



African Banking Corporation of Zimbabwe  
Limited t/a BancABC – 2025 Sustainability &  
Climate-related Financial Disclosures



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## 1. Purpose of this Report

This report consolidates the sustainability-related financial disclosures of African Banking Corporation of Zimbabwe Limited (referred as BancABC) for the financial year ended 31 December 2025.

The 2025 Integrated Sustainability and Climate-related Report represent a significant milestone in our sustainability journey, as it marks the Bank's first disclosure prepared in alignment with the International Sustainability Standards Board (ISSB) frameworks, specifically IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 – Climate-related Disclosures.

The Bank's sustainability approach is underpinned by the Environmental, Social and Governance (ESG) Policy, which is founded on three core principles:

- Embedding ESG considerations across all business operations and decision-making processes
- Proactively identifying, assessing, and managing climate-related and social risks
- Maintaining the highest standards of ethical governance, transparency, and accountability

To ensure robust, credible, and globally comparable disclosures, BancABC aligns its sustainability practices with internationally recognised ESG frameworks and principles, including:

- United Nations Global Compact (UNGC): BancABC reaffirms its commitment to the UNGC's Ten Principles, which promote responsible corporate conduct in the areas of human rights, labour standards, environmental stewardship, and anti-corruption.
- Global Reporting Initiative (GRI) Standards: The GRI framework is used as a reference point to support comprehensive, transparent, and stakeholder-oriented sustainability reporting.
- United Nations Sustainable Development Goals (SDGs): Our material sustainability topics and strategic initiatives are aligned with relevant SDGs, demonstrating the Bank's contribution to national development priorities and global sustainable development objectives.
- Task Force on Climate-related Financial Disclosures (TCFD): Our climate-related disclosures are structured around the four TCFD pillars — Governance, Strategy, Risk Management, and Metrics & Targets — which are now incorporated into IFRS S2.
- Reserve Bank of Zimbabwe (RBZ) Climate Risk Management Guidelines (01-2023/BS): This report has been prepared with due consideration of the RBZ's regulatory expectations requiring financial institutions to integrate climate-related risk, governance, risk measurement, stress testing, and disclosure within their enterprise risk management frameworks.





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During 2025, BancABC made meaningful progress in integrating sustainability into its core business strategy, strengthening ESG governance structures, enhancing climate risk management practices, and advancing initiatives that improve operational efficiency and environmental performance.

This report reflects our ongoing commitment to transparency, responsible banking, and long-term value creation, ensuring that sustainability considerations remain central to how BancABC delivers value for shareholders, clients, employees, regulators, and the broader communities we serve.

## **2. Statement of Compliance, Reporting Boundary and Basis of Preparation**

### **2.1 Statement of compliance**

BancABC has prepared its sustainability-related financial disclosures for the year ended 31 December 2025 in accordance with IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures for the same reporting entity and period as our financial statements.

#### **Reporting Scope**

The greenhouse gas (GHG) emissions reporting boundary has been intentionally restricted to Scope 1 and Scope 2 emissions only. These cover direct emissions from fuel use in Bank controlled operations (Scope 1) and indirect emissions from purchased electricity consumed across our facilities (Scope 2). Scope 3 emissions, including financed emissions (which are a key focus of the Partnership for Carbon Accounting Financials (PCAF) standards, are currently outside the reporting boundary and will be assessed for inclusion in 2027 reporting as data quality and methodological readiness improve.





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## Comparative information

As this is our first year of reporting under IFRS S1/S2, comparative information will be presented from 2026 onwards for metrics and narrative disclosures where required. Any restatements will be clearly explained.

### 3. Governance of Sustainability and Climate-related Matters Board oversight.

The Board of Directors retains ultimate accountability for sustainability matters. The Board is responsible for approving the sustainability and climate strategy, including the transition plan and the outcomes of scenario analysis, overseeing risk appetite, and monitoring performance against targets, ensuring alignment with the bank's long-term strategy and the ESG Policy.

