Shelter Afrique Development Bank (ShafDB)

SUSTAINABLE FINANCE FRAMEWORK

Green, Social & Sustainability Bonds

ShafDB

Banque de Développement Shelter Afrique

Financement de logements abordables et des infrastructures urbaines en Afrique.

Shelter Afrique Development Bank (ShafDB) Sustainable Finance Framework

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1. Introduction

1.1. Shelter Afrique Development Bank (ShafDB) Overview

Shelter Afrique Development Bank ("Shelter Afrique," or "ShafDB") is the only pan-African multilateral development finance institution dedicated exclusively to financing affordable housing and urban development across Africa. Established in 1982 as the Company for Housing and Habitat in Africa, the Bank operates as an international organization with juridical personality and financial autonomy, mandated to support sustainable housing and urban infrastructure development across its member states.[1]

The Bank is owned by **44 African governments**, alongside institutional shareholders including the **African Development Bank (AfDB)** and the **African Reinsurance Corporation (Africa-Re)**, reflecting its unique role as a continental platform for mobilizing capital to address Africa's housing deficit.[2]

Shelter Afrique Development Bank (ShafDB) provides a range of financial and advisory solutions to support the housing ecosystem across Africa, including:

- Project finance for residential and mixed-use developments
- Lines of credit to financial institutions for mortgage finance and housing projects finance
- Equity investments in housing development platforms
- structured financing instruments
- Technical advisory services to governments and housing sector stakeholders
- Development impact positioning and ESG Relevance for projects being financed

Through these instruments, Shelter Afrique Development Bank (ShafDB) supports both the **supply side and demand side of the housing value chain**, enabling developers, financial institutions, and governments to scale affordable housing delivery across the continent.

Shelter Afrique Development Bank's activities contribute directly to improving housing access and living conditions across Africa. Since its establishment, the Bank has supported

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[1] Shelter Afrique Development Bank. *Annual Report 2024 – Financing Affordable Housing in Africa*. Available at: https://www.shelterafrique.org

[2] Agusto & Co. (2024). *Shelter Afrique Series I Bond Rating Report*. Available at: https://www.agusto.com

thousands of housing units and financing facilities across member countries, generating employment opportunities and strengthening housing markets.[3]

Shelter Afrique Development Bank was designated in September 2024 as the reference institution for mobilizing financial resources for housing and urban development in Africa during the Africa Urban Forum organized under the auspices of the African Union and UN-Habitat in Addis Ababa.

1.2. Sustainable Housing and Development Context

Africa faces one of the largest housing deficits globally. Rapid population growth, accelerating urbanization, and limited access to long-term housing finance have created a substantial gap between housing demand and supply across many African economies.

The continent's urban population is expected to grow significantly over the coming decades, increasing the need for housing, urban infrastructure, and sustainable construction solutions. Addressing these challenges requires substantial investment in affordable housing development and resilient urban infrastructure.

Key Market Indicators

Housing deficit

- Africa faces a housing shortage estimated at **over 50 million housing units**, with the gap continuing to widen due to rapid urban population growth.

Population growth

- Africa's population is projected to reach **2.5 billion people by 2050**, accounting for roughly **one quarter of the global population**.

Urbanization

- Africa's urban population is expected to grow from **around 600 million to more than 1.4 billion by 2050**, making it the fastest urbanizing region globally.

Informal housing

- A significant proportion of urban populations reside in informal settlements, reflecting limited access to adequate housing and urban services **Daily housing demand**

[3] Shelter Afrique Development Bank. *2023 Development Impact Report.* Available at: 2023-DEVELOPMENT-IMPACT-REPORT.pdf

- To close the housing gap, Africa would need to construct approximately **96,000 housing units per day by 2030** to meet demand for adequate housing.

