

AGRI FINANCE FACILITY (PTY) LTD

Environmental, Social and Governance (ESG)

Policy Framework

Version 1.0 | 1 October 2025

1. Introduction and Purpose

Agri Finance Facility (Pty) Ltd ("AFF") recognises that responsible environmental, social, and governance (ESG) performance is fundamental to its mission of transforming South Africa's agriculture sector and enabling inclusive, sustainable rural economic development.

This ESG Policy Framework outlines AFF's commitment to sustainable development, ethical business conduct, and inclusive growth. It aligns with:

- a. **IFC Performance Standards**
- b. **UN Sustainable Development Goals (SDGs)**
- c. **OECD Guidelines for Multinational Enterprises**
- d. **South African ESG regulatory frameworks** (including B-BBEE, NEMA, and the Companies Act)
- e. **FCDO ESG standards**

This policy supports AFF's efforts to attract **concessional capital, blended finance, and development funding** from global partners by ensuring transparent and accountable ESG practices.

2. Scope

This policy applies to:

- a. AFF's **internal operations**.
- b. **All financing and investment activities**, including:
 - i. Loans to farmers and agri-businesses.
 - ii. Partnerships with agritech and market access providers.
 - iii. Non-financial support services (e.g., training, offtake, logistics).
- c. AFF's **entire value chain**, including funded entities and strategic partners.

3. ESG Governance and Implementation

3.1 ESG Governance Structure

- a. **Board of Directors:** Oversight and strategic direction of ESG policy
- b. **ESG Committee** (Board Sub-Committee): Approves ESG framework and reviews ESG performance reports
- c. **Chief Sustainability Officer (CSO):** Leads implementation of ESG strategy
- d. **Investment Committee:** Ensures ESG screening and due diligence are embedded in investment decisions
- e. **All AFF Staff:** Responsible for complying with ESG standards in daily operations and partner engagements

4. Environmental Policy Commitments

AFF seeks to promote **climate-resilient, resource-efficient, and low-carbon** agricultural practices by:

4.1 Environmental Objectives

- a. Support sustainable land use and soil conservation.
- b. Promote climate-smart agriculture.
- c. Minimise environmental degradation and pollution.
- d. Reduce greenhouse gas emissions from farming operations.
- e. Encourage renewable energy and water-use efficiency in funded projects.
- f. Comply with all applicable South African and international environmental laws.

4.2 Environmental Risk Management

- a. Apply **Environmental and Social Due Diligence (ESDD)** before funding any activity.
- b. Conduct **Environmental Impact Assessments (EIA)** where required.
- c. Exclude projects with unacceptable environmental risks (e.g., deforestation, wetlands destruction, use of banned chemicals).

4.3 Climate Adaptation and Resilience

- a. Prioritise investments in drought-tolerant crops, efficient irrigation, regenerative agriculture, and conservation practices.
- b. Support innovations that help smallholder and black farmers adapt to climate variability.

5. Social Policy Commitments

AFF commits to supporting inclusive, equitable, and rights-based development in rural communities, particularly addressing the historical exclusion of black farmers.

5.1 Social Objectives

- a. Support job creation, income generation, and livelihoods in rural South Africa.
- b. Facilitate access to finance for historically disadvantaged individuals (HDIs).
- c. Promote gender equality and the economic empowerment of women and youth.
- d. Protect labour rights and promote decent work.
- e. Uphold indigenous rights, land tenure security, and participatory community engagement.

5.2 Transformation and B-BBEE

- a. Prioritise support to black-owned and black-managed farming enterprises.
- b. Encourage value chain beneficiation, skills transfer, and enterprise development in black rural communities.
- c. Align all operations with the objectives of South Africa's **Broad-Based Black Economic Empowerment (B-BBEE) Act**.

5.3 Health, Safety, and Safeguarding

- a. Ensure funded projects maintain safe and healthy working conditions.
- b. Implement robust **safeguarding protocols** in line with FCDO standards to prevent sexual exploitation, abuse, and harassment (SEAH).
- c. Require partners to comply with AFF's **Compliance and Ethics Policy** and **Human Rights Policy**.

