



Absa Bank Botswana Limited

Second-Party Opinion Report

Second-Party Opinion on Sustainable Finance Issuance Framework 2023

June 2023

Project No.: 0694546

The business of sustainability



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Second-Party Opinion

Second-Party Opinion on Sustainable Finance Issuance Framework 2023



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APPENDIX A GREEN BONDS INDEPENDENT EXTERNAL REVIEW FORM

APPENDIX B SOCIAL BONDS INDEPENDENT EXTERNAL REVIEW FORM

Acronyms and Abbreviations

Name	Description
ABSA	Amalgamated Banks of South Africa
ALCO	Asset Liability Committee
ERM	Environmental Resource Management
ICMA	International Capital Market Association
KPI	Key Performance Indicator
SFIF	Sustainable Finance Issuance Framework
SAR	Sustainable Asset Register
GBP	Green Bond Principles
GLP	Green Loan Principles
SBP	Social Bond Principles
SLP	Social Loan Principles
LMA	Loan Market Association
UN SDG	United Nations Sustainable Development Goals

1 EXECUTIVE SUMMARY

1.1 Scope of Work

ERM was engaged by ABSA Bank Botswana Limited (herewith referred to as the “issuer” or “ABSA”) to provide a second party assessment of the Sustainable Finance Issuance Framework (SFIF) to confirm the alignment of the components of the framework with the relevant guiding standards’ principles, particularly the ICMA green, social and sustainability bond guidelines and LMA green and social loan principles.

Further to this, the main objective of the assessment is to provide a Second Party Opinion on the 13 Key Performance Indicators included in the framework, their appropriateness for the sustainable finance-linked instruments, and whether performance against these targets could be monitored over the finance tenure.

The SFIF was assessed against the principles and taxonomy of the following suggested standards:

- ICMA Green Bond Principles (GBP) 2021
- ICMA Social Bond Principles (SBP) 2021
- ICMA Sustainability Bond Guidelines (SBG) 2021
- LMA Green Loan Principles (GLP) 2021
- LMA Social Loan Principles (SLP) 2021

To formulate a sound opinion, ERM completed the assessment in two distinct phases, which have been designed to meet the requirements of the ICMA and LMA standards:

1. Independent review of the SFIF.; and

2. Verification and Opinion of the SFIF against the four key pillars of the ICMA green, social and sustainability bond guidelines and LMA green and social loan principles:

- **Use of Proceeds**
- **Process for Project Evaluation and Selection**
- **Management of Proceeds**
- **Reporting**

The Client representatives have confirmed that they understand that it is the responsibility of the Client to provide ERM with all relevant information and ensure that the information provided is complete, accurate, and up to date.

1.2 Limitations of the Engagement




ERM has several disclaimers on the limitation of the engagement as below:

- ERM gives opinions on the alignment of the key principles as set out in ABSA’s SFIF with the ICMA Social and Green and the LMA Social and Green Loan Principles, by relying on the provided materials and engagement responses by ABSA during the agreed timeline.
- While the SPO reports on current industry standards, it does not warrant alignment with future relevant industry standards.
- Regulatory developments and changes to the ICMA Green and Social Bond Principles and LMA Green and Social Loan Principles may be implemented in future versions of the ABSA framework. Any future version of this framework will either keep or improve the current levels of transparency and reporting disclosures,

including the corresponding review by an external party (e.g., second-party opinion, verification and validation, etc).

2 SECOND PARTY OPINION SUMMARY

This section evaluates the alignment of the ABSA's Sustainable Finance Issuance Framework (as of June 2023) with the Green Bond Principles (GBP) and Green Loan Principles (GLP).

GBP and GLP	
SDG's alignment:	  
GBP and GLP categories alignment:	<i>Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Waste-water Management, Green Buildings, Clean transportation, Climate Change adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use.</i>

Use of Proceeds					
Alignment	<i>The Use of Proceeds description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the GBP and GLP.</i>				
Score	<table border="1"> <tr> <td>Not Aligned</td> <td>Aligned</td> <td>Comfortable</td> <td>Leadership</td> </tr> </table>	Not Aligned	Aligned	Comfortable	Leadership
Not Aligned	Aligned	Comfortable	Leadership		
	<ul style="list-style-type: none"> ✓ The issuer clearly defines the eligibility criteria for green projects that qualifies for funding under this framework and has provided clear environmental benefits for all their listed eligible projects. Further details, such as technology type considered, has been identified where possible under the framework. ✓ Eligibility criteria are defined in a clear and transparent manner. ✓ The proceeds from green projects will be used to finance eligible new loans/assets and refinance existing loans/assets. 				

