

AGRI FINANCE FACILITY (PTY) LTD

RISK MANAGEMENT POLICY

Version 1.0 | 1 October 2025

1. Purpose

The purpose of this Risk Management Policy is to outline Agri Finance Facility (Pty) Ltd.'s ("AFF") approach to identifying, assessing, mitigating, and monitoring risks that may affect its ability to deliver on its strategic objectives. It sets out a structured, integrated framework to proactively manage operational, financial, compliance, environmental, and reputational risks, with a special emphasis on fraud, bribery, and money laundering, in line with **sound international practices**.

2. Scope

This policy applies to:

1. All AFF departments and employees
2. Board members, contractors, agents, service providers, and investees
3. All programmes, financial and non-financial support activities, and stakeholder engagements

It compliments other internal policies, including the Whistleblowing Policy, Disciplinary Code and Procedure, ESG Policy and South Africa's Financial Intelligence Centre Act (FICA) Risk management and compliance programme (RMCP) designed to detect and prevent instances of money laundering, terrorist financing and proliferation financing from occurring or being associated with the organisation in any way.

3. Risk Management Objectives

AFF's Risk Management Framework is designed to:

1. Ensure **early identification and assessment** of all material risks.
2. **Prevent and detect** fraud, bribery, corruption, and money laundering.
3. Promote **accountability, transparency, and compliance** with laws and donor requirements.
4. Strengthen organisational resilience and stakeholder confidence.
5. Support **sustainable and inclusive agriculture transformation** through sound financial intermediation.

4. Guiding Principles

AFF's Risk Management approach is guided by the following principles:

1. **Proactive Prevention:** Focus on prevention rather than reaction.
2. **Integrated Risk Thinking:** Embed risk awareness in all activities and decisions.
3. **Transparency & Accountability:** Maintain open, auditable, and ethical practices.
4. **Alignment with International Standards:** Align with FCDO, COSO ERM, and OECD anti-corruption guidelines.

5. Risk Governance Structure

Function	Role in Risk Management
Board of Directors	Oversight of enterprise risk and policy approval
Risk & Compliance Committee	Oversight of risk controls and reporting
Compliance Officer (AML/ABC)	Overall coordination of risk management and monitoring legal/regulatory compliance, including AML and anti-bribery
Internal Audit	Independent assurance and risk evaluation
All Staff	Identify, report, and manage risks in their functions

AFF shall **appoint and resource** a dedicated **Compliance & Risk Unit** supported by a **Risk and Compliance Officer** for fraud, bribery, and AML oversight.

6. Risk Categories

AFF classifies its risks as follows:

6.1 Strategic Risks

1. Political instability or policy shifts affecting agriculture.
2. Regulatory changes affecting lending or land rights.
3. Donor funding volatility.

6.2 Operational Risks

1. Disruption of service delivery:
 - i. In the case of logistics and global shipping, where applicable, alternative routes or global markets need to be considered.
 - ii. Comparison of local as opposed to global distribution needs to be assessed.
 - iii. In the case of crop failures, the involvement of Agri Farming Services (Pty) Ltd (AFS) is designed to identify operational risks.
 - iv. Strict documentation of the required interventions in line with associated precision farming practices.
 - v. Regular reporting from AFS to AFF.
2. Infrastructure failure or poor project implementation.
3. Inadequate technical capacity of borrowers.

6.3 Financial Risks

1. Credit risk: Loan defaults or inability to recover funds:
 - i. The agreement between AFF and In2Fruit (or any other accredited export platform) is the key element of risk mitigation.
 - ii. In cases where a given season's financial outcome does not cover the repayment of the AFF loans, legal cession of the following season's crop remains in place.
 - iii. Where longer term loans are in place, adequate security is taken over assets.
2. Liquidity risk: Insufficient capital or cash flow challenges
3. Market risk: Commodity price fluctuations
4. Market conditions and pricing:
 - i. Allocations to different global markets need to be cognizant of regional conditions and/or risks.
 - ii. When global markets are not favourable, shifting produce to the local market should be seriously considered.

6.4 Compliance & Legal Risks

1. Non-compliance with FCDO, national laws, or B-BBEE.
2. Data privacy breaches (e.g., POPIA violations).

6.5 Fraud, Bribery, and Corruption Risks

1. Misuse of funds by staff or partners.
2. Kickbacks, favouritism in procurement or disbursement.
3. False reporting or document forgery.