Housing finance gap

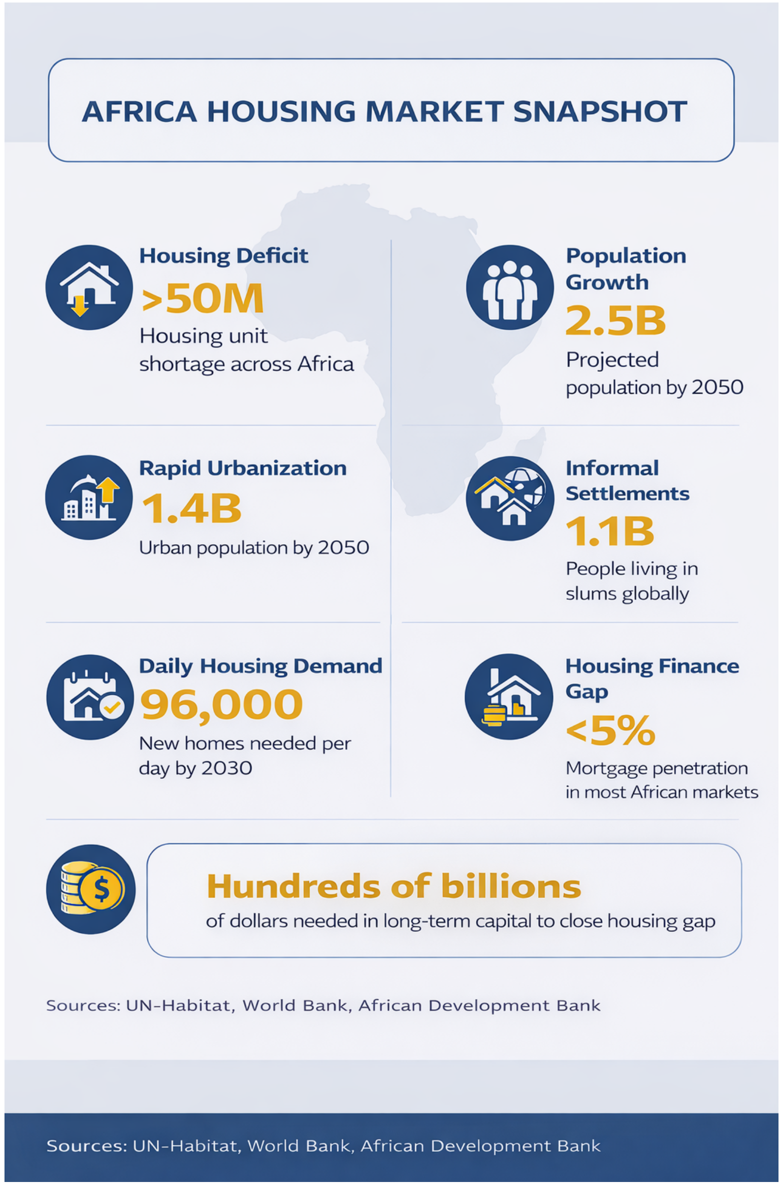
- Mortgage penetration in most African countries remains **below 5% of GDP**, compared to over **50–60% in developed markets**, limiting access to long-term housing finance.

Investment needs

Addressing Africa's housing deficit will require **hundreds of billions of dollars in investment**, including long-term capital for housing development, infrastructure, and urban services. The scale of Africa's housing challenge presents both **a major development priority and a significant investment opportunity**. Mobilizing sustainable finance instruments , including **green, social, and sustainability bonds**, can play a significant role in channeling capital towards:

- affordable housing development
- sustainable urban infrastructure
- climate-resilient housing construction
- slum upgrading and urban regeneration
- building materials manufacturers finance, including through the SMEs involved in the housing value chain

Shelter Afrique Development Bank (ShafDB) plays a key role in mobilizing long-term capital and supporting governments and developers in addressing Africa's housing deficit while advancing inclusive, sustainable, and climate-resilient urban development.



1.3. Alignment with Global Sustainable Development Agendas

Shelter Afrique Development Bank (ShafDB)'s mandate and activities contribute directly to several global and regional development frameworks that promote sustainable and inclusive urban development.

United Nations Sustainable Development Goals (SDGs)

Shelter Afrique Development Bank (ShafDB)'s operations support several SDGs, particularly:

- SDG 11 – Sustainable Cities and Communities, by expanding access to safe and affordable housing

- SDG 9 – Industry, Innovation, and Infrastructure, through financing housing and urban infrastructure
- SDG 8 – Decent Work and Economic Growth, through job creation linked to housing construction
- SDG 6 – Clean water and Sanitation; financing urban infrastructure to deliver decent and livable human settlements
- SDG 13 – Climate Action, by supporting climate-resilient housing and sustainable construction practices.[4]

Paris Agreement on Climate Change

The Paris Agreement highlights the importance of mobilizing finance to support climate mitigation and adaptation. Shelter Afrique Development Bank (ShafDB) contributes to these objectives through investments that support energy-efficient buildings, climate-resilient housing developments, and sustainable urban infrastructure.[5]

