Zanaco Sustainable Finance Framework



YOU FIRST

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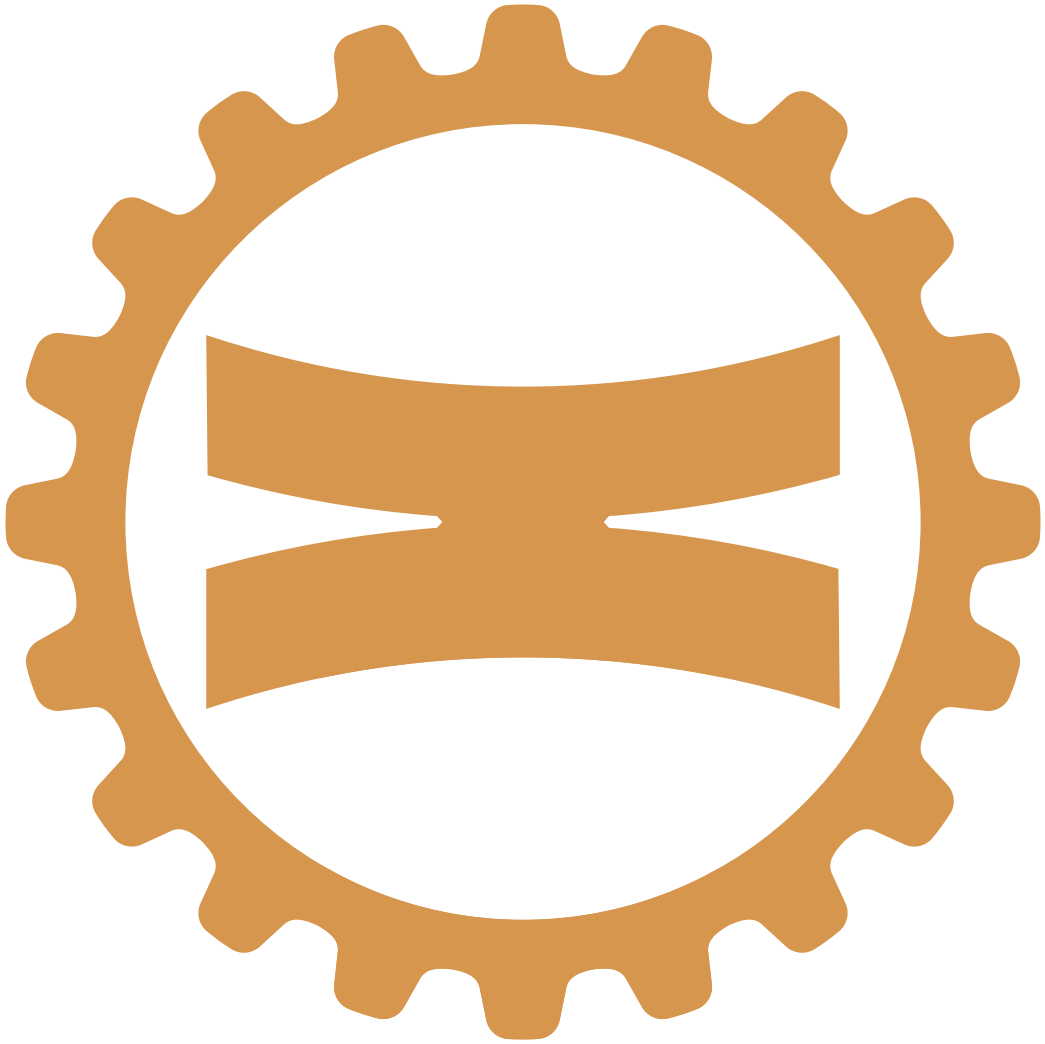


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1. Introduction

1.1 About Zanaco

Zanaco is a home-grown Bank, established in 1969 by the Government of the Republic of Zambia (GRZ) to service the financial needs of the Zambian economy. Over the last 54 years we have evolved into a leading financial institution, during which time we have been fondly known as the 'People's Bank' and been recognized for our commitment to providing our customers with appropriate and personalized value propositions, growing our people, growing our communities, growing businesses and growing Zambia – Our Home. Listed on the Lusaka Securities Exchange (LuSE), Zanaco Plc is the largest financial institution by market capitalization in Zambia.

1.2 Zanaco's Sustainability Strategy

Zanaco's Sustainability imperatives underpin our vision to be Zambia's leading universal transactional financial institution, providing the best in value solutions to our clients while supporting financial inclusion. To achieve this vision, the Bank is acutely aware of its environmental and social impacts and seeks to mitigate negative and enhance positive impacts by embedding a Sustainability strategy into our core strategy and value creation model.