6.6 Money Laundering and Terrorist Financing Risks

1. Use of AFF facilities to disguise proceeds of crime.
2. Structuring of transactions to avoid detection.

6.7 Environmental, Social, and Safeguarding Risks

1. Land degradation, water use mismanagement.
2. Consideration can be given to netting the vineyards and/or orchards.
3. Where applicable, technical interventions such as appropriate spraying and other interventions need to be taken timeously.
4. If commercially viable, consideration should be given to appropriate insurance. Although, now a days it is seldom financially viable.
5. Gender-based violence, labour exploitation, SEAH risks.

7. Fraud, Bribery, and Anti-Money Laundering (AML) Measures

AFF applies a **zero-tolerance** policy for fraud, bribery, corruption, and money laundering. Refer to Risk Management and Compliance Programme which is in compliance with South Africa's Financial Intelligence Centre Act.

7.1 Fraud Prevention and Detection

1. **Mandatory fraud risk assessments** across operations.
2. **Segregation of duties** and regular reconciliation of transactions.
3. **Use of technology** for red flag detection (e.g., duplicate payments, mismatched data).
4. **Anonymous whistleblowing mechanisms** for internal and external parties.

7.2 Anti-Bribery and Corruption (ABC)

1. Prohibit facilitation payments, gifts, or hospitality that create undue influence.
2. Declare and manage all **conflicts of interest**.
3. Apply **due diligence** on all vendors, borrowers, and partners.
4. Train all staff and partners on **anti-corruption laws and ethical conduct**.

7.3 Anti-Money Laundering / Combating Financing of Terrorism (AML/CFT)

1. Maintain a documented **AML/CFT Policy and Procedures Manual**.
2. Conduct **Know Your Customer (KYC)** and **Customer Due Diligence (CDD)** for all clients.
3. Monitor and flag suspicious transactions.
4. Report suspicious activities to **Financial Intelligence Centre (FIC)** in compliance with the **FIC Act (2001)**.

8. Risk Assessment and Management Process

AFF adopts a **five-step risk management cycle**:

1. **Risk Identification**
Use tools like risk registers, audits, field reports, and stakeholder consultations.
2. **Risk Assessment**
Assess likelihood and impact using a standardised **Risk Matrix**.
3. **Risk Mitigation Planning**
Develop action plans, assign owners, and set timelines.
4. **Monitoring and Reporting**
Track risk indicators; update risk registers quarterly.
5. **Review and Learning**
Evaluate mitigation effectiveness; adjust strategies; integrate lessons.

9. Risk Reporting

1. **Quarterly Risk Reports** submitted to the Risk & Compliance Committee and Board
2. **Annual Risk and Compliance Report** integrated into ESG and impact reporting
3. Significant incidents (e.g., fraud, AML breaches) reported **immediately** to:
 - i. **Board**
 - ii. **FCDO**
 - iii. **Relevant regulators (e.g., FIC, SARS, NPA)**

10. Staff Training and Awareness

1. All AFF staff must undergo:
 - i. **Annual Risk & Compliance Training**
 - ii. **Fraud, ABC, and AML induction training**
2. Awareness campaigns and refresher workshops will be held **semi-annually**.

11. Business Continuity and Crisis Management

1. Maintain a **Business Continuity Plan (BCP)** and **Crisis Response Protocol**.
2. Scenario testing (e.g., cyber-attacks, donor withdrawal, civil unrest).
3. Annual drills and BCP reviews.

12. Compliance with Donor Requirements

AFF shall:

1. Align risk reporting with FCDO and donor contractual requirements.
2. Notify donors of material risk incidents or integrity breaches.
3. Cooperate fully with donor audits and investigations.

13. Continuous Improvement

This policy shall be:

1. Reviewed **annually** or in response to significant risk events or regulatory changes.
2. Benchmarked against international standards (ISO 31000, COSO ERM).
3. Updated to reflect lessons learned and stakeholder feedback.

14. Policy Ownership and Approval

Role	Responsibility
Board of Directors	Approve and oversee policy implementation
Risk and Compliance Officer	Ensure legal and regulatory compliance
All Staff	Implement risk controls in their daily work

Approved by:

Board of Directors

Agri Finance Facility (Pty) Ltd

Date: 6 October 2025

Next Review Date: September 2026