

1 October 2021

Dear valued UNIGRO client

Following a decision made by the Land Bank not to extend the service level agreement (SLA) transition period with UNIGRO beyond the 30th of September 2021, we were made aware that UNIGRO clients have recently received a unilateral communication from the Land Bank via SMS, which was subsequently followed up with a 12-page letter outlining how clients should respond from the 1st of October 2021.

UNIGRO can confirm that the Land Bank has terminated the SLA, but UNIGRO was not informed of the content of the communications being issued by the Land Bank to our clients. We have now had sight of the communication and would like to urgently clarify some of the content included in that communication which, if not clarified, will create a great degree of confusion for all parties in the coming months. We have already hosted an MS Teams session with some clients, where we explained the termination of the Land Bank transition agreement, and are sending this letter to our client database. It is also available on our website, www.afgri.co.za.

Background

As you know from former engagements with us, UNIGRO has operated under a SLA with the Land Bank since 2008. When the Land Bank first started experiencing liquidity challenges after defaulting on its debt back in March 2020, we engaged with them immediately to understand the impact of this on our clients, and what would happen next. We were made aware that the Land Bank would in due course take over the Land Bank portion of UNIGRO's debtor book, as well as the direct client relationships insofar as the Land Bank portion of loan financing was concerned.

The result of these extensive discussions was that UNIGRO and the Land Bank entered into a number of transition agreements, which were renewed every three months. The first agreement extended from the end of December 2020 to the end of March 2021, the second one until the end of June 2021, with the last agreement expiring on the 30th of September 2021. Given the exhaustive matters that needed to be resolved during the transition, UNIGRO anticipated that the Land Bank would extend the transition agreement until December 2021.

Land Bank communication is incomplete and potentially misleading

It therefore came as a surprise to us that – without our knowledge – the Land Bank sent SMS's to all our clients on Monday, the 20th of September 2021, advising them of the termination of the SLA and informing them that the Land Bank would be insourcing all client relationships as of the 1st of October 2021.

In the lengthy follow-up letter the Land Bank simply instructed clients that, *"As a client of Land Bank, following the transition of the loan, please deposit all future instalments due by you with respect to all your loans into the following bank account with immediate effect including overdue payments where applicable"*.

It is this instruction, as well as several statements in the “*Annexure A: Frequently Asked Questions*” section of the letter that are incomplete and potentially misleading and could therefore be incorrectly understood by clients. We wish to urgently clarify these with you.

You remain a valued UNIGRO client

UNIGRO continues to be a viable, multi-funded financial service provider, and has been originating debt on behalf of not only the Land Bank, but also in terms of debt on behalf of other funders, as well as direct AFGRI facilities. In terms of the transitional agreement expiring on the 30th of September 2021, UNIGRO remains responsible for distributing monthly statements until the end of September 2021, which will include the Land Bank portion of obligations.

From the end of October 2021 as a UNIGRO client, you will continue to receive monthly statements from us, which will then relate only to your continued obligations towards UNIGRO (including UNIGRO, AFGRI Retail and AFGRI Equipment) and these statements will **exclude** any amounts that formed part of the Land Bank portion of the UNIGRO debtors book owing by you to the Land Bank (“**the UNIGRO statements**”).

At Land Bank’s insistence, the Land Bank will take over all responsibilities with regards to administration and collection of the Land Bank portion of your obligation as of the 1st of October 2021 and the Land Bank has informed UNIGRO that it requires no further assistance or services from UNIGRO in this regard.

To reiterate, any amount reflected on a UNIGRO statement remains due and payable to AFGRI and not to the Land Bank, and therefore should not be paid to the Land Bank. The Land Bank should provide you with their own statements of loan from the end of October 2021, reflecting amounts due to them in terms of the loan accounts.

We therefore remind clients to continue paying their obligations in terms of UNIGRO statements in accordance with the terms and payment details set out therein, as this will have nothing to do with the Land Bank portion of your loan accounts and obligations, which the Land Bank’s incomplete communication refers to.

We also confirm that the UNIGRO banking account details have not changed.

Please note that we acknowledge and confirm that, as from the 1st of October 2021, you do have a legal obligation to service your financial responsibility towards the Land Bank directly with respect to all Land Bank loans which you may have as of that date onwards – in this regard their letter is 100% correct.

We would also like to confirm that the remainder of the business activities of the AFGRI Group, UNIGRO Financial Services and UNIGRO Insurance Brokers and its relationships are unaffected by the termination of the SLA with the Land Bank and continues without disruption.

Ongoing access to eAccounts

You will still be able to access the eAccounts platform, where you can access AFGRI-related information, including grain storage and your monthly account. We have offered to assist the Land Bank in providing our

full range of services and solutions in respect of the administration of their respective loans to you but this proposal has not yet been accepted by the Land Bank. We will continue our engagement in this regard and it remains to be seen whether the Land Bank wishes to use our platform to make their statements available to clients, or indeed whether the Land Bank will manage to distribute statements at the end of next month, i.e. October 2021.

Access to other AFGRI services still available

You will also be able to access your month accounts to fund purchases at AFGRI Retail and Equipment stores, which will be payable through your normal channels. All hire purchase agreements made through UNIGRO will also be due and payable as normal.

Contact your relationship manager with any queries

Please continue to communicate with your UNIGRO relationship manager to assist with this sudden transition or if you are at all uncertain as to what to do. Your relationship manager will be available to assist you with any questions you may have.

The way forward

We are currently engaging with the Land Bank regarding residual matters that have yet to be contractually concluded, and will advise you of the outcome of these discussions once they are concluded should there be any further effect on you.

In terms of alternative additional funding for UNIGRO, this is unfortunately taking longer than originally anticipated but is currently awaiting approval from the South African Reserve Bank.

Providing funding to our farmers is our key focus and we remain committed to investigating alternative funding solutions. As soon as there are further developments in regard to this, we will also communicate this to you, just as we've done in the past.

Finally, thank you for your continued support, which we really do appreciate, particularly in light of current circumstances. We also apologise profusely for the inconvenience and confusion this latest announcement by the Land Bank has resulted in.

UNIGRO remains committed to securing a positive outcome for you, and to communicating with you on a regular basis in a truthful and transparent manner as we have done in the past.

Kind regards,



Ross Simmonds
Managing Director: UNIGRO Financial Services