From Aspiration to Action: Advancing Responsible Banking in Zambia

Building Tomorrow's Banking Today for Sustainable Finance.

BANKING SECTOR ANALYSIS | 2025

ImpactVisible

About the Author

Patrick Mumbi Ng'ona is the Founder and Managing Director of ImpactVisible Consultancy Limited, Zambia's pioneering sustainability and impact measurement & management firm. With over 20 years experience leading impact initiatives across Africa and the United Kingdom, Patrick combines financial expertise with sustainability leadership to help organisations transform social and environmental commitments into measurable outcomes.

A Chartered Certified Accountant (ACCA) with a Master's in Evaluation from Claremont Graduate University (USA), Patrick holds advanced sustainability credentials including certifications in Climate & Investing (CFA Institute, UK), the Greenhouse Gas Protocol, and Sustainability Leadership (Imperial Business School, (UK). He is an accredited SDG Impact Standards Trainer and certified consultant in Accelerated Low Carbon Transition (ACT) Methodologies.

His extensive international experience includes significant contributions to sustainability initiatives through his work with prominent UK government departments including the Foreign, Commonwealth & Development Office (FCDO), the Department for International Development (DFID), and the Department for Environment, Food & Rural Affairs (DEFRA). In these roles, Patrick was instrumental in developing and implementing policies focused on sustainable development, environmental conservation, and climate resilience.

Prior to his tenure in the United Kingdom, Patrick gained extensive experience in the private sector and international non-governmental organisations (NGOs) across Southern Africa. He also worked in Zambia, Botswana, and South Africa. This diverse experience, combined with his advanced sustainability credentials enables him to provide strategic guidance to financial institutions on implementing effective ESG frameworks and sustainability strategies.

Executive Summary

From Aspiration to Action: Advancing Responsible Banking in Zambia

Zambia's banking sector is at a pivotal moment, balancing economic growth imperatives with mounting climate risks. This report evaluates the sector's alignment with the UNEP Principles for Responsible Banking (PRB) and assesses progress toward sustainable banking practices. The findings reveal a sector in transition, where aspirations for sustainability must evolve into concrete action.

Current Performance Overview

The assessment of seven leading Zambian banks indicates an average PRB compliance score of 4.1/10, demonstrating both emerging sustainability initiatives and critical gaps. Key findings include:

- **Strategic Alignment (5.6/10)** – While some banks integrate sustainability into governance and risk management, most focus on basic compliance rather than transformative sustainability initiatives.
- **Impact & Target Setting (4.0/10)** – Although banks recognise priority areas, only a few have set clear, actionable sustainability targets.
- **Client Engagement (2.4/10)** – Limited engagement with clients on sustainable finance, with only 14% of banks offering green finance products.
- **Stakeholder Engagement (4.9/10)** – While regulatory interaction exists, proactive partnerships with sustainability-focused stakeholders remain underdeveloped.
- **Governance & Culture (3.1/10)** – With only 29% of banks establishing board-level sustainability committees, governance remains weak.
- **Transparency & Accountability (4.7/10)** – Although some banks have adopted international frameworks, 71% require stronger sustainability reporting.

4.1/10

Performance Score

Challenges and Barriers

Despite growing awareness of sustainability imperatives, banks face key structural and operational challenges:

1. **Limited ESG Governance Structures** – Few banks have dedicated sustainability committees nor have they integrated ESG into risk frameworks.
2. **Lack of Sustainable Finance Innovation** – Green finance offerings remain underdeveloped, restricting access to climate-aligned investment opportunities.
3. **Weak Data & Impact Measurement** – Banks struggle with baseline ESG data collection and impact tracking, hampering long-term sustainability planning.
4. **Regulatory Gaps & Policy Constraints** – The absence of standardised sustainability reporting requirements slows industry-wide adoption of best practices.

Priority Recommendations

For Banks

1. **Enhance ESG Governance & Risk Management** – Establish board-level sustainability committees, embed ESG factors in risk assessments, and mandate sustainability training for executives.
2. **Strengthen ESG Reporting & Transparency** – Adopt global disclosure standards (GRI, TCFD, IFRS S1 & S2) and develop standardised ESG impact metrics.
3. **Expand Sustainable Finance & Green Investment** – Develop climate-aligned products, align financial offerings with Zambia's Green Growth Strategy (2024-2030), and create clear action plans for green projects.
4. **Increase Stakeholder & Client Engagement** – Implement structured ESG policies, engage clients on sustainability-linked financing, and integrate customer feedback into sustainability strategies.
5. **Adopt Impact Measurement & Target Setting** – Establish baseline ESG data, set SMART (Specific, Measurable, Achievable, Relevant, Time-bound) targets, and create robust impact tracking frameworks.