It is with this background that Zanaco established its Sustainability Framework. The Framework sets out our commitment to ensuring that sound sustainability standards are integrated into all operations and that environmental standards are applied across all touchpoints. The framework also sets out governance and guidelines pertaining to the seven (7) sustainability pillars within Zanaco Plc. These are;

#	Sustainability Pillar	Strategy
1	Environmental & Social Risk	Adherence to the Environmental & Social Policy recommendations
2	Corporate Real Estate/ Human Resources	Green Branches, Gender equality (workplace, banks' offerings to customers)
3	Sustainable Lending	Environment, Social and Governance (ESG) considerations to play a central role in credit decisions
4	Corporate Social Responsibility (CSR)	Practice environmental and social sustainable CSR
5	Sustainable Capital Markets	Transition from non-sustainable capital markets. Green Outcomes Fund, Green Bond, Sustainability Bond (Environment, Social and Governance/ ESG), Capital ventures
6	Public Policy and Lobbying	Public Policy Advocacy through effective communication channels
7	Integrated Reporting	Integrated Reporting to ensure clear communication of strategy, governance, performance as well as prospects

Climate change mitigation is essential to ensure stability in the global supply chain and the wellbeing of economies and societies around the world. Businesses are not only responsible for the impact their activities have across the value chain, but also to act as a moral compass for the strategic direction of the business, as well as its place in the society in which it operates. At the same time a just transition approach to Net Zero Carbon Emissions requires careful balancing of social, economic and environmental impacts that in turn requires integrated thinking in developing the right strategies, especially in developing countries.

2. The Sustainable Bond Framework

As part of its broader sustainability strategy, Zanaco has established this Sustainable Bonds Framework ("Framework"), which may be updated from time to time. The purpose of this Framework is to set forth a methodology for future issuances of Sustainable Bonds so that the principles of this Framework apply for each instrument issued.
The Sustainable Bonds that Zanaco intends to issue include one of or a combination of the following:

- Green Bonds to finance and/or refinance Green Eligible Categories
- Social Bonds to finance and/or refinance Social Eligible Categories (
- Sustainability Bonds to finance and/or refinance a combination of Green Eligible Categories and Social Eligible Categories (collectively referred to as "Sustainable Bonds").

The Eligible Categories have been chosen based on Zanaco' s strategic focus areas and key areas of impact in relation to creating a sustainable society and addressing climate change.
The Framework outlines four key components:

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

To provide transparency and reflect current best practices of the sustainable capital markets, the Framework seeks to align the International Capital Market Association (ICMA) Green Bond Principles 2025 (GBP), Social Bond Principles 2025 (SBP) and Sustainability Bond Guidelines 2021 (SBG) and also aligns with key focus areas of the Multilateral Development Bank (MDB) climate finance taxonomy. Projects also comply with Development Finance Institutions' Environmental and Social standards (such as IFC's Performance Standards) as relevant. Similarly, any Bond under this Framework that is to be certified under the Climate Bonds Initiative (CBI) Climate Bonds Standard and Certification Scheme, will be reviewed by a CBI approved external verifier.

The development of this Framework is also consistent with Zanaco' s goal of contributing to the achievement of the UN's Sustainable Development Goals (SDGs), part of the UN's 2030 Agenda for Sustainable Development.
Zanaco may update or amend this Framework periodically. Any updated or amended Framework will be applied to Sustainable Bonds issued by Zanaco following such updates or amendments. If the Framework is updated or amended, then Zanaco intends to obtain an independent verification to accompany such updated or amended Framework.

Figure 1: Zanaco's Sustainable Bond Framework Structure

7-Pillar Sustainability Framework for Zanaco							Cross-cutting Sustainability Themes
E&S Risk	Corporate Real Estate/ HR	Sustainable Lending	Corporate Social Responsibility (CSR)	Sustainable Capital Markets	Public Policy and Lobbying	Reporting	- Climate Change - Human Rights - Biodiversity - Gender - Pollution Prevention - Etc.

The ICMA GBP, SBP and SBG are voluntary process guidelines that are globally considered to be among the leading guidelines for the issuance of green bonds, social bonds and sustainability bonds.
The UN SDGs are a collection of 17 goals designed to address the most pressing social, economic and environmental sustainability issues facing society today.

Management Governance	CEO / Sustainability Champion in the Executive Committee Sustainability Committee (optional) Chief Sustainability Officer / Sustainability Manager
Board/ Board Committee Oversight	Main Board Sustainability Committee Board Sustainability Advisory Council (optional)

2.1 Use of proceeds

An amount equal to the net proceeds of Sustainable Bonds issued under this Framework will be used to finance and/or refinance, in part or in whole, loans, investments and internal or external projects (collectively, "Eligible Assets") that promote the categories outlined below ("Eligible Categories").