**Board Risk Committee (BRC).** The BRC has explicit oversight of ESG and climate risks within the enterprise risk management (ERM) framework, including physical and transition risk reviews, risk appetite adjustments, stress testing and scenario analysis, and escalation of emerging risks to the Board.

**Board Sustainability Champion.** A designated Board Sustainability Champion provides leadership on ESG and climate topics, supports Board education, and ensures sustainability remains a standing consideration in strategic decisions.

**Management's role.** Executive Management is responsible for operationalising the ESG strategy across the organisation. This includes integrating ESG due diligence into credit underwriting and

procurement processes, overseeing the integrity of ESG related data, maintaining internal controls to support reliable disclosures, and providing regular updates to the

**Board Risk Committee (BRC) and the Board.** The Bank's ESG Champion is accountable for driving and coordinating the implementation of the ESG Policy, ensuring alignment with regulatory requirements and internal governance frameworks.

**Skills and training.** Board and Management receive continuous development on climate risk, disclosure standards, and evolving regulatory expectations to maintain effective oversight and competence.

### 4. Strategy, Materiality, Transition Plan and Resilience Strategic Intent

Our strategy is to embed sustainability into our culture, reduce our operational impacts, expand sustainable finance, and build long-term resilience. This is underpinned by our commitment to supporting inclusive economic development in Zimbabwe, directly contributing to several UN SDGs, including SDG 1 (No Poverty), SDG 8 (Decent Work and Economic Growth), and SDG 13 (Climate Action).

#### Materiality Methodology

We determine material topics using an investor-focused lens consistent with IFRS S1. This involves assessing the magnitude, likelihood, and timing of impacts on cash flows, access to finance, and cost of capital. The process is informed by stakeholder inputs, the principles of our ESG Policy, and management judgement.



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## Material topics

### Material Topic

### Priority Level

### ESG Principle/ SDG Alingment

Financial Inclusion

Very High

Social (S) commitment by expanding access to financial services and reducing inequality. Aligns with SDG 1 (No Poverty), SDG 8 (Decent Work & Economic Growth), SDG 10 (Reduced Inequalities).

Agribusiness

Very High

Environmental (E) & Social (S) commitment through sustainable agriculture, food security, and rural livelihoods. Aligns with SDG 2 (Zero Hunger), SDG 13 (Climate Action), SDG 15 (Life on Land), SDG 8

Education

Very High

Social (S) commitment through human capital development and access to education. SDG 4 (Quality Education), SDG 8 (Decent Work & Economic Growth), SDG 10

SME business

Very High

Social (S) & Governance (G) commitment through economic empowerment, job creation, and responsible lending. Aligns with SDG 8 (Decent Work & Economic Growth), SDG 9 (Industry, Innovation & Infrastructure), SDG 1

Digitisation

High

Governance (G) & Social (S) commitment through digital transformation, efficiency, data security, and access. Aligns with SDG 9 (Industry, Innovation & Infrastructure), SDG 16 (Peace, Justice & Strong Institutions), SDG 8

Economic Performance

High

Governance (G) commitment through financial sustainability, resilience, and value creation. Aligns with SDG 8 (Decent Work & Economic Growth), SDG 9 (Industry, Innovation & Infrastructure)

Diversity, Equity & Inclusion

High

Social (S) commitment through fairness, equality, and inclusive workplace practices. SDG 5 (Gender Equality), SDG 10 (Reduced Inequalities), SDG 8

Energy Efficiency & Renewables

High

Environmental (E) commitment through emissions reduction and transition to clean energy. SDG 7 (Affordable & Clean Energy), SDG 13 (Climate Action)

Health & Safety

High

Social (S) commitment through employee wellbeing and safe working conditions. SDG 3 (Good Health & Well-being), SDG 8 (Decent Work & Economic Growth)

Sustainable Procurement

Moderate

Governance (G) & Environmental (E) commitment through responsible supply chain management and ethical sourcing. SDG 12 (Responsible Consumption & Production), SDG 16 (Peace, Justice & Strong Institutions), SDG 13

## Transition plan

### Our transition plan focuses on two key areas:

- Decarbonising our Operations (Mitigation): Reducing Scope 1 and 2 emissions through energy efficiency and a transition to renewable energy (aligned with SDG 7 & 13).
- Enabling Client Transition (Adaptation & Mitigation): Growing our sustainable finance portfolio to support clients in their transition to a low-carbon, climate-resilient economy, a key opportunity identified under IFRS S2.