For Policy Makers

1. **Develop a National Green Finance Taxonomy –** Align Zambia's sustainable finance classification system with global best practices.
2. **Strengthen Sustainability Regulations –** Mandate sector-wide ESG disclosures and introduce incentives for banks adopting green finance principles.
3. **Enhance Supervisory Guidelines –** Require banks to incorporate climate risk assessment into core risk management frameworks.

Looking Ahead

The next 24-36 months will be critical for Zambia's banking sector. Banks that take a proactive approach to sustainable finance will better position themselves to capture new opportunities, mitigate risks, and support Zambia's transition to a low-carbon economy. By following this roadmap, the industry can move beyond aspiration and toward concrete, measurable action, ensuring that the banking sector serves as a catalyst for sustainable development in Zambia.

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Introduction

From Aspiration to Action: Advancing Responsible Banking in Zambia

Zambia's economic landscape presents a complex challenge: the need to drive robust economic growth while effectively addressing mounting climate change risks. The banking sector holds a unique strategic position to catalyse sustainable development by directing capital flows toward green, low-carbon initiatives. However, the sector remains largely at an early stage in adopting sustainable banking practices, with substantial gaps in ESG integration, impact measurement, and client engagement.

This report, "*Building Tomorrow's Banking Today: A Vision for Sustainable Finance in Zambia*," serves a dual purpose—providing a comprehensive analytical assessment of the current state while acting as a strategic catalyst for transformation. It evaluates seven major banks using the UNEP FI Principles for Responsible Banking (PRBs) as the analytical framework, identifying key strengths, weaknesses, and opportunities for reform. With an average sector-wide PRB compliance score of 4.1/10, the findings highlight that while progress is being made, Zambia's banking industry must transition from aspiration to concrete action to achieve sustainable finance objectives.

Context and Purpose

The Responsible Banking Framework

The UNEP FI Principles for Responsible Banking (PRBs) provide the analytical backbone for this assessment. While formal adoption of these principles remains limited among local banks, primarily confined to subsidiaries of international institutions, they offer an invaluable blueprint for integrating sustainability into banking. This framework establishes clear benchmarks for:

- Climate resilience and adaptation
- Biodiversity conservation
- Inclusive economic growth
- Human rights and social responsibility
- Environmental stewardship

Despite widespread acknowledgment of these principles, full PRB alignment remains limited. Achieving sector-wide adoption will require sustained commitment, regulatory support, and capacity building.

Zambia's Banking Landscape

The sector demonstrates notable resilience, evidenced by significant asset growth and financial stability. However, structural limitations persist, particularly in:

- **Green finance capabilities** – Only a minority of banks have launched sustainable finance products.

- **Climate risk management systems** – No banks have fully integrated climate risk into their risk assessment frameworks.
- **Stakeholder engagement** – A significant gap exists in how banks engage clients on ESG-aligned products.

These challenges reflect the broader difficulty of aligning sustainability objectives with traditional banking models. Nevertheless, leading institutions have begun making strategic progress in integrating ESG considerations into governance, risk assessment, and disclosure practices.

The Road Ahead: A Sector Poised for Transformation

This report sets the stage for a transformative period in Zambia's financial sector. Advancing responsible banking is an ongoing journey that, if executed effectively, will yield long-term economic, social, and environmental benefits. The following chapters provide an in-depth examination of current practices, challenges, and opportunities, culminating in actionable recommendations for accelerating the sector's sustainable transformation.

By embracing international best practices while adapting them to local market realities, Zambia's banking sector has an opportunity to become a regional leader in sustainable finance. The time for action is now!

Current Performance

Sector current performance on the six PRBs is as follows:

56%

Strategy Alignment

The majority of institutions remain focused on basic compliance rather than strategic integration of sustainability principles

40%

Impact & Target Setting

Most set targets lacked specific timelines, SMART criteria, and connection to core business.

24%

Client Engagement & Innovation

Weak performance stems from insufficient sustainable client engagement and few sustainable finance products.

49%

Stakeholder Engagement

Most lack structured stakeholder identification processes, and do not show clear linkages between stakeholder input and strategic action.

31%

Governance & Culture

Most lack established dedicated board-level sustainability committees

47%

Transparency & Accountability

The sector broadly lacks robust systems for tracking and measuring sustainability impact

Methodology

This study employed a comprehensive evaluation approach combining both quantitative and qualitative methods to assess sustainable banking practices. The assessment framework was built upon UNEP FI Responsible Banking Principles (PRB) while incorporating elements from Zambia National Green Growth Strategy 2024 -2030 and the Zambia Eighth National Development Plan.

1. Data Collection and Sources

This assessment is based on publicly available information extracted from the annual reports of seven Zambian banks. These banks were chosen because their reports are publicly available and contain ESG/Sustainability information. Included in the sample were:

- **Absa Bank Zambia** 2022 Annual Report.
- **FNB Zambia** 2023 Annual Report.
- **Indo Zambia Bank** 2023 Annual Report .
- **Stanbic Bank Zambia** 2023 Annual Report.
- **Standard Chartered Bank Zambia** 2023 Annual Report .
- **Zambia National Commercial Bank PLC (Zanaco)** 2023 Integrated Annual Report.
- **Zambia Industrial Commercial Bank (ZICB)** 2023 Annual Report.