Note: Eligible Assets are considered to be financed from the net proceeds of a Sustainable Bond when the relevant Eligible Asset is financed after the Sustainable Bond's issuance. Eligible Assets can be included against the net proceeds of a Sustainable Bond when the relevant Eligible Asset was committed to up to 18 months before the Sustainable Bond's issuance, the 'Lookback Period'. Accordingly, net proceeds raised through the issuance of Sustainable Bonds under this Framework can be used to finance new Eligible Assets or to refinance existing Eligible Assets.

General corporate loans will qualify as Eligible Assets if at least 95% of the loan recipient's revenue is derived from sources that meet the relevant eligibility criteria set out below.

Refinancing (either within the lookback period or after the date of the issuance/listing) is defined as providing a sub-loan to an existing asset and thereby replacing the existing funding for the asset. It is eligible provided that the sub-loan will meet one of the following terms:

- Assets where financial closure has not yet taken place, or the project has not yet been fully constructed and is not yet operational.
- Bringing in additional long-term funds to replace short-term bridge loans or strengthening the financial terms of the climate-related asset through long-term loans with better terms than those of previous loans (for example, they correct a mismatch of maturity, adjust the costs of asset construction, reduce exchange rate impact, replace expensive debt, and so on).
- Projects that have already been constructed or are already operational but have not passed the breakeven point (for example, recently built solar projects).

2.1.1 Green Eligible Categories

The eligible green categories are aligned with the ICMA GBP green categories. In determining what specific detailed green technologies and standards that are optimal for environmentally sustainable benefits, Zanaco will further refer to current international and national initiatives and best-practice such as the Climate Bonds Initiative (CBI) including CBI's adaptation and resilience principles, the European Union (EU) taxonomies and other relevant best-practice nomenclatures like Development Finance Institutions' guidelines.

Category	Eligibility criteria	Reporting KPI examples
Renewable Energy 	• Acquisition, construction, development, operation, renovation and/or maintenance of one or more of the following renewable energy generation sources: • Wind energy • Geothermal energy with direct emissions below 100gCO /kWh • Solar energy – Solar PVs and Concentrated Solar heat & power generation plants (CSP's) with large majority of the electricity (>85%) generated from solar energy resources. • Biomass or biofuels of sustainable origin. It will be demonstrated through compliance with internationally accepted certification schemes (e.g., Roundtable on Sustainable Biomaterials, RSB) or other evidence that the activity does not compete with food crop production or supply and to comply with this, waste biomass/ second generation will be used and examples include non-food crops, forestry and agricultural residues such as wood chips, saw dust straw, cane trash, sugarcane bagasse, corn cob, or fish residues from certified aquaculture, used cooking oil, domestic or industrial waste water and sewage sludge. • Run of the river hydropower where 1) a penstock/ pondage is used capacity does not exceed 24hrs usage 2) a typical power plant would utilize less than two-thirds of a river's total annual flow and 3) immediately below the powerhouse, all flows diverted to produce power are returned to the stream and the natural downstream flow patterns are preserved. By the minimum, the following expenditures will be considered; overground T&D lines, conductors, insulators, transmission lines on high-voltage interconnected systems, distribution systems, distributed assets such as fuses, circuit breakers, disconnectors, reactors, capacitors, transformers etc.) • Hydropower for which estimated reservoir emissions intensity is <100gCO2/kWh or power density Infrastructure to support the integration of renewable energy into the grid, including connections of renewables into the grid and investments to increase transmission capacity of the grid.	1) Annual GHG emissions reduced/ avoided in tonnes of CO2 equivalent /a 2) Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) 3) Capacity of renewable energy plant(s) constructed or rehabilitated in MW
Energy efficiency 	In new and refurbished buildings • Energy storage will finance the development, manufacture operation of energy storage technologies/equipment which would include: - Electrochemical systems including battery storage, hydrogen storage, supercapacitors. - Thermal including molten salt storage system - Power to gas systems such as power to hydrogen, power to synthetic gas. - Emerging and unconventional technologies including gravity and ice storage. - Pumped hydro projects supported by environmental and social impact assessment where no significant environment or social risks or expected negative impacts have been identified. These will all be considered as energy efficient. • District heating • Smart grids including energy loss reduction in transmission and distribution, appliances and products. • For retrofit related expenditures, only the retrofits will be considered eligible for financing and not the	1) Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings) /a 2) Annual GHG emissions reduced/ avoided in tonnes of CO2 equivalent /b