Process for Project Evaluation and Selection					
Alignment	<i>The Process for Project Evaluation and Selection description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the GBP and GLP.</i>				
Score	<table border="1"> <tr> <td>Not Aligned</td> <td>Aligned</td> <td>Comfortable</td> <td>Leadership</td> </tr> </table>	Not Aligned	Aligned	Comfortable	Leadership
Not Aligned	Aligned	Comfortable	Leadership		
	<ul style="list-style-type: none"> ✓ The framework clearly describes the issuer's process and governance structure; stakeholders' responsibilities are clearly defined, and green projects are evaluated for eligibility against the issuer's internal environmental and social risk management policies and systems and the use of proceeds eligibility criteria before approval. ✓ The issuer's internal environmental and social risk management policies and systems identify and mitigate environmental and social risks associated with projects eligible for funding. 				

Management of Proceeds

Alignment. *The Management of Proceeds description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the GBP and GLP.*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ ABSA Bank Botswana Limited commits to managing green project proceeds using a portfolio approach maintained in their Sustainable Asset Register (SAR).
- ✓ The proceeds will be credited into an escrow account that will be tracked accordingly.
- ✓ Unallocated proceeds will be temporarily held or invested into the bank's treasury liquidity portfolio in cash or other short-term liquid instruments until it can be appropriately allocated.

Reporting

Alignment *The Reporting description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the GBP and GLP.*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ The bank has committed to report details with respect to sustainable instruments issued under this framework in its annual integrated report. The report will include the allocation of proceeds and the impacts of the use of proceeds.
- ✓ The integrated report will be made available on ABSA's website.
- ✓ The second-party opinion or independent verification will be made available along with ABSA's Sustainable Finance Issuance Framework to investors on ABSA's website.

This section evaluates the alignment of the ABSA's Sustainable Finance Issuance Framework (as of June 2023) with the Social Bond Principles (SBP) and Social Loan Principles (SLP).

SBP and SLP

SDG's alignment:



SBP and SLP categories alignment: *Affordable Housing, Access to Essential Services, Employment Generation, Socioeconomic Advancement, and Empowerment.*

Use of Proceeds

Alignment *The Use of Proceeds description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the SBP and SLP*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ The ABSA framework clearly defines the eligibility criteria for social impact projects that qualify for funding under this framework and has provided clear social benefits for all their listed eligible projects.
- ✓ The proceeds from social projects will be used to finance eligible new loans/assets and refinance existing loans/assets.
- ✓ The bank's framework aligns to the SDG goals and the social bond and social loan principles.
- ✓ The bank has considerations of potential exclusions of projects with high social risks that could potentially impact the bank's priority SDGs.
- ✓ The bank is set to ensure inclusion of vulnerable or disadvantaged communities.

Process for Project Evaluation and Selection

Alignment *The Process for Project Evaluation and Selection description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the SBP and SLP.*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ The framework follows a three-step approach to ensure alignment with ICMA SBP and SLP: 1) Approval and allocation of eligible assets to sustainable instruments; 2) Screening of eligible assets and 3) Categorization of eligible asset or project by the New Business Committee.
- ✓ The Asset Liability Committee (ALCO) is responsible for governing the framework and ultimately evaluation and selection of projects.
- ✓ The procedures followed are in-line with the SBP and SLP as different internal operational units work together to ensure an effective process.
- ✓ The loan framework is aligned with the bank's SDG targets.

Management of Proceeds

Alignment *The Management of Proceeds description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the SBP and SLP.*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ The ABSA framework describes the key characteristics of the approach and process used for managing and tracking the net proceeds.
- ✓ The borrower (ABSA) describes the intended approach of the management of unallocated net proceeds.
- ✓ ABSA's management of proceeds will be audited annually to verify the internal tracking method and the allocation of funds from the proceeds of the sustainability bonds.