2. Framework for Analysis

The assessment follows the UNEP FI Principles for Responsible Banking (PRB), which include six key principles:

1. Strategic Alignment
2. Impact Analysis and Target Setting
3. Client Engagement on Sustainability
4. Stakeholder Engagement & Partnerships
5. Governance and Culture
6. Transparency and Accountability

3. Scoring System

Each bank is evaluated on a 0-10 scale for each PRB principle, where:

- 0-3 – Little or no evidence of PRB integration.
- 4-6 – Some progress, but gaps remain.
- 7-9 – Strong PRB alignment with clear impact measurement and target-setting.
- 10 – Best-practice implementation in line with leading international banks.

The scoring is based on the banks' disclosures in their annual reports.

4. Comparative Benchmarking

The assessment includes a benchmarking component, comparing the performance of Zambian banks to Standard Bank Group, a PRB signatory that has reported on its PRB compliance. This provides a reference for best practices.

5. Limitations

The analysis relied solely on publicly available information from banks annual reports. Where data was incomplete or ambiguous, no assumptions were made. The assessment does not include confidential or non-public sustainability strategies banks may have.

This methodology ensures that the PRB compliance assessment is objective, transparent, and replicable, providing a robust comparison of Zambian banks' sustainability performance.

Aligning Banking Strategy with Sustainable Development

Aligning banking business strategy with society's broader goals forms the foundation of responsible banking practice. This alignment is crucial as it enables banks to drive positive impact through their core business while managing risks and seizing opportunities. Leading global banks demonstrate this through board-level sustainability governance, robust ESG frameworks, and concrete sustainable finance targets. The assessment reveals an average score of 5.6/10, with leading institutions scoring up to 8.2/10. The sector shows particular strength in strategy alignment but faces challenges in business model integration and sustainability framework adoption. Many lack comprehensive sustainability frameworks and climate risk management.

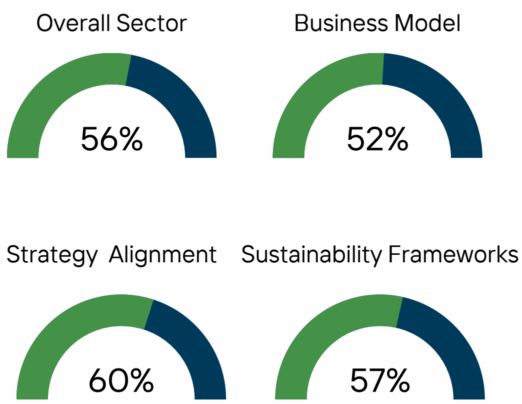
Current State

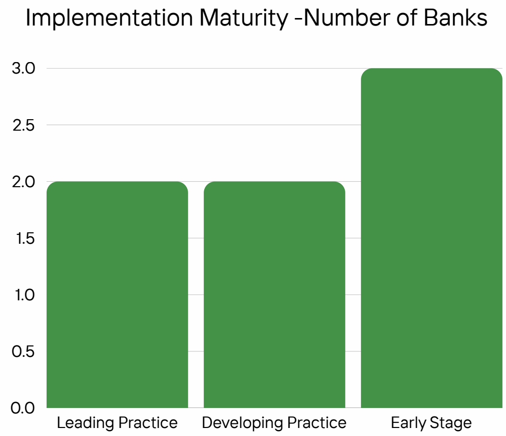
Leading practice banks (2 banks scoring 7-8.2/10) demonstrate strong alignment with international frameworks including the Paris Agreement and SDGs. These banks have established board-level sustainability committees, robust ESG reporting systems, and clear climate risk assessment methodologies.

Developing practice banks (2 banks scoring 5-6.9/10) show emerging commitment through digital innovation and SME financing but exhibit incomplete sustainability integration. These banks typically reference SDGs in their strategies but lack comprehensive implementation plans with measurable targets. While they may recognise the importance of sustainability, their ESG reporting remains limited with partial framework adoption.

Early stage banks (3 banks scoring below 5/10) display minimal sustainability integration in their business models and strategies. These banks show limited to no adoption of international sustainability frameworks, with one bank scoring as low as 1.0 on strategy alignment. They typically lack dedicated sustainability governance structures and show minimal portfolio transparency regarding environmental and social impacts.

references to ILO Conventions or UN Global Compact. Climate risk assessment capabilities remain underdeveloped across 71% of institutions.