	entire asset value of the building. But in case retrofits result in achievement of the required level of certifications deemed eligible (EDGE: Certified, BREEAM: Excellent or Outstanding, LEED: Gold or Platinum), then the expenditures related to retrofits, as well as the asset value of the building may be financed. • Investment in equipment, systems and services which result in at least 20% energy savings per unit of product or service generated, such as waste heat recovery, cogeneration, buildings insulation. • Investment in manufacturing of components used exclusively in energy efficiency projects described above. Examples include but not limited to LED lights, fuel cells, smart grid meters e.g. wide area monitoring system components, SCADA systems, smart meters, monitoring and control automation devices. • Investments to improve energy, water and raw materials efficiency in services, products or industrial processes by at least 20%. To improve energy efficiency, Zanaco will look at projects that include: building insulation, smart energy management systems, HVAC systems, power factor correction systems, Replacement of older facilities with more energy-efficient facilities, including sensors, automatic switches and energy efficient light sources such as LED lighting, Installation and manufacture of smart meters and energy-efficient lighting for public, commercial and residential buildings.	
Green Buildings  	• Green buildings that meet regional, national or internationally recognized standards or certifications for environmental performance such as Excellence in Design for Greater Efficiencies (EDGE) certificate, Environmental Assessment Method (BREEAM) certificate as defined by the Buildings Research Establishment BREEA, and Leadership in Energy and Environmental Design (LEED) certificate • New construction building developments or renovation of existing buildings, including public service, commercial, residential and recreational areas that comply with one or more of the following green building standards; Excellence in Design for Greater Efficiencies (EDGE) certificate Environmental Assessment Method (BREEAM) certificate as defined by the Buildings Research Establishment BREEAM Leadership in Energy and Environmental Design (LEED) certificate	1) kWh/m^2 of GBA p.a.; and % of energy use reduced/avoided vs local baseline/building code; and, if relevant 2) Carbon reductions - in new buildings or retrofitted buildings: Annual GHG emissions reduced/avoided in tonnes of CO2 3) Water efficiency - in new buildings or retrofitted buildings: m^3/ m^2 of GBA p.a; and Annual absolute (gross) water use before and after the project in m^3/a (for retrofitted buildings) 4) Waste management in the construction/demolition/ refurbishment process in new or retrofitted buildings: Amount p.a. of waste minimized, reused or recycled in % of total waste and/or in absolute (gross) amount in tonnes p.a. 5) Type of Green Building Certification Standard, certification level and m2
Pollution prevention and control 	• Recycling or composting activities • Activities that divert waste from landfill and/or reduce pollution of rivers and oceans. • Landfill gas capture and utilization in permanently closed landfills • Wastetoenergy projects limited to non-recyclable wastes where majority of recyclables are separated before incineration in line with the CBI waste management standard. • Anaerobic digestion facilities for the production of biogas and digestate from bio-waste excluding hazardous waste to include activities such as construction of Bio-Digesters, Piping work, Gas stoves.	1) Waste prevented, minimized, reused or recycled: Waste that is prevented, minimized, reused or recycled before and after the project in % of total waste and/ or in absolute amount in tonnes p.a. 2) Energy recovered from waste: Annual energy generation from non-recyclable waste in energy/emission-efficient waste to energy facilities in MWh/GWh (electricity) and GJ/TJ (other energy 3) Waste collected and treated or disposed

	• Projects that promote the reuse, repair, and refurbishment to extend product lifespans. • Replacement of refrigerants with highGlobal Warming Potential with solutions that lower Global Warming Potential. For refrigerants related expenditures, Zanaco will consider the following: replacement of refrigerants in mechanical cooling systems and refrigerant-based appliances with solutions that lower global warming potential. Specific exclusion: • Waste-to-energy activities where removal of recyclables prior to incineration cannot be ensured. Landfill gas capture for flaring	4) Improved municipal waste treatment or disposal services: Number of people or % of population provided with improved municipal waste treatment or disposal services. 5) Reduced local pollution to air and/or water, including: absolute or % reduction in local pollutants
Environmentally sustainable management of living natural resources and land use  	• Environmentally sustainable and climate smart agriculture; environmentally sustainable animal husbandry including livestock management, financing of integrated-cropland-livestock forestry systems (ICLFS) For smallholder farmers, feed production and processing (for livestock), and R&D projects related to specialized feed technology for livestock (with aim to reduce methane emissions from enteric fermentation) and the exclusion of livestock management projects intended for industrial scale meat processing or production from ruminants; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable forestry, including afforestation or reforestation provided no conversion of natural land is involved, and sustainable forest management activities that increase carbon stocks or avoid deforestation and preservation or restoration of natural landscapes. • Improvement in existing soil carbon pools (potentially eligible activities including to no-till farming, degraded land rehabilitation, erosion control measures, reduced tillage intensity and cover crops, crop rotation, higher inputs of organic matter to soil, processing and application of manure/digestate preferably with biogas capture for energy, perennial cropping systems, cultivation of deep rooting species, and peatland restoration and conservation. • Biological nitrogen fixation – reduction in at least 20% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N2O from fertilizer use) • Integrated cropland-livestock-forestry systems • Manure management with biodigesters. Zanaco will consider Livestock management projects that reduce methane or other GHG emissions as well as the use of residues from day-to-day operations of existing facilities for energy generation. • 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 water consumption of at least 20% per unit of product (switching to less water-intensive crops, water harvest and storage facilities) • Sustainable fisheries, aquaculture and seafood including: * Investments to meet, keep or exceed the relevant certification standard for the Fishing Industry such as the Best Aquaculture Practice (BAP).	1) Increased agricultural productivity • Reduction in changes in the nutrient and/or pH level for agricultural soils • Increase in agricultural land using more drought resistant crops in hectares • Area cultivated by precision agriculture in km