Reporting

Alignment *The Reporting description provided by ABSA's Sustainable Finance Issuance Framework is aligned with the SBP and SLP.*

Score

Not Aligned

Aligned

Comfortable

Leadership

- ✓ The framework includes the description of qualitative and quantitative impact metrics that will be used to demonstrate substantial contribution to social objectives per project category related to the criteria.
- ✓ The report will provide an overview of the eligible projects as well as its impacts.
- ✓ The bank has committed to report details with respect to sustainable instruments issued under this framework in its annual integrated report. The report will include the allocation of proceeds and the impacts of the use of proceeds.
- ✓ The integrated report will be made available on ABSA's website.
- ✓ The second-party opinion or independent verification will be made available along with ABSA's Sustainable Finance Issuance Framework to investors on ABSA's website.

3 SUSTAINABLE FINANCE FRAMEWORK ASSESSMENT

3.1 Green Bond and Loan Principles

ABSA's green projects eligibility criteria as stipulated in the SFIF defines the issuance process for both green bonds and green loans. A green loan is similar to a green bond in that it raises funding for green eligible projects. However, a green loan is based on a loan that is typically smaller than a bond and done in a private operation. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond market by clarifying the approach for the issuance of a green bond. The GBP are intended for broad use by the market: they provide issuers with guidance on the key components involved in launching a credible green bond.

3.1.1 Use of Proceeds

The issuer has outlined eight eligible green bond or loan categories that are in alignment with the ICMA GBP and LMA GLP's eligible categories. The eligible project categories are as follows: renewable energy, energy efficiency, pollution prevention and control, sustainable water and waste-water management, green buildings, clean transportation, climate change adaptation, and environmentally sustainable management of living natural resources and land use. The framework outlines the eligibility criteria for green categories/projects that may be funded using the proceeds in whole or in part of a green bond aligned to the issuer's seven prioritized SDGs. The eligible green categories are mapped to the prioritized SDGs indicating positive environmental objectives of the eligible activities. Green bond/loan categories in the framework maps directly with the ICMA GBP eligible green projects categories. The prioritized SDG categories that align to the issuers green categories are SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, and SDG 13: Climate Action. The issuer has clearly identified the environmental objectives with each eligible green bond/loan category.

ABSA Bank Botswana Limited will screen and categorise potential eligible green projects against the eligibility criteria described in the framework using its professional judgement and discretion. The Corporate and Investment Banking (CIB), Retail Business Bank (RBB) and the New Business Committee will be responsible for screening green projects and deciding on whether they meet the outlined criteria. The framework does not include the estimate financing vs re. financing share but, the issuer commits to report this in its integrated report, including total proceeds allocated to eligible assets or projects, number of eligible projects and percentage of new financing and refinancing.

3.1.2 Process for Project Evaluation and Selection

The SFIR describes the overall process the issuer employs to identify and assess the eligibility of green projects. To ensure that the criterion described in the use of proceeds section of the issuer's framework are met and green bond proceeds are used to finance eligible green projects, ABSA follows a three-step approach for its process of project evaluation and selection: 1) Categorization of eligible asset or project by the New Business Committee; 2) Screening of eligible assets; and 3) Approval and allocation of eligible assets to sustainable instruments by ALCO.

The issuer framework details the process for project evaluation and selection, noting that a Sustainable Asset Register (SAR) maintained by New Business Committee is periodically presented to the Asset Liability Committee (ALCO) for review. The SAR includes details of approved eligible green projects or projects already assigned to be financed through the proceeds of sustainable instruments. ALCO owns the final selection of eligible projects for sustainable instruments throughout the life of all sustainable instruments.

Under the framework, the bank considers the climate related risks associated with the eligible green projects by use of its Enterprise Management Risk Framework (ERMF). As part of the issuers' review of proposed allocations to eligible green projects, ABSA measures and monitors its exposure to climate-sensitive industries and manages risks over short to medium term in a case whereby the exposures are material within the ERMF.