Strengths

- Leading banks demonstrate strong commitment to sustainability with comprehensive integration into strategy
- Digital banking innovation provides a platform for expanded financial inclusion
- Growing recognition of climate-related financial risks and opportunities
- Emerging sustainable finance products in specific market segments

71%
Lack Portfolio Transparency

71%
Inadequate climate risk integration

29%
Demonstrate comprehensive alignment

86%
Insufficient green product development

Challenges

- **Limited Portfolio Transparency:** 57% of banks provide insufficient breakdowns of sectoral and demographic lending portfolios, hindering assessment of their sustainability impact.
- **Inconsistent Adoption of International Frameworks:** Only 29% of banks demonstrate comprehensive alignment with standards like TCFD, UN Global Compact, and ILO Conventions.
- **Weak ESG Integration in Risk Management:** Most institutions lack structured approaches to incorporate environmental and social risks into lending decisions.
- **Underdeveloped Climate Risk Assessment:** 71% of banks show minimal capabilities for measuring climate-related financial risks in their portfolios.
- **Gap Between Commitments and Implementation:** Several banks reference sustainability in strategy but lack concrete action plans with measurable targets.
- **Limited Sustainable Finance Product Innovation:** Few banks have developed comprehensive sustainable finance offerings beyond basic green initiatives.
- **Insufficient Governance Structures:** Most banks lack dedicated sustainability committees or clear executive accountability for ESG performance.

Impact Analysis and Target Setting

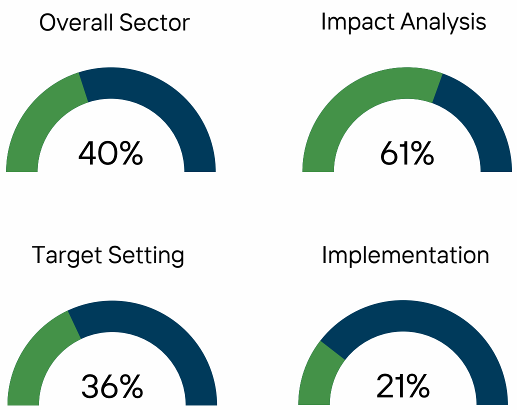
Leading banks are rigorously assessing their impacts, engaging stakeholders, and setting ambitious targets. They identify their most significant positive and negative impacts across their portfolios. and use stakeholder feedback to help prioritise key impact areas. Science-based targets are then set, with clear strategies and resources to achieve them. Our assessment reveals a sector at a crossroads. With an average score of 4.0/10, significant work lies ahead. By rigorously assessing impacts, engaging stakeholders, setting science-based targets, and transparently reporting progress, Zambian banks can seize this opportunity to drive sustainable development.

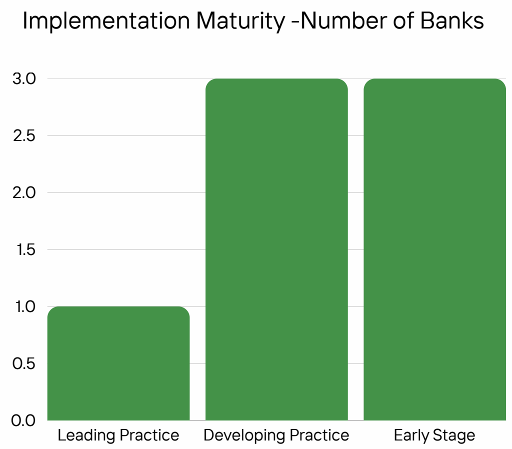
Current State

The **leading practice bank** has clearly identified priority impact areas including climate action and financial inclusion, and shows stronger alignment between these impacts and established targets. While representing the sector's current best practice, even this institution faces significant challenges in implementation and progress monitoring and baseline data remains absent.

Developing practice banks (3 banks) have established foundational impact assessment processes but struggle with implementation. These banks typically identify key impact areas but show limited evidence of comprehensive target-setting frameworks. They have begun forming strategic partnerships with government agencies and NGOs for initiatives like tree planting and SME support. Their implementation scores of 2-3/10 indicate that progress monitoring remains particularly challenging, with minimal documentation on how impact assessment shapes strategic decisions.

Early stage banks (3 banks) remain in the initial phases of impact analysis and target setting development, scoring between 1-5/10 for impact assessment. These banks exhibit minimal impact area identification beyond basic sustainability mentions, with one bank showing no evidence of structured impact analysis. Their overall scores are below 3.3/10. The available data suggests these banks approach sustainability through isolated corporate social responsibility (CSR) activities rather than strategic impact management. Documentation of target setting practices is minimal, with no evidence of baseline data or progress monitoring systems.





Challenges

Data and Measurement Gaps
Zambian banks lack baseline data for sustainability targets, undermining progress validation and impact measurement. Weak measurement systems, inconsistent methodologies, and poor data quality further hinder effective tracking.

Implementation Hurdles
Most set targets lacked specific timelines, SMART criteria, and connection to core business. Detailed implementation planning and robust progress tracking systems were absent and there was no evidence of strategic adjustments based on performance.