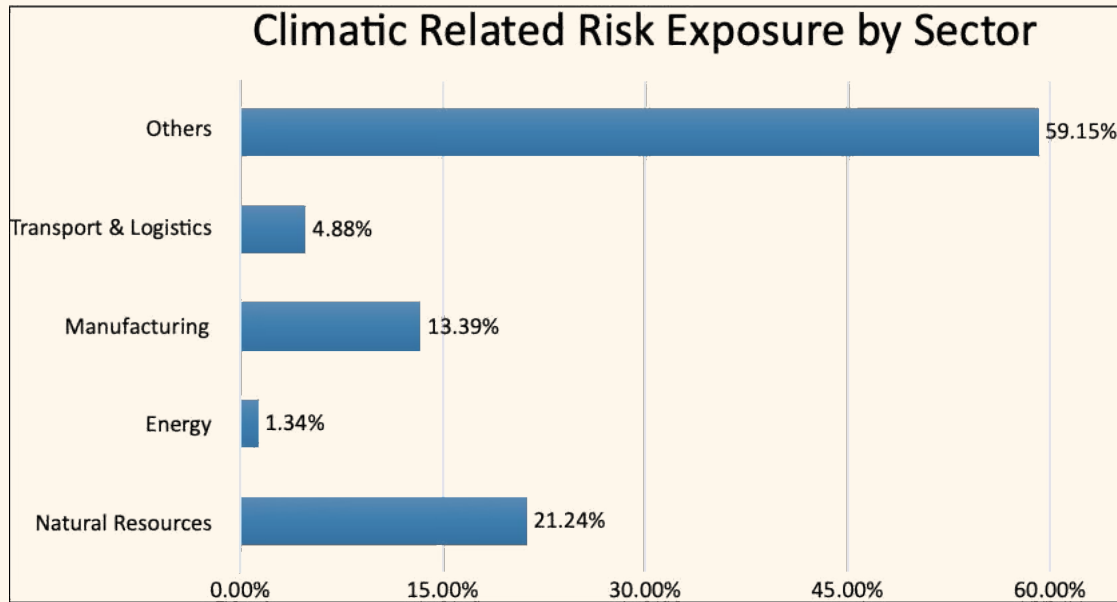


## Targets and milestones

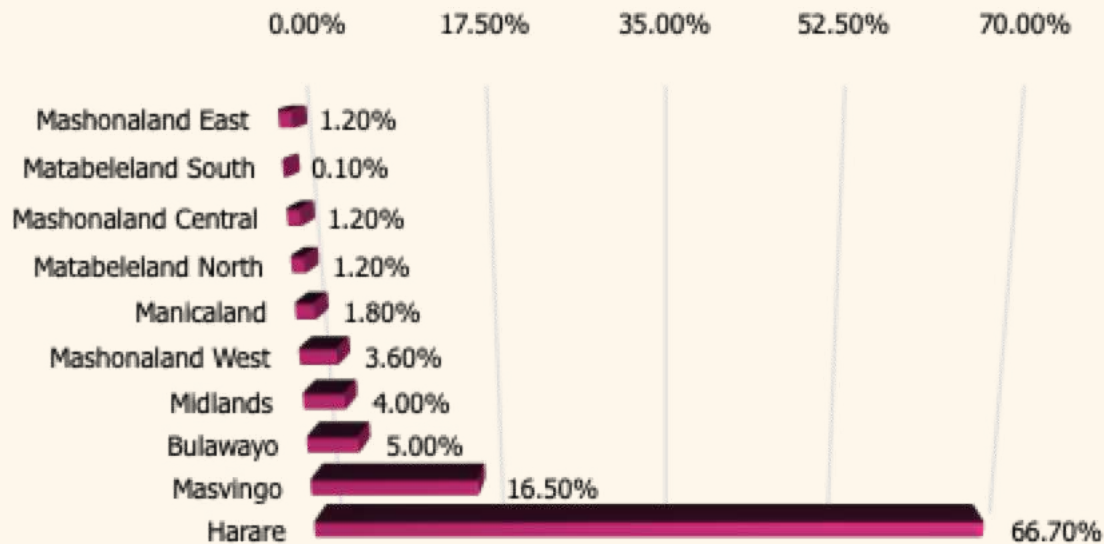
The Bank has established a set of measurable ESG targets that guide our environmental performance trajectory and support our transition toward a more resource efficient and climate resilient business model. These targets reflect our material priorities, namely emissions management, operational efficiency, and responsible resource use and are embedded into our annual sustainability planning cycle.