	* 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). * Increase productivity in an environmentally sustainable way through inter alia climate-smart fisheries and aquaculture innervations to include activities such as implementing science-based adaptive fisheries management practices, such as critical habitat protection, protection of fish breeding areas and control of alien and invasive species.	
Clean Transportation  	• Low energy or emission transportation assets, systems, infrastructure, components and services. Examples include; Rail, Tram, Metro, Bus Rapid Transit systems, Electric/Hybrid vehicles, Intelligent Transit systems, Mass Transit systems, Non-Motorized Transport (pedestrians and cyclists) • Transportation solutions or systems using non-fossil fuel and/or hybrid technologies and supporting infrastructure such as electric charging stations and hydrogen fuel, ICT such as smart cards, smart road pricing/ charging, Bus Rapid Transit (BRT) including dedicated roads, lanes, bridges etc, smart fleet management, expansion of metro or train network and station upgrades. • Electric vehicle charging stations and electric infrastructure for public transport. Zanaco will consider Public transport assets including electrified vehicles/ locomotives, Electric charging stations Pre-conditioned Air (PCA) systems at Airports • Schemes and incentives to support the purchase of zero-emission transportation • Mass transit infrastructure, including fossil-fuel-related projects with less than 50g CO2 per passenger km and freight and water projects with less than 25kg of CO2 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.	Construction of Clean Transport and Clean Transport Infrastructure including indicators: 1) Passenger-kilometers (i.e. the transport of one passenger over one kilometer) and/or passengers; or tonne kilometers (i.e. the transport of one tonne over one kilometer) and/or tonnes 2) Annual GHG emissions reduced/ avoided in tCO2 – e p.a. 3) Reduction of air pollutants: particulate matter (PM), Sulphur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO), and non-methane volatile organic compounds (NMVOCs)
Sustainable Water and Wastewater management  	• Investments in climate-related water projects in drinking water processing and distribution system, capturing methane in wastewater processing facilities, and water reuse/recycling/optimization in water stressed areas. • Water loss management measures such as active leakage control, pressure management, infrastructure and asset management, metering monitoring and reporting, digitalization and automation, water efficiency systems aimed to manage the use of water an efficient manner resulting in reduced consumption such as low flow faucet aerators, water efficient irrigation methods such as xeriscaping, and drought tolerant landscaping. In addition, expenditure on Infrastructure for providing clean drinking water and facilities for the treatment of wastewater, excluding wastewater generated from fossil fuel operations, will be considered.	1) Annual water savings 2) Annual volume of wastewater treated or avoided 3) Treatment and disposal and/or reuse of sewage sludge 4) Improved water supply infrastructure and facilities and/or improved quality of the supplied drinking water as a result of the project 5) Improved sanitation facilities that have been constructed under the project 6) Improved measures to reduce the risk from adverse flooding impact