Resource and Capacity Constraints
Banks face limited in-house sustainability expertise, insufficient training, and lack of specialised skills. Operational resources, including data systems, dedicated staff, and budget, are inadequate.

Strategic Alignment Challenges
Sustainability is often treated as an add-on rather than integral to risk assessment, product development, and business objectives. Engagement with key stakeholders, including affected communities, other financial institutions, and regulators, are limited.

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Engaging Clients in Sustainability

Globally, leading banks are setting new standards in client engagement on sustainability. They are developing sector-specific transition frameworks, offering sustainability-linked loans with preferential rates, providing technical assistance on low-carbon transitions, and measuring financed emissions. Many have established dedicated sustainable finance teams and are using digital tools to track client sustainability progress. Zambia's vulnerability to climate impacts makes it essential for banks to guide clients toward climate-resilient business practices. The assessment reveals a total average score of 2.4/10. This shows a significant gap in implementing responsible banking practices around client engagement.

Current State

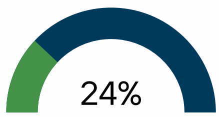
No bank has yet developed explicit policies for engaging clients on sustainability or established formal frameworks for sectors with high negative impacts. Even the leading institutions lack structured approaches to measuring client sustainability progress or providing sustainability-linked incentives.

Developing practice banks show initial steps toward sustainability engagement but lack formal policies. The analysis shows two banks mention some ESG-related engagement with scores of 5-6/10, but neither has developed explicit client engagement policies or sector-specific approaches. They demonstrate ESG integration in stakeholder engagement and risk assessment, but lack structured frameworks for client sustainability engagement.

Early stage banks, representing the majority of institutions analysed, show little to no evidence of client sustainability engagement. Some mention ESG in their strategy but without clear client engagement linkages, while others get involved in community sustainability projects but do not describe client engagement processes.

This contrasts sharply with global trends where leading banks have established comprehensive client engagement frameworks, dedicated sustainable finance teams, and clear metrics for tracking client sustainability progress. The gap represents both a challenge and opportunity for Zambia's banking sector.

Overall Score



Implementation Maturity -Number of Banks

Challenges

Structural and Policy Gaps.
The banking sector shows significant structural weaknesses in sustainability integration, with no formal policies or frameworks for sustainability-focused client engagement. This creates a systemic barrier to implementing sustainable banking practices, particularly in high-impact sectors like mining and agriculture where environmental and social risks are most acute.

Limited Technical Capability.
There is a critical shortage of sustainability expertise within banks, evidenced by the absence of dedicated training programs and specialised ESG advisory teams. This technical capacity gap severely limits banks' ability to effectively guide clients through sustainable transitions.

Product Development Constraints
The sector demonstrates minimal innovation in sustainable finance products, with only one bank reporting sustainability partnerships. The absence of green loans, sustainability-linked products, and climate finance instruments indicates a significant gap in meeting evolving market demands.

Inadequate Impact Measurement
Banks lack robust systems for tracking and measuring sustainability impact, particularly in areas like financed emissions and client sustainability progress. Without proper measurement frameworks, it becomes challenging to assess the effectiveness of sustainability initiatives.

Stakeholder Engagement: Building Partnerships for Impact

Stakeholder engagement encourages banks to systematically identify, engage with, and respond to stakeholder needs while fostering partnerships for positive change. Leading international banks are forming proactive partnerships and collaborations with stakeholders to address sustainability challenges, marking a shift from reactive compliance to active engagement in sustainable and inclusive finance initiatives. Our assessment reveals significant room for improvement in stakeholder engagement practices. Two banks achieved scores of 7/10 while the rest were well below, resulting in an industry average of 4.9/10.

Current State

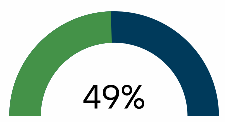
While leading banks demonstrate strong regulatory engagement, 71% lack structured stakeholder identification processes, and only 14% show clear linkages between stakeholder input and strategic action.

Leading practice banks demonstrate stronger stakeholder engagement capabilities, scoring 7/10 in our assessment. These institutions maintain more comprehensive stakeholder identification, particularly of regulatory bodies, and show evidence of engagement with diverse stakeholder groups. While their approaches represent the sector's current best practices, they still have opportunities for improvement in areas such as documenting how stakeholder input influences strategic decisions and developing sustainability-focused partnerships.