### Climate Related Risk Exposure by sector (% of loan book)



### Geographic climate risk exposure (% of loan book)



## 5. Risk Management

### 5.1 Climate Related Risks

Climate-related risks are identified through horizon scanning, sector/geographic heat-maps, and counterparty due diligence; assessed using qualitative and quantitative indicators; and regular reporting to Management, the BRC and the Board. Climate factors are integrated into credit underwriting (e.g., ESG covenants), collateral evaluation and portfolio monitoring.

#### Physical Risks

**Acute:** cyclone-linked disruptions in Manicaland; urban outages increasing generator reliance; flood risk affecting collateral values.

**Chronic:** drought stress in agriculture exposures (Lowveld and Mashonaland), and heat stress for manufacturing clients (Bulawayo/Gweru).

**Transition risks:** Policy/regulatory changes (e.g., climate bill and reporting expectations), technology shifts (client migration to solar), and market expectations (wholesale funders' ESG requirements).



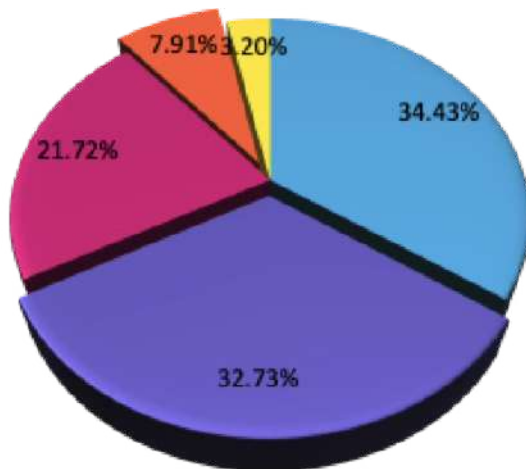
## 5.2 Scenario Analysis and Climate Resilience

In line with the requirements of IFRS S2 and the RBZ Climate Risk Management Guideline, BancABC has undertaken its first qualitative climate-related scenario analysis to assess the resilience of our strategy and business model to different climate-related futures. This exercise helps us understand potential risks and opportunities that could emerge over the short, medium, and long term.

### Scenario Description

- Climate policies are delayed until 2030, followed by sudden and aggressive regulatory intervention to meet global climate targets.
- Strong global and regional climate action drives rapid investment in green technologies and sustainable finance.
- Increasing frequency of extreme weather events (cyclones, floods, droughts) within a short timeframe (1–5 years).
- Gradual but persistent climate change impacts (temperature rise, water stress) affecting long-term economic productivity.
- Instability in energy systems during the transition to renewables creates power supply volatility and cost shocks.