	• Water collection, treatment, recycling, re-use technologies and related infrastructure. Examples include but not limited to; pumping stations and drains, gravity fed canal systems, high efficiency flood/ pivot irrigation systems, Wastewater treatment facilities including sewer network and treatment, manure/ slurry treatment facilities. • Water pipes and collection facilities to collect water and rainwater, dams and treatment plant facilities Specific exclusion: • Desalination projects that do not have an environmental risk mitigation strategy to address brine management. • Desalination plants exclusively powered by fossil fuel rather than grid electricity. • Desalination plants supplying water exclusively for fossil fuel activities. • Desalination plants with carbon Intensity >100Gco2/kWh	
Climate change adaptation 	These investments must: • demonstrate an understanding of the climate risk faced by the asset, system or activity; * ensure proper risk reduction measures are in place along with flexible management plans that account for uncertainties; and * demonstrate that the regular revaluation of resilience benefits will be undertaken, and the results thereof addressed. • Investments in Infrastructure more resilient to impacts of climate change eg; heavy rain drainage systems, flood prevention, flood defenses, such as berms, reservoirs, lagoons, sluice gates etc., as well as information support systems, such as climate observation, early warning systems and flood defense systems • Climate smart agriculture activities that help improve yield and resilience against climate risks and that are certified under one of the following schemes: * Rainforest Alliance; * Aquaculture Stewardship Council Standards for Farmed Seafood * Roundtable on Sustainable Biomaterials Standard * Roundtable on Responsible Soy Association Standard * Bonsucro Production Standard * Rainforest Alliance 2020 Sustainable Agriculture Standard * Recirculatory Aquaculture System (RAS) * Credible third-party certification	1) Reducing or avoiding weather-related damage, including increase in grid resilience, energy generation, transmission/distribution and storage in MWh. Reduction in the number of wildfires, and/or in the area damaged by wildfires in km^2. 2) Reducing or avoiding weather-related disruption; Increase in grid resilience, generation and storage in MWh 3) Reducing or avoiding weather-related damage and disruption; Reduction in repair costs due to storms (to all kinds of infrastructure and assets); Reduction in the number of customers/employees suffering loss of power / transport services; Reduction in the number of power lines incapacitated due to storms; Reduction in flood damage costs; Reduction in number of operating days lost to floods; Reduced/avoided water loss (in reservoirs/waterways/ natural habitats etc.) in m^3; Reduction in land-loss from inundation and/ or coastal erosion in km^2; Reduction in repair costs and/or operating days lost due to landslides; Increase in area under wetland management in km^2; Reduction in the number of operating days lost to disrupted transport networks or other infrastructure
Circular economy adapted products and Green Trade  	• Production technologies and processes (such as the design and introduction of reusable, recyclable and refurbished materials, components and products; circular tools and services). • Bio-based material will need a credible third-party certification and will align with the RSB certification. • Trade Finance activities that support renewable and energy efficiency product (min. 20% energy efficiency improvements) supply chains. Specific exclusion: • Any products that would enable energy efficiency for fossil fuel derived thermal power generation or internal combustion engines vehicles. Exclusions: • Any energy efficiency for the fossil fuel value chain would be excluded.	1) Manufacturing and Trade for / in the circular economy, including: • Tons of waste reduced • Products changed to increase waste reduction • Tons of secondary raw materials or compost produced

2.1.2 Social Eligible Categories

A list of eligible social activities including are described below and are aligned with the ICMA's indicative list of social category projects.
Examples of target populations include, but are not limited to, those that are: Living below the poverty line ; Excluded and/or communities; People with disabilities; Migrants and/or displaced persons; Undereducated ; Underserved , owing to a lack of quality access to essential goods and services ; Unemployed; Women; Aging populations and vulnerable youth ; Other vulnerable groups as a result of natural disasters. All target populations fall within the Zambian boundaries.

Category	Eligibility criteria	Reporting KPI examples
Affordable Housing and Basic Infrastructure 	• Support investments made in clean drinking water, sewers, sanitation, green transport, renewable energy and energy efficiency	• Number of people benefited /Number of previously unserved beneficiaries
Social Economic Advancement  	• Gender inclusion and support of women owned and/or controlled businesses and upcoming new female entrepreneurs. This will include concessional pricing on loans, of pre-approved collateral free loans etc. • Provision of credit facilities at preferential Interest rates to women controlled and majority owned SME's to increase productivity • Provision of long-term working facilities to M/SME's of women owned and/or controlled businesses, in order to manage cashflow and unforeseen expenditure • Reduction of at least 20% in food losses through efficient cold chain and storage for small- and medium-sized fishing with sustainable fishing quotas. • Providing credit facilities not typically accessible to M/SME	• Number of women / women owned businesses reached • Volume of financing extended to women / women owned businesses

Zanaco aligns with the World Bank's definition of poverty line as those with income of less than USD $5.5 per day (in Purchasing Power Parity terms).
Undereducated-People with little to no access to proper formal education especially those living in rural areas
Underserved- Refers to people who have limited access to services that are accessible, acceptable, and affordable, including healthcare, education, clean water and electricity
lack of quality access to essential goods and services; - People living in rural areas with no access to clean water and electricity
Aging populations-People living above the age of 60 years. Vulnerable youths are young people who are at a higher risk of social, economic or physical hardships and are unable to fully access opportunities or protection.
Affordable housing is residential accommodation priced at a level that allows individuals or households—especially those with low to moderate incomes—to meet their housing costs without compromising other essential living expenses.

Employment Generation   	• Support employment generation and reduce inequalities by providing financing at targeted M/SME's. • Provision of preferential Interest rates on loans for M/SME's • Provision of long-term working facilities to M/SME's in order to manage cashflow and unforeseen expenditure • Support employment empowerment programs that have a direct impact on poverty alleviation and sustain economic growth.	• Number of jobs created

Food Security and Sustainable Food Systems 	• Provision of Financing and Investments in the Agricultural sector and food systems resulting in the access to adequate food, achieve food security and significantly enhance nutrition for low income populations . • Provision for credit facilities to small scale producers with a view to improve productivity through investments in small scale irrigation, provision of farm infrastructure and inputs and developing agricultural value chain.	• Volume of financing extended

2.1.3 Sustainability Bond Eligibility Criteria

Sustainability Bonds are a type of bond instrument where the proceeds will be applied to finance or refinance a combination of both green and social projects. Sustainability Bonds are aligned with the core components of both the ICMA, GBP and SBP as well as the Sustainability Bond Guidelines (SBGs).