3.1.3 Management of proceeds

The bank has committed to manage the allocation of the net proceeds or an amount exceeding net proceeds of sustainable instruments using a portfolio approach. The issuer framework specifies that the proceeds of the sustainable instruments will be credited to an escrow account and tracked accordingly. ABSA will keep an up-to-date SAR to track the receipt and allocation of proceeds ensuring that eligible green and social projects are managed in an appropriate manner, where eligible projects will be selected according to the eligibility criteria outlined in the framework.

An amount equal to the unallocated net proceeds of a green bond will be temporarily held and/or invested in the issuers' treasury liquidity portfolio in cash or other short-term and liquid instruments until it can be allocated to an eligible sustainable instrument.

3.1.4 Reporting

ABSA has committed to include allocation and impact reporting of the eligible green bonds and loans as part of its annual integrated report. The issuers' framework indicates that the integrated report will provide an overview of the portfolio of eligible projects that have been allocated, including their impact. The allocation report will contain information concerning the total proceeds allocated to eligible projects, number of eligible projects, balance of unallocated proceeds and the amount or percentage of new financing and refinancing.

Regarding impact reporting, the issuer has committed to include a summary of the impacts of the use of proceeds which will include a qualitative assessment of impact indicators (i.e., estimated annual CO₂ equivalent emissions reduction – tCO₂eq/year, annual energy savings – MWh/year).

3.2 Social Bond and Loan Principles

Social bonds are any type of bond instrument where the proceeds, or an equivalent amount, will be exclusively applied to finance or refinance in part or in full new and/or existing eligible social projects (see Use of Proceeds section) and which are aligned with the four core components of the SBP.

The ABSA framework clearly defines the eligibility criteria for social impact projects that qualify for funding under this framework. The bank has aligned its framework the international best practice and guidance issued by the International Capital Markets Association (ICMA) Social Bond Principles (SBP), the Sustainability Bond Guidelines (SBG), and Social Loan Principles (SLP).

It should be noted that Absa Bank Limited (Botswana) has identified that the Social Bonds Principle contribute to four Sustainable Development Goals (SDGs) of the United Nations: SDG 5: Gender Equality; SDG 8: Decent work and economic growth; SDG 10: Reduced Inequality; and SDG 16: Peace, justice and strong institution, and has established objectives and incorporated these into their key performance indicators (KPIs).

3.2.1 Use of proceeds

The fundamental of the ICMA Social Bond is the ensuring that proceeds of the bonds for eligible social projects. According to the principle, all eligible social projects should provide clear social benefits which should be quantified by the bank.

Absa is committed to conducting the required due diligence to ensure compliance on each project prior to allocating funding to eligible projects. ABSA has made consideration to include the reasoning for selecting the target population and mechanisms for addressing the target population of the social project.

3.2.2 Process for project evaluation and selection

The selection and evaluation process of group credits is defined and formalized within ABSA's framework. The processes of screening are conducted by three different divisions of the bank to ensure eligibility and the correct governance processes are considered in their screening.

The process is based on a three-step approach to ensure the eligible projects are in alignment with the social and sustainable assets origination and liability. The Asset Liability Committee (ALCO) is responsible for governing the framework and ultimately evaluation and selection of projects and will ensure consistency in the approach and provide oversight.

3.2.3 Management of proceeds

The use of the proceeds of the issuer will be controlled by ALCO and will be presented in the Sustainable Assets Register (SAR). The SAR will be used to track the receipt and allocation of proceeds. The bank will have their management of proceeds audited annually to verify the internal tracking method and the allocation of funds from the proceeds of the sustainability bonds and loans.

The bank 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. An amount equal to the unallocated net proceeds of a social bond will be temporarily held and/or invested in the issuers' treasury liquidity portfolio in cash or other short-term and liquid instruments until it can be allocated to an eligible sustainable instrument.

3.2.4 Reporting

The bank will publish the details of their framework and the second-party opinion or independent verification will be made available along with ABSA's SFIF to investors on ABSA's website.

ABSA's framework includes a consideration use qualitative performance indicators and, where feasible, quantitative performance measures, disclosing the key underlying methodology in their processes. ABSA will publish an impact report in its annual integrated report, and this will be made available on the Banks's website. The impact report will include the performance metrics established in the framework regarding social impacts. In alignment with the principle, ABSA's report will be reviewed by an independent verifier and limited assurance will be provided on the report annually.