### Climate sensitive sectors against total loan book



● Mining ● Agriculture ● Manufacturing ● Transport & Logistics ● Agro-processing

### Key Climate Drivers

- Rapid introduction of carbon taxes, emission caps, mandatory ESG disclosures
- Sharp increase in energy costs
- Sudden re-pricing of carbon-intensive assets
- Severe drought cycles
- Flooding in urban and agricultural zones
- Increased temperature variability
- Rising average temperatures
- Declining water availability
- Reduced agricultural yields over time
- Large-scale renewable energy investments, green infrastructure development
- Strong ESG-linked capital flows
- Preferential funding for sustainable assets
- Grid instability
- Rising electricity tariffs
- Slow renewable infrastructure rollout





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Scenario	Description	Key Climate Drivers	Impact on Zimbabwe	Impact on BancABC Portfolio	Strategic Implications	Resilience Assessment	Mitigations Already in Place by BancABC
Orderly Transition (Net Zero 2050)	Immediate, coordinated climate action limits warming to ~1.5°C	Carbon taxes, ESG regulation, technology shift	Higher compliance costs; shift to low-carbon economy	Transition risk in carbon-intensive sectors; growth in green finance demand	Scale sustainable finance; support client transition	Moderate –High resilience	Green loans ≥5% of portfolio achieved- ESG risk assessments integrated into approvals- Sustainable finance strategy in place
Hot House World (>3°C)	Limited policy action leads to severe warming and physical risks	Droughts, floods, heatwaves	Agricultural decline; infrastructure stress	High defaults in agriculture; collateral degradation	Reassess sector exposure; strengthen adaptation financing	Low resilience	Climate risk identified in agriculture (20% exposure)- Sector monitoring in place- Initial climate risk integration in credit processes
Delayed Transition (Disorderly)	Late action followed by sudden regulatory shock	Rapid carbon pricing; policy shifts; asset repricing	Sudden cost increases; regulatory disruption	SME distress; stranded assets; credit volatility	SME distress; stranded assets; credit volatility	Moderate–Low resilience	ESG due diligence embedded in credit underwriting- Board Risk Committee oversight of transition risks
Net Zero Opportunity (Green Growth)	Strong climate action drives green investment	Renewable expansion; ESG capital flows	Growth in solar, climate-smart agriculture	Increased demand for green loans; improved asset quality	Scale green finance products; expand SME sustainable lending	High resilience (opportunity)	Solar rollout initiated (branches and kiosks)- Green lending already active- Sustainable finance targets established
Acute Physical Risk (Extreme Events)	Increased frequency of severe weather events	Cyclones, floods, droughts	Crop failure; infrastructure damage	Agricultural defaults; collateral value decline; operational disruptions	Strengthen stress testing; enhance adaptation support	Low resilience without adaptation	Climate risks mapped geographically (e.g., drought regions)- Collateral risk awareness incorporated- Business continuity considerations emerging
Chronic Climate Degradation	Gradual long-term climate deterioration	Rising temperatures; water scarcity	Reduced productivity; rural decline	Gradual credit deterioration; sectoral shifts	Rebalance portfolio; integrate long-term climate risk	Moderate resilience	Materiality assessment includes climate risks- Strategic focus on resilience and sustainability
Energy Transition Disruption	Instability during energy transition	Grid instability; rising tariffs	Power shortages; reliance on diesel	Increased operating costs; SME profitability pressure	Increased operating costs; SME profitability pressure	Increased operating costs; SME profitability pressure	Solar pilot projects underway- Energy efficiency initiatives (paper reduction, digitisation)- Scope 2 emissions identified as key driver

## 6. Metrics and Targets

### Performance highlights (2025).

Year 1 of formalised ESG tracking established a baseline and delivered progress in sustainable finance and operational initiatives.

Metric 2025	Target	Status at Q4 2025	Commentary
% of Portfolio to Green Loans	5% of total loans	Compliant & On Track	Target achieved, primarily driven by SUSCO facilities enabling water-efficient irrigation.
ESG Risk Assessments in Approvals	60% integration	In Place (Partially Embedded)	On track; full automation planned for 2026.
Solar-Powered Branches	25% by 2028	Pilot Phase Initiated	Solar at kiosks (Mbare, Makaha, Kamativi); Chiredzi on solar backup; HQ solar plant budgeted for 2026.
	50% reduction by 2026	Aggressive Pursuit	60% of internal processes automated; credit & international banking next.
	5% annual reduction	Initiated	Water harvesting and xeriscaping started; greywater feasibility underway.