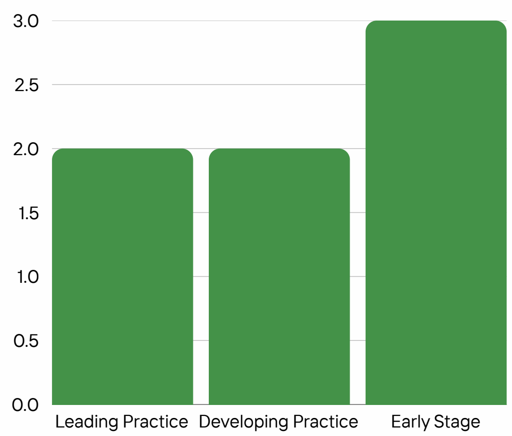
Developing practice banks (2 banks), scoring 5-6/10, identify key stakeholder groups but show less evidence of structured engagement approaches. These institutions typically demonstrate engagement with traditional stakeholders (regulators, employees, customers) while having limited interaction with sustainability-focused groups. Their stakeholder engagement appears more periodic than systematic, with limited documentation of how engagement shapes strategic direction.

Early stage banks (3 banks) remain in the early stages of stakeholder engagement development, scoring between 2-4/10. These institutions exhibit minimal stakeholder identification beyond basic regulatory requirements and shareholder communications. The available data suggests limited evidence of consultation mechanisms or integration of stakeholder feedback into business operations. Documentation of stakeholder engagement practices is minimal.

Overall Score



Implementation Maturity -Number of Banks



Challenges

- **Systematic Approaches to Stakeholder Management:** Most banks lack robust stakeholder engagement frameworks, documented identification methods, clear prioritisation criteria, and consistent mapping approaches thus limiting their ability to effectively manage diverse stakeholder relationships.

- **Integration with Strategic Decision-Making:** The sector shows minimal evidence of stakeholder feedback influencing strategic planning and decisions. Current engagement tends to be reactive rather than proactive, with consultation often occurring after key decisions have been made.

- **Cross-Sector Partnerships:** Banks demonstrate limited collaboration with other industry players, particularly in sustainability initiatives. There is notably weak engagement with fintech innovators and environmental stakeholders, resulting in missed opportunities for shared value creation.

- **Transparency and Impact Measurement:** Public disclosure of stakeholder engagement processes remains limited. Banks generally lack structured systems for documenting engagement outcomes and maintaining feedback loops, making it difficult to assess and improve engagement effectiveness.

Governance and Culture

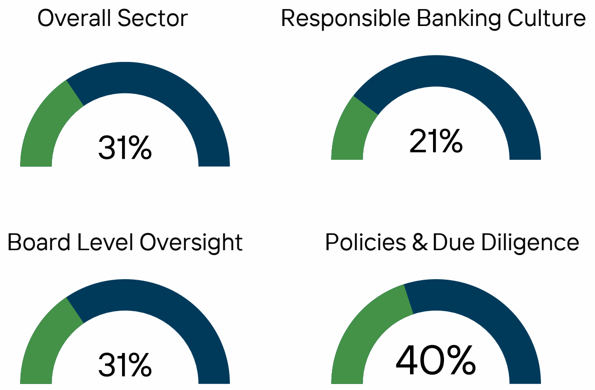
Governance and culture in sustainable banking focuses on how banks manage their environmental and social responsibilities through leadership, employee training, and risk management. Leading global banks have dedicated board-level sustainability committees, ESG-linked executive compensation, mandatory sustainability training for all staff, and robust environmental risk frameworks aligned with TCFD and Equator Principles. The Zambian banking sector shows mixed adoption with an average score of 3.1/10. While some banks have established governance structures and basic policies, significant gaps exist. No bank has reached advanced implementation levels, indicating substantial room for improvement.

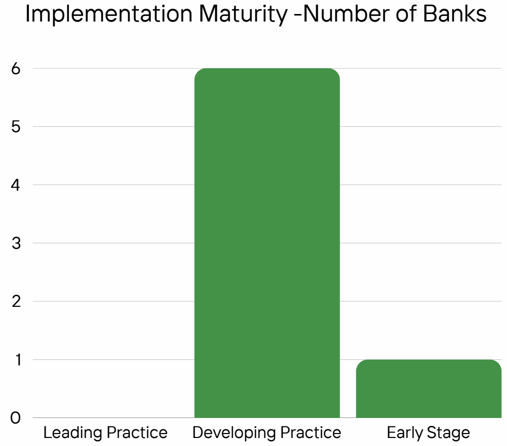
Current State

No Zambian banks currently demonstrate leading practice across all dimensions of governance and culture. While the highest-scoring bank (6.3/10) shows stronger governance structures and policy frameworks, it lacks sustainability-specific training programs and sustainability-linked remuneration. Even the highest performer falls short of the threshold for leading practice (6.7/10 points).

Developing practice banks (6 banks) show progress in specific areas but have significant gaps in others. One bank (6.3/10) has strong policies aligned with international standards but lacks specific training. Another bank (3.7/10) excels in sustainability training but has weak governance structures. The remaining banks in this category show moderate development across dimensions with varying strengths in either governance, policy or training.

One early stage bank demonstrates minimal implementation across all three dimensions. While showing basic sustainability awareness through digital banking initiatives, it lacks governance structures, sustainability training, and comprehensive environmental risk frameworks. Fundamental enhancements are required to advance its responsible banking practices.