6. Governance Policy Commitments

AFF upholds the highest standards of transparency, accountability, and ethical business conduct.

6.1 Ethical Conduct

- a. Zero tolerance for corruption, bribery, money laundering, and fraud.
- b. Transparent procurement, lending, and investment processes.
- c. Full compliance with the **Companies Act**.

6.2 Board and Management Accountability

- a. Diverse, independent, and well-qualified Board of Directors.
- b. Regular ESG training for directors and staff.
- c. Clear separation of duties and conflict-of-interest management.

6.3 Whistleblower Protection

- a. Implementation of a formal **Whistleblowing Policy** with anonymous reporting channels.
- b. Protection from retaliation for whistleblowers, in line with South African law and FCDO requirements.

7. ESG Integration in Investment Process

All financing and investments by AFF will follow a structured ESG integration process:

7.1 Screening

- a. ESG risk screening against AFF's **Exclusion List** and **ESG Criteria**.

7.2 Due Diligence

- a. Detailed ESG due diligence on all medium-to-high-risk projects.
- b. Assessment of borrower's ESG capacity and track record.

7.3 Covenants and Monitoring

- a. ESG requirements included in funding agreements.
- b. Regular ESG reporting and performance monitoring.

7.4 Corrective Action

- a. Time-bound action plans for ESG non-compliance.
- b. Potential suspension or withdrawal of funding for severe ESG breaches.

8. ESG Monitoring, Reporting, and Disclosure

8.1 ESG Performance Indicators

AFF will develop and track ESG KPIs, including:

- a. Environmental: GHG emissions avoided, water saved, hectares of land rehabilitated.
- b. Social: Jobs created (disaggregated by gender/youth), HDI beneficiaries, training sessions delivered.
- c. Governance: Compliance rates, number of whistleblower reports, anti-corruption training coverage.

8.2 ESG Reporting

- a. Publish an **Annual ESG & Impact Report**, aligned with:
 - i. **FCDO ESG reporting requirements**.
 - ii. **Global Reporting Initiative (GRI)**.
 - iii. **Sustainability Accounting Standards Board (SASB)**.
- b. Provide ESG updates to investors, donors, and stakeholders as required.

8.3 Independent Review

- a. Subject ESG reports and practices to **external audits or evaluations**.
- b. Use findings to improve ESG systems and stakeholder engagement.

9. Stakeholder Engagement and Capacity Building

- a. Engage local communities, traditional leaders, and beneficiary groups in project planning and monitoring.
- b. Support ESG capacity building for farmers, SMEs, and partners.
- c. Establish grievance mechanisms accessible to all stakeholders.

10. Alignment with Sustainable Development Goals (SDGs)

AFF's ESG Policy supports the achievement of the following SDGs:

- **SDG 1:** No Poverty
- **SDG 2:** Zero Hunger
- **SDG 5:** Gender Equality
- **SDG 8:** Decent Work and Economic Growth
- **SDG 12:** Responsible Consumption and Production
- **SDG 13:** Climate Action
- **SDG 15:** Life on Land

11. Policy Review and Continuous Improvement

- a. This ESG Policy will be reviewed **annually** or as required by legal, regulatory, or donor requirements.
- b. Updates will be approved by the ESG Committee and Board of Directors.
- c. AFF will strive for continuous improvement by benchmarking against global ESG best practices.

12. Conclusion

Through this ESG Policy, AFF commits to sustainable, inclusive, and accountable agricultural finance. AFF believes that by embedding ESG in all activities, it can catalyse long-term, system-wide transformation in South Africa's agriculture sector while maintaining trust and partnership with global funders such as the FCDO.

Approved by:

Board of Directors

Agri Finance Facility (Pty) Ltd

Date of Approval: 6 October 2025

Next Review Date: September 2026