4 CONCLUSIONS

In ERM's opinion, ABSA's SFIF aligns with the four core components of the ICMA Sustainability, Green and Social Bond Guidelines, and LMA Green and Social Loan Principles. ERM is of the opinion that the ABSA's Sustainability Performance Targets align with the principles with the industry best practices. This assessment is based on the following.

4.1 Consideration of KPIs

The framework considers relevant and adequate metrics and have also aligned these to the bank's sustainability strategy and goals. ABSA is committed to embedding environmental social governance (ESG) aspiration in its core business strategy.

ERM's opinion on the SFIF green and social bonds/loans is subject to ICMA Sustainability, Green and Social Bond Guidelines, and LMA Green and Social Loan Principles. The issuers KPIs align directly with the ICMA bond guidelines and LMA loan principles and the UN SDGs.

4.2 Bond Requirements

ERM is of the opinion that the bank's description of eligible green and social bonds/loans is in alignment with the GBP, GLP, SBP and SLP requirements. The ABSA framework considers projects that provide green and social benefits. The framework clearly states the premise in the process of executing their green and social bonds and loans.

4.3 Reporting

ABSA has committed to publicly disclose the details of this framework as well as the SPO in their annual integrated reports and quantify and qualify performance measures where applicable. As such ERM is of the opinion that the ABSA framework is in alignment with the principle.

4.4 Verification

ERM understands that ABSA commits to the framework being reviewed by an experienced and independent external verifier when any significant updates are made to current framework.

5 RECOMMENDATIONS

Based on the assessment, ERM has following recommendations:

5.1 Framework Contents

- Identify and include mitigants to known material risks of negative social and/or environmental impacts of the relevant project(s).
- Outline the process to manage the negative impacts of its eligible projects.
- Include procedures to evaluate whether projects to be considered are aligned with market-based taxonomies.
- Include a description of the intended types of temporary placement for the balance of unallocated net proceeds.
- Include and specify times of the intended reporting cycles e.g., publishing of annual impact report with respect to the bonds and loans issued under the framework and specify source (e.g., ABSA website).
- Annual allocation reporting should provide:
 - The total amount of proceeds allocated to eligible loans/assets;
 - The number of eligible loans/assets;
 - The balance of unallocated proceeds;
 - The amount or the percentage of new financing and refinancing; and
 - Annual impact indicators.

- Include more detail with regards to internal or external auditing of the framework process and clarify whether there is an ESG committee to monitor the appropriateness of governance procedures.

5.2 Framework KPIs

- Include in the framework further explanation of what are considered affordable housing and provide a criterion for what would be determined as low-income groups.
- Consider the inclusion of further KPIs relevant to ABSA Botswana's socio-economic environment such as:
 - Access to food security and sustainable food systems; and
 - Access to basic infrastructure such as drinking water and sanitation
- Consider to further identify and describe the target population e.g.:
 - Excluded and/or marginalized populations and /or communities (based on geographic location, income levels etc.);
 - Undereducated population groups;
 - Underserved, owing to a lack of quality access to essential goods and services;
 - Unemployed population groups; and
 - Women, aging populations and vulnerable youth.
- Provide a classification of SME for companies according to ABSA's methodology.
- Consider inclusion of finance related KPIs relevant to ABSA Botswana's socio-economic environment such as:
 - Access to essential financial services e.g., access to financing and financial services, such as activities that contribute to the expansion of access to financial services, particularly those without previous access or participants of the informal economy;
 - Promotion of financial literacy; and
 - Socio-economic advancement: alignment and compliance with Botswana's citizen economic empowerment and minority owned enterprises.