Challenges

- **Limited Board-Level Commitment and Oversight:** 71% of banks lack dedicated sustainability committees at board level. Without clear board ownership and accountability, sustainability remains a peripheral issue rather than a strategic priority. This results in inadequate resource allocation and weak institutional support for sustainable banking initiatives.

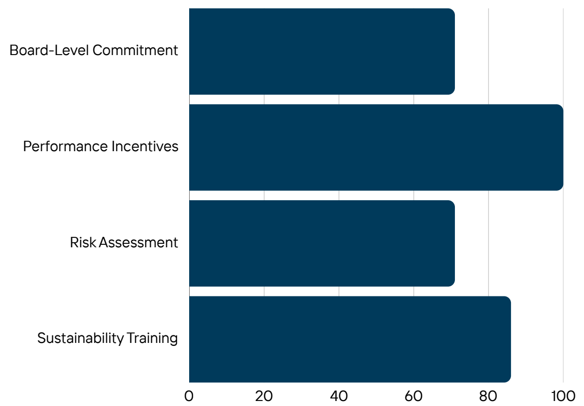
- **Absence of Sustainability Performance Incentives:** None of the assessed banks link executive or employee compensation to sustainability targets. This fundamental misalignment between reward structures and sustainability goals means there is limited motivation to drive sustainable banking practices beyond basic compliance requirements.

- **Inadequate Risk Assessment Frameworks.** Only two banks have comprehensive environmental and social risk frameworks. The majority lack structured approaches to evaluating sustainability risks in lending decisions, exposing them to unidentified environmental and social risks. This gap in risk assessment capabilities limits the integration of sustainability into core banking operations.

- **Inadequate Sustainability Training and Expertise:** 86% of banks lack documented evidence of sustainability-specific training programs. Only one bank demonstrates structured professional certification in sustainable finance, while the remainder show either no training or only general professional development unrelated to environmental and social responsibility. This significant capacity gap, particularly the absence of specialised sustainability expertise among both executives and middle management, severely hinders the banks' ability to implement sustainable banking practices effectively.

71% of banks lack dedicated sustainability committees at board level. Without clear board ownership and accountability, sustainability remains a peripheral issue rather than a strategic priority.

Challenge Severity Analysis (Percentage of Banks affected)



Transparency and Accountability

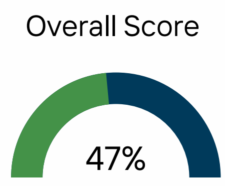
Transparency and accountability represent best practice in responsible banking, requiring clear reporting on sustainability progress, impacts, and targets. International frameworks like the IFRS Sustainability Standards now guide banks in reporting their environmental and social impacts. Leading global banks regularly disclose their sustainability performance and targets to meet growing demands from investors and regulators. Results of the assessment shows varied practices, with only one bank demonstrating comprehensive sustainability reporting through adoption of international standards. While most banks show commitment to sustainability initiatives, they lack structured reporting frameworks. The sector average score is 4.7/10 highlighting significant room for improvement.

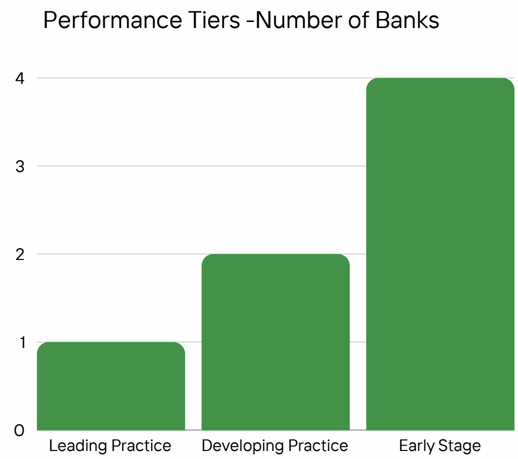
Current State

One Leading practice bank demonstrates a commitment to comprehensive sustainability reporting. It has formally adopted internationally recognised reporting standards, IFRS S1 and S2, earning a top transparency score of 9/10. This institution excels by implementing the Integrated Reporting Framework and joining initiatives like the Taskforce on Nature-related Financial Disclosures (TNFD). Its comprehensive approach includes clear sustainability targets with established metrics, enabling stakeholders to track progress against stated goals.

Developing Practice (2 Banks) have begun establishing basic sustainability reporting processes but lack the comprehensive framework adoption. One references PRB at the group level but shows limited localisation; while the other has developed environmental partnerships with WWF but lacks structured disclosure formats. Their reporting typically features general environmental initiatives without standardised metrics.

Early stage banks (4 banks) representing the majority of institutions analysed, remain at the beginning of their sustainability reporting journey. The scores ranged between 2-4/10, showing minimal framework adoption. Their disclosure tends to focus primarily on corporate social responsibility activities rather than strategic sustainability integration. They lack explicit references to sustainability reporting frameworks and have minimal governance structures supporting systematic reporting.