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## Greenhouse Gas (GHG) inventory (2025)

We compile GHG emissions in accordance with the Greenhouse Gas Protocol.

Emission Source	Activity Data	Emission Factor	Emissions (kgCO <sub>2</sub> e)
Petrol & Diesel (generators & pool cars)	82,669 litres	2.68 kgCO <sub>2</sub> e/litre	221,552.92
Electricity (Scope 2, location-based)	1,037,756.29 kWh	0.85 kgCO <sub>2</sub> e/kWh	882,092.85
Total Emissions			1,103,645.77

### Key Assumptions:

- Assuming Emission Factor for Electricity is 0.85 kgCO<sub>2</sub>e/kWh; Source – (ESRS 2 BP-2, value chain estimation)
- Assuming emission factor for fuel is 2.68 kgCO<sub>2</sub>e per litre – Source IPCC AR4 GWP guidelines.

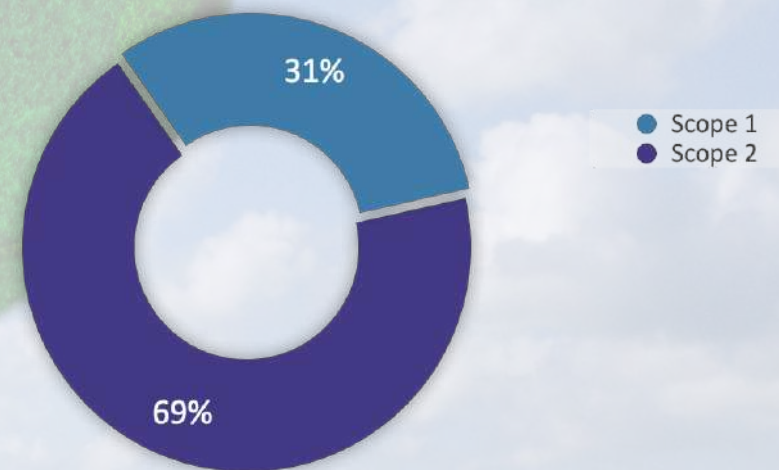
Total operational carbon footprint (Scopes 1–2) is 1,103,645.77 kgCO<sub>2</sub>e (~1,103.65 tCO<sub>2</sub>e). As a financial institution, purchased electricity (Scope 2) represents 79.93% of total emissions. Our decarbonisation levers prioritise electricity consumption reduction and renewable electricity adoption.

### Current and Anticipated Financial Effects

The organisation continuously assesses the current and potential financial implications of climate-related risks and opportunities across its operations and portfolio. While quantitative measurement remains subject to evolving methodologies and data availability, indicative ranges and directional impacts are monitored to support prudent risk management and strategic decision-making.

In line with emerging sustainability reporting practices, the institution applies forward-looking risk assessments and scenario analysis to identify potential financial exposures and inform mitigation strategies.

### GreenHouse Gas Emissions



Impact Area	Current / Potential Financial Effect	Bank's Approach
Credit Impairment Risk	Potential increases in expected credit losses (ECL) in climate-sensitive sectors and geographically vulnerable provinces under higher-warming scenarios.	Potential increases in expected credit losses (ECL) in climate-sensitive sectors and geographically vulnerable provinces under higher-warming scenarios.
Collateral Valuation Risk	Increased volatility in collateral values in regions exposed to flooding and other physical climate hazards, potentially affecting loan security coverage.	Adoption of more conservative collateral haircuts and integration of climate hazard screening in property valuation processes.
Operating Costs	Potential increase in operational expenditures associated with energy price volatility, business continuity disruptions, and extreme weather events. Additional investment is also required to strengthen data governance, climate risk analytics, and internal control frameworks.	Investment in resilience planning, energy efficiency measures, and enhanced climate risk data management systems.
Capital Expenditure	Incremental capital allocation for climate resilience initiatives, including renewable energy deployment and physical infrastructure upgrades.	Phased investment programme focused on solar energy installations, energy-efficient infrastructure, and branch resilience against climate disruptions.



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