Section 1. Basic Information

Issuer name: ABSA Botswana Limited

Independent External Review provider's name: ERM SA Pty Ltd

Completion date of this form: June 2023

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <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 |

ROLE(S) OF INDEPENDENT EXTERNAL REVIEW PROVIDER

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

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

According to ERM – Environmental Resource Management, ABSA Bank Botswana Limited's Sustainable Finance Issuance Framework is aligned with the ICMA Green Bond Principles (GBP) and LMA Green Loan Principles (GLP)

Section 3. Detailed review

1. USE OF PROCEEDS

Overall comment on section: The issuer framework indicates that sustainable instruments proceeds will be allocated to projects that form the focus of their ESG agenda being climate change, natural resource depletion, biodiversity, air, water, and soil pollution. The framework outlines the eligibility criteria for green categories/projects that may be funded using the proceeds in whole or in part of a green bond aligned to the issuer's seven prioritized SDGs. The eligible green activities are mapped to the prioritized SDGs indicating positive environmental objectives of the eligible activities. Green bond/loan categories in the framework maps directly with the ICMA GBP and LMA GLP eligible green projects categories. The prioritized SDG categories that align to the issuers green categories

are SDG 6: Clean Water and Sanitation, SDG 7: Affordable and Clean Energy, and SDG 13: Climate Action.

ABSA Bank Botswana Limited will screen and categorise potential eligible green projects against the eligibility criteria described in the framework using its professional judgement and discretion. The Corporate and Investment Banking (CIB), Retail Business Bank (RBB) and the New Business Committee will be responsible for screening green projects and deciding on whether they meet the outlined criteria. The framework does not include the estimate financing vs re. financing share but, the issuer commits to report this in its integrated report including total proceeds allocated to eligible assets or projects, number of eligible projects and percentage of new financing and refinancing.

In ERM's opinion, the issuer process for use of proceeds meets the requirements of the GBP and GLP principles – Use of proceeds.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <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 (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section: To ensure that the criterion described in the use of proceeds section of the issuer's framework are met and green bond and loan proceeds are used to finance eligible green projects, ABSA follows a three-step approach for its process for project evaluation and selection:

1. Categorization of eligible asset or project by the New Business Committee;
2. Screening of eligible assets; and
3. Approval and allocation of eligible assets to sustainable instruments by ALCO.

The issuer framework details the process for project evaluation and selection, noting that a Sustainable Asset Register (SAR) maintained by New Business Committee is periodically presented to the Asset Liability Committee (ALCO) for review. SAR includes details of approved eligible green projects or projects already assigned to be financed through the proceeds of sustainable instruments.

ALCO owns the final selection of eligible projects for sustainable instruments throughout the life of all sustainable instruments.

The issuer manages current and emerging sustainability risks (environmental, climate change, premises environmental, indirect investment, and social risks) by use of its Enterprise Management Risk Framework (ERMF). As part of the issuers' review of proposed allocations to eligible green projects, ABSA measures and monitors its exposure to climate-sensitive industries and manages risks over short to medium term in a case whereby the exposures are material within the ERMF.

Evaluation and selection

- | | |
|--|---|
| <input type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for green bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section: The bank will manage the allocation of the net proceeds or an amount exceeding net proceeds of sustainable instruments using a portfolio approach. The issuer framework specifies that the proceeds of the sustainable instruments will be credited to an escrow account and tracked accordingly. ABSA will keep an up-to-date SAR to track the receipt and allocation of proceeds ensuring that eligible green and social projects are managed in an appropriate manner, where eligible projects will be selected according to the eligibility criteria outlined in the framework.

An amount equal to the unallocated net proceeds of a green bond will be temporarily held and/or invested in the issuers' treasury liquidity portfolio in cash or other short-term and liquid instruments until it can be allocated to an eligible sustainable instrument.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section: ABSA's SFIF commits that as part of its annual integrated report, it will include allocation and impact reporting of the eligible green bonds. The issuers' framework indicates that the integrated report will provide an overview of the portfolio of eligible projects that have been allocated, including their impact.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input checked="" type="checkbox"/> Other ESG indicators: <i>Annual waste used for energy, Renewables generated power, capacity</i> |

Means of Disclosure

- | | |
|--|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other: <i>Information published in an Integrated Report</i> |
| <input type="checkbox"/> Reporting reviewed (<i>if yes, please specify which parts of the reporting are subject to external review</i>): | |