Challenges

Framework and Reporting
Most banks operate without standardised metrics or consistent methodologies, making it difficult to assess and compare sustainability performances across the sector.

Implementation
Banks face significant practical challenges in executing sustainability reporting. Key obstacles include limited resources and expertise, alongside difficulties in data collection and impact measurement. These operational constraints hinder the development of robust reporting systems.

System Infrastructure
The broader banking sector lacks the foundational elements needed for effective sustainability reporting. There are no sector-wide guidelines, limited regulatory requirements, and few incentives to encourage enhanced transparency. This absence of supporting infrastructure makes it challenging for individual banks to develop effective reporting practices.

Reporting Frameworks

Conclusion and Recommendations

The assessment of Zambia's banking sector against the Principles for Responsible Banking (PRB) reveals a system at a transformative crossroads. With an average compliance score of 4.1/10, the sector demonstrates both emerging efforts toward sustainable banking and critical gaps requiring immediate action. While some leading institutions have begun integrating ESG principles into governance and strategy, the majority of banks remain at the early stages of sustainability adoption.

A structured, phased approach is essential to build sustainable banking capabilities in Zambia. The sector must first establish robust governance frameworks, standardised reporting mechanisms, and ESG-aligned financial products before progressing toward full integration of responsible banking practices. Policymakers and regulatory bodies must create an enabling environment by mandating ESG disclosures, developing green finance incentives, and strengthening supervisory guidelines.

Priority Recommendations

For Banks:

1. Enhance ESG Governance and Risk Management

- Establish dedicated board-level sustainability committees to drive ESG integration.
- Embed ESG factors into risk assessment frameworks, ensuring climate risks are systematically considered in lending decisions.
- Implement mandatory sustainability training for executives and frontline staff.

2. Strengthen ESG Reporting and Transparency

- Adopt internationally-recognised reporting frameworks (GRI, TCFD, IFRS S1 & S2).
- Develop standardised ESG impact metrics to enhance comparability across the sector.
- Increase public disclosures on sustainability-linked loans, financed emissions, and climate risk exposure.

3. Promote Sustainable Finance and Green Investment

- Expand green finance products, including sustainability-linked loans and impact-driven investment portfolios.
- Align financial products with Zambia's National Green Growth Strategy (2024-2030).
- Develop clear action plans with measurable outcomes for financing climate-smart projects.

4. Increase Stakeholder and Customer Engagement & Capacity Building

- Implement structured ESG engagement policies, ensuring banks incorporate client feedback into sustainability strategies.
- Establish sector-wide sustainability partnerships with industry regulators, development finance institutions (DFIs), and local communities.
- Develop structured ESG training programs for executives, risk officers, and frontline staff.
- Ensure sustainability training is mandatory for board-level and risk management personnel.
- Partner with regulators, DFIs, and sustainability bodies to build capacity across the sector.

5. Adopt Impact Measurement and Target Setting

- Collect baseline ESG data and use SMART targets (Specific, Measurable, Achievable, Relevant, Time-bound) to track progress.
- Regularly evaluate and disclose impact performance to investors, regulators, and customers.

For Policymakers and Regulators:

1. Develop a National Green Finance Taxonomy

- Establish a Zambian green finance framework aligned with international best practices to guide sustainable investments.

2. Strengthen Sustainability Regulations

- Mandate ESG disclosures across all financial institutions to improve transparency.
- Develop incentive structures (e.g., tax reliefs, concessional financing) for banks that integrate sustainability into lending.

3. Enhance Supervisory Guidelines

- Require banks to incorporate sustainability governance within risk management frameworks.
- Set clear regulatory expectations for climate risk stress testing in the financial sector.

Implementation Roadmap

First 12 Months:

- Establish governance structures and board-level ESG committees.
- Adopt standardised ESG reporting (GRI, TCFD, IFRS S1 & S2).
- Launch pilot green finance products, including sustainability-linked loans.
- Initiate sector-wide ESG capacity-building programs.

12-24 Months:

- Expand sustainable banking offerings and develop ESG risk models.
- Enhance regulatory frameworks, ensuring mandated ESG disclosures.
- Strengthen industry-wide capacity-building initiatives for sustainability.

Beyond 24 Months:

- Scale green finance innovations and impact-driven banking strategies.
- Fully integrate ESG into risk management and lending portfolios.
- Establish Zambia as a regional leader in sustainable finance.

Call to Action

The time for action is now. With clear priorities established and a structured implementation pathway defined, Zambia's banking sector can move confidently from aspiration to action. By aligning financial systems with responsible banking principles, banks will not only manage emerging risks and unlock new growth opportunities but also play a pivotal role in achieving Zambia's sustainable development goals.

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