



ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FRAMEWORK

Credit Risk Department

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FRAMEWORK



We have an ESG/ ESMS policy framework in place to meet the requirements of Stakeholders in addressing emerging environmental, social & governance risk management issues.

In summary, the Environmental and Social Management System framework consists of Three main parts:

Policy

The policy speaks into our commitment to E&S risk management. Provision is made to link the ESMS framework to an overall sustainability framework and strategy at pan bank level. The policy part has also been referenced in the Commercial Credit Policy approved by the Board.

Procedures

The procedures are 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.

Annexes

The annexes contain a comprehensive toolbox to facilitate the implementation of the procedures and thus to fulfil the commitment spelled out in the policy.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FRAMEWORK



The Commercial Division & Credit Risk will drive the bank's commitment to ESG principles by ensuring that sound sustainability standards are integrated into the credit process, and that all Bank operations are in line with the seven pillars (Environmental & Social Risk, Corporate Real Estate/ Human Resources, Sustainable Lending, Corporate Social Responsibility (CSR), Sustainable Capital Markets, Public Policy & Lobbying, and Integrated Reporting).

Furthermore, there will be increased focus on sustainable financing/promotion of a green economy through provision of financing for businesses involved in:

- Waste management i.e. recycling
- Supply of alternative sources of energy
- Agricultural practices that promote a green environment

Zanaco will continue to drive financial inclusion through collateral-free credit facilities for women-owned businesses.

ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM FRAMEWORK



• Request for Approval

Relationship Managers in Business Unit packages request using appropriate forms – CA and performs initial screening of E&S due diligence using appropriate E&S checklist & Questionnaire.

With line manager's sign off, the CA including completed E&S checklist & questionnaire are sent to the Credit Analyst within the Business Unit for E&S risk assessment, E&S risk categorization & ESG rating.

Category B & C (Medium & Low Risk)

Business Unit forwards complete Credit Package request to Credit Evaluation in CREDIT RISK DIVISION. All E&S risks and mitigations are assessed, evaluated or appraised before recommendation.

Category A (High Risk)

Requests with ESG ratings of "A" (High Risk) will be referred to Head Sustainable Finance & ESG Specialist in RISK DIVISION for further screening and support before referred to ESG Champion in CREDIT RISK DIVISION for enhanced due diligence and support.

ESG Champion in CREDIT RISK DIVISION will approve or decline Category A ESG rated requests for further processing.

• Review & Approval of Credit Request

Credit Risk Mgt communicates approved Terms & Conditions to originating business unit

Recommended

Appropriate authorities (e.g. HCC, MCC, Board Credit etc) approve credit request.

Approved

Credit Evaluation in CREDIT RISK DIVISION approves or declines credit request based on E&S Risks & Mitigations proposed.

Declined

Return Credit request to originating business unit.

• Communication of Approval

Appropriate office (e.g. MCC Secretariat) communicates the Terms and Conditions of the final approval and communicates the same to Credit Documentation/Control who prepare a facility offer letter inclusive of approved E&S covenants and terms.

Head -Credit Control/Documentation and Head of the originating BU sign off the Offer Letter and RM delivers/communicates to customer.

Request for disbursement, facility booking & Monitoring

Credit Operations/Disbursement Team books the facility and sends original file to Credit Admin for archiving/custody & monitoring based on approved terms.

Credit Documentation/Control reviews & ensures all conditions precedent to draw-down have been met and authorizes disbursement at the appropriate desk

Customer meets all conditions precedent including E & S conditions to drawdown and RM returns all required documentation to Credit Documentation/Control

YOU FIRST