The eligibility criteria for the Sustainability Bond are as described in the Green and Social Eligible Category sections of this Framework.

2.1.4 Exclusion criteria

The Bank will not finance any activities that could harm its reputation. The following are the industries/sectors/companies/organizations that the Bank will not finance:

1. Production or activities involving forced labor or child Labor ;
2. Production or trade in any product or activity deemed illegal under the laws of Zambia or international conventions and agreements;
3. Production or trade in weapons and ammunitions;
4. Production or trade in alcoholic beverages (excluding beer and wine);
5. Production or trade in tobacco;
6. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
7. Commercial logging operations for use in primary tropical moist forest;
8. Production or trade in wood or other forestry products other than from sustainably managed forests;
9. Production, trade, storage or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals ;
10. Gambling, casinos and equivalent enterprises;
11. Trade in wildlife or wildlife products regulated under CITES (Convention on International Trade in Endangered Species or Wild Fauna and Flora);
12. Any business relating to pornography or prostitution;
13. Production or use of or trade in hazardous materials such as radioactive materials;
14. Production or trade in Unbounded asbestos fibers and products containing PCBs (Polychlorinated biphenyls, a group of highly toxic chemicals);
15. Mining of Uranium for weaponry and any other use;
16. Coal mining and coal-fueled power plants ;
17. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations;
18. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans;
19. Significant conversion or degradation of Critical Habitat
20. Production and distribution of racist and anti-democratic media
21. Significant alteration, damage, or removal of any Critical Cultural Heritage
22. Relocation of Indigenous People from traditional or customary lands
23. Organization supporting/sympathizing with terrorist activities
24. Companies/people involved in prohibited drugs
25. Political parties
26. Projects in any part of the value chain of generation of power or heat using fossil fuels (coal, oil or gas), as well as projects that are directly linked to power or heat generated on the base of fossil fuels (specific for this framework). Excluded Fossil Fuel Activities means
    a. mining, prospecting or exploring for Fossil Fuels;
    b. producing, processing or refining Fossil Fuels or using waste heat from the burning of Fossil Fuels
    c. generating power or heat using Fossil Fuels, storing or transmitting that power or heat or refurbishing or rehabilitating power generation plants that use Fossil Fuels; or
    d. storing, transporting, distributing or trading in Fossil Fuels, or developing, acquiring, constructing, operating or maintaining any infrastructure for the storage, transport, distribution of, or trade in, Fossil Fuels.
    e. the production and provision of goods, services or other outputs (including advisory or financial services and utilities) for exclusive use in connection with any activity referred to in (a) to (d) above;

2.2 Project evaluation and selection

2.2.1 Process for Project Evaluation and Selection

The ZANACO Sustainable Bonds Review Group ("ZANACO SBRG") will hold ultimate responsibility for the Framework. The ZANACO SBRG comprises senior representatives from ZANACO's:

- Sustainability and Corporate Citizenship
- Treasury and Balance Sheet Management
- Risk Management
- Credit Risk
- Capital Markets and business finance segments

The ZANACO SBRG will meet no less than quarterly and its responsibilities will include:

- Review and approval of the Framework and any updates or amendments to the Framework
- Review, selection and approval of Eligible Assets and any additions to or subtractions from the pool of Eligible Assets
- Review and approval of the annual reporting conducted under the Framework
- Review of the external verification report and resolution of any issues therein
- Monitoring of ongoing green bond and social bond market practices, including the consideration of whether any updates or amendments should be made to the Framework to reflect new or developing practices

The process, roles and responsibilities are defined as follows:

i) ZANACO's business finance segments assess potential loans, investments and internal/external projects according to Green Eligible Categories and Social Eligible Categories described in this Framework.

ii) The business finance segments propose asset recommendations to the ZANACO SBRG for review, selection and approval.

iii) ZANACO will maintain a pool of Eligible Assets in a "Sustainable Investments Portfolio" and the Sustainable Investments Portfolio will be reviewed by the ZANACO SBRG at least quarterly to verify that all Eligible Assets continue to meet the eligibility criteria set out in this Framework. Assets that have matured or no longer comply with the eligibility criteria, will be removed from the Sustainable Investments Portfolio.

