absa Group Limited
Incorporated in the Republic of South Africa
Registration number: 1986/003934/06
JSE share code: ABG
ISIN: ZAE000255915

Registered office
7th Floor, Absa Towers West
15 Troye Street, Johannesburg, 2001
PO Box 7735, Johannesburg, 2000
+27 11 350 4000

Head: Investor Relations
Alan Hartdegen
+27 11 350 2598

Group Company Secretary
Nadine Drutman
+27 11 350 5347

Head: Financial Control
John Annandale
+27 11 350 3946

Queries
Investor relations
ir@absa.africa

Media
groupmedia@absa.africa

Absa Group shares
web.queries@computershare.co.za
groupsec@absa.africa

General queries
absa@absa.africa

Transfer secretary
Computershare Investor Services (Pty) Ltd
+27 11 370 5000 | computershare.com

Sponsors
Lead independent sponsor
J.P. Morgan Equities South Africa (Pty) Ltd
+27 11 507 0300 | jpmorgan.com/ZA/en/about-us

Joint sponsor
Absa Bank Limited (Corporate and Investment Bank)
+27 11 895 6843 | equitysponsor@absacapital.com

Auditors
Ernst & Young Inc.
+27 11 772 3000 | Ey.com/za/en/home

KPMG Inc.
+27 11 647 7111 | home.kpmg/za/en/home