APPENDIX B SOCIAL BONDS INDEPENDENT EXTERNAL REVIEW FORM

Section 1. Basic Information

Issuer name: **ABSA Botswana Limited**

Independent External Review provider's name: **ERM SA Pty Ltd**

Completion date of this form: **June 2023**

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the SBPs and SLP:

- | | |
|--|--|
| <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 |

ROLE(S) OF INDEPENDENT REVIEW PROVIDER

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

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*: The bank offers a transparent and detailed explanation of their specific eligible social projects, highlighting the clear benefits it brings. The bank's framework considers the target population, which includes disadvantaged or vulnerable groups. If the project does not have a specific target population, the bank's new business committee will assess whether it has the potential to include any vulnerable or disadvantaged individuals. The social bonds offered by the bank encompass various categories such as affordable housing, employment generation, access to essential services, socioeconomic advancement, and empowerment. These categories align with the bank's priority Sustainable Development Goals (SDGs). ABSA Botswana is committed to ensuring that its sustainability instruments align with four components of the SBP and SLP and demonstrate social benefits. According to the framework, the proceeds will be utilized for refinancing both new and existing loans, ensuring that the issuer's use of proceeds adheres to the requirements of the SBP and SLP principle - Use of proceeds.

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <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 / programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises |
| <input type="checkbox"/> Food security and sustainable food systems | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the social taxonomy, if other than SBPs:

Target populations:

- | | |
|---|---|
| <input type="checkbox"/> Living below the poverty line | <input type="checkbox"/> Excluded and/or marginalised populations and /or communities |
| <input type="checkbox"/> People with disabilities | <input type="checkbox"/> Migrants and /or displaced persons |
| <input type="checkbox"/> Undereducated | <input type="checkbox"/> Underserved, owing to a lack of quality access to essential goods and services |
| <input type="checkbox"/> Unemployed | <input type="checkbox"/> Women and/or sexual and gender minorities |
| <input type="checkbox"/> Aging populations and vulnerable youth | <input type="checkbox"/> Other vulnerable groups, including as a result of natural disasters |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*): The evaluation process will follow a three-step approach to ensure alignment. Eligible projects will go through a screening process by the corporate investment banking (CIB) and Retail and Business Bank (RBB), then based on their screening, eligible projects will go through the credit committee, who will maintain sustainable assets register, and present to the Asset Liability Committee (ALCO) who are responsible for the final selection.

This indicates the level of governance and oversight that each eligible project will be subjected to based on the bank's framework. However, the framework does not provide a clear view of the process or methodology to be applied to identify and manage any potential social risks that may be associated with the eligible social project.

Evaluation and selection

- | | |
|---|--|
| <input type="checkbox"/> Credentials on the issuer's social objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for social bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*): The Sustainable Asset (SAR) will be used to track the receipt and allocation of proceeds; it will be used to ensure that assets and projects financed by sustainable instruments are managed accordingly. These proceeds will be credited to the escrow account and tracked. According to the framework, any unallocated proceeds will be temporarily held and/or invested based on its discretion and that of liquidity portfolio until it can be allocated accordingly.

Management of proceeds will be annually audited to verify management methods and funds allocation, as such the banks is in alignment with the management of proceed requirements as it detailed the key characteristics of their approach and outlines their level of tracking. Furthermore, the proceeds will be audited to ensure that tracking methods are followed accordingly.

Tracking of proceed

- | |
|---|
| <input checked="" type="checkbox"/> Social bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (if applicable): The framework and the SPO will be published in ABSA's integrated report as made available on the ABSA website. The issuer will ensure that qualitative performance indicators are considered in the quantitative determination. The framework will be reviewed by an external verifier (in case of significant updates to the framework) and annual assurance report will be provided on the report, as such the issuer is in alignment and considers the recommendation of the SBP and SLP.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Social bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input type="checkbox"/> Number of beneficiaries | <input checked="" type="checkbox"/> Target populations |
| <input type="checkbox"/> Other ESG indicators (please specify): | |

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (*please specify*): *Integrated Report*
- Reporting reviewed (*if yes, please specify which parts of the reporting are subject to external review*): framework and/or issuances under this framework

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Second Party Opinion
- Certification
- Verification
- Scoring/Rating
- Other (*please specify*):