Additionally, as a fundamental part of the credit assessment process, ZANACO evaluates the environmental and social risks associated with credit and counterparty transactions and exposures. ZANACO's environmental risk policies and associated risk assessment procedures are developed and reviewed regularly based on input from various industry sources, including ESG and corporate governance research firms that consult a wide range of stakeholders and consider generally accepted international agreements and standards (including but not limited to the IFC Performance Standards) in providing industry-standard risk guidance. In this regard Zanaco has developed an Environmental & Social Management System (ESMS) framework which consists of: i) policy, ii) procedures, and iii) annexes. The ESMS has recently gone through a round of updates, including in the following areas:

- The policy has been strengthened, the commitment to E&S risk management worked out clearer and provision is made to link the ESMS framework to an overall sustainability framework and strategy.
- The procedures have been enhanced and more customized to Zanaco´s institutional set-up and internal processes. For each step of the credit cycle from screening to monitoring, the integration of E&S considerations is demonstrated. Expected workflows, responsibilities as well as tools are clearly spelled out for each step.
- The annexes contain a comprehensive tool box to facilitate the implementation of the procedures and thus to fulfil the commitment spelled out in the policy. The tools comprise forms and templates as well as more instructional documents (i.e. risk categorization, E&S safeguards, sectoral guidelines).

2.3 Management of Proceeds

Sustainable Bonds proceeds will be managed in a portfolio approach. All Eligible Assets in ZANACO's Sustainable Investments Portfolio will be selected in accordance with the eligibility criteria and evaluation and selection process presented in this Framework. The Sustainable Investments Portfolio is intended to be dynamic, with new Eligible Assets added and existing Eligible Assets removed, when applicable.

The ZANACO SBRG intends to monitor the aggregate value of Eligible Assets in the Sustainable Investments Portfolio with the goal of maintaining the aggregate value of Eligible Assets in the Sustainable Investments Portfolio at a level that is equal to or greater than the net proceeds raised from its outstanding Sustainable Bonds.
ZANACO will strive to achieve a level of allocation for the Eligible Assets in the Sustainable Investments Portifolio which matches the balance of net proceeds from each of its outstanding Green, Social and Sustainability Bonds within twenty-four months after issuance of the Bond.

If for any reason the aggregate value of Eligible Assets in ZANACO's Sustainable Investments Portfolio is less than the total outstanding amount of Sustainable Bonds issued under this Framework, ZANACO will invest surplus in cash/cash equivalents and/or other liquid money market securities such as Treasury Bills, deposits and in accordance with ZANACO's normal liquidity management policy, subject to market conditions at least within 36 months. Unallocated proceeds will, on a best effort basis, be invested in eligible Green, Social or Sustainability Bonds that do not include any activity listed on the exclusion list nor greenhouse gas-intensive projects which are inconsistent with the delivery of a low-carbon and climate-resilient economy.
Group Finance will oversee the management of proceeds and track the allocation using the relevant bond register. The Financial Auditor will review the allocation as part of standards reporting on the soundness of the annual financial reports.

2.4 Reporting

ZANACO intends to make, and keep readily available, reporting for the Sustainable Bonds issued under this Framework, within a year from issuance, to be renewed annually until maturation. ZANACO's Sustainable Bond reporting will be publicly available at ZANACO's Investor Relations webpage and will include:

2.4.1 Allocation Reporting

ZANACO intends to report annually on the allocation of net proceeds from Sustainable Bonds issued under this Framework at reporting year-end and will include the following information:

1. Net proceeds raised from each Sustainable Bond issuance
2. Aggregate amounts of proceeds allocated to each of the Eligible Categories
3. The balance of unallocated proceeds, if any
4. The proportion of financed and refinanced Eligible Assets to which proceeds have been allocated
   Project information at the loan level may be provided where client consent is obtained. ZANACO may be unable to provide loan-level information for all Eligible Assets due to client confidentiality considerations.

2.4.2 Impact Reporting

In addition to the allocation reporting, ZANACO intends to provide annually, where possible, examples of Eligible Assets financed or refinanced by Sustainable Bonds issued under this Framework, as well as impact metrics for each of the Eligible Categories, which may include:

- A brief description of relevant Eligible Green and Social Loans
- The breakdown of the Eligible Green and Social Loan Portfolio by nature of what is being financed
- Metrics regarding Eligible Green and Social Loans' environmental and social impacts as summarized above.

Section 2.2.1 and 2.2.2. includes a range of Key Performance Indictors (KPIs) per project category. The most relevant will be selected per project for the impact reporting.

2.5 External Review

Pre-issuance verification: Second Party Opinion: ZANACO has obtained an independent verification assessment by DNV to opine on the alignment of the Framework with the ICMA's Sustainability Bond Principles. The Second Party Opinion document has been made available on ZANACO's website [https://www.zanaco.co.zm/] together with this Framework.
Post-issuance verification: ZANACO will make public a limited assurance on the allocation report provided by its external reviewers or any other appointed independent third party. For each report, the auditors will verify:

- The allocated and unallocated net proceeds
- The compliance of the Eligible Activities with the defined eligibility criteria of the relevant categories
- If feasible, the review of the impact reporting