Housing and Urban Sustainability Priorities

Shelter Afrique Development Bank also supports Africa's broader urban development agenda, including the African Union's Agenda 2063 and the United Nations' New Urban Agenda, by promoting sustainable urbanization, inclusive housing markets, and resilient infrastructure. Through its financing activities, the Bank aims to catalyze capital flows toward sustainable housing solutions that address both development and climate priorities across African economies.[6]

1.4. Rationale For Sustainable Bond Issuance

Shelter Afrique Development Bank recognizes that mobilizing long-term capital at scale is essential to addressing Africa's housing deficit and supporting sustainable urban development across the continent. The issuance of Sustainable Bonds represents a key component of the Bank's strategy to diversify its funding sources, deepen its engagement with capital markets, and mobilize private capital toward impactful housing investments.

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[4] United Nations. *Sustainable Development Goals*. Available at: https://sdgs.un.org/goals
[5] United Nations Framework Convention on Climate Change (UNFCCC). *Paris Agreement*. Available at: https://unfccc.int/process-and-meetings/the-paris-agreement
[6] African Union Commission (2015). *Agenda 2063: The Africa We Want*. https://au.int/en/agenda2063, United Nations (2017). *The New Urban Agenda – Habitat III*. https://habitat3.org/the-new-urban-agenda

Additionally, raising local currencies through the capital market helps avoid the currency mismatch risk and thereby making housing more accessible to the underserved segment of the population across countries.

Africa's housing deficit requires substantial investment in affordable housing development, sustainable construction, and resilient urban infrastructure. As a pan-African housing finance institution, Shelter Afrique Development Bank plays a catalytic role in mobilizing financing solutions that address both social and environmental development priorities. This is in line with the Bank's ambition for sustainable Bond Issuance.

Through the issuance of Sustainable Bonds, Shelter Afrique Development Bank aims to:

- mobilize capital from international and regional capital markets to support sustainable housing projects across Africa;
- finance and refinance investments that promote affordable, inclusive, and climate-resilient housing solutions;
- strengthen the integration of environmental and social considerations into housing finance activities; and
- contribute to the development of sustainable capital markets supporting Africa's urban development agenda.
- Financing housing and urban infrastructure in locally used currency enables access by the bottom of the pyramid segment.

2. Shelter Afrique Development Bank Sustainability Strategy and ESG Governance

2.1. ESG Vision and Strategy

Sustainability is a central component of Shelter Afrique Development Bank's institutional strategy and development mandate. Under its 2023–2027 Strategic Plan, as well as the ongoing strategic planning process for the following five-year period, the Bank seeks to strengthen its role as a purpose-driven development finance institution that delivers measurable social and environmental impact while maintaining financial sustainability.

The strategy is anchored on several strategic pillars, including:

- enhancing development impact through affordable housing delivery
- strengthening financial sustainability and capital mobilization
- expanding partnerships and innovative financing instruments

- improving governance, risk management, and operational efficiency

Within this framework Shelter Afrique Development Bank integrates environmental and social considerations into its investment processes and financing activities. Sustainable housing development, climate resilience, gender inclusion, and community well-being are key priorities embedded within the Bank's operational strategy.

The Bank is also developing thematic initiatives and financial instruments to mobilize capital toward priority development areas such as:

- climate-resilient housing
- gender-responsive finance
- refugee and migrant housing
- diaspora investment in housing development.

2.2. Environmental, Social, and Governance Framework

Shelter Afrique Development Bank maintains an Environmental, Social and Governance (ESG) framework designed to ensure that the projects it finances deliver positive development outcomes while managing environmental and social risks.

The Bank's ESG framework establishes standards and procedures that guide the identification, assessment, and management of environmental and social risks throughout the project cycle.

Key components of the framework include:

- environmental and social impact screening of projects
- integration of environmental and social considerations into financing decisions
- safeguards relating to human rights, community well-being, and environmental protection
- monitoring of environmental and social performance throughout project implementation.

2.3. Alignment with International Market Principles

The Shelter Afrique Development Bank Sustainable Finance Framework is aligned with internationally recognized market standards for sustainable finance.

In particular, the framework is aligned with the International Capital Markets Association (ICMA) principles and guidelines:

- **Green Bond Principles (2025)**
- **Social Bond Principles (2025)**
- **Sustainability Bond Guidelines (2021)**

In addition, the Framework is informed by the Common Principles for Climate Finance Tracking developed by multilateral development banks and is designed to support investments that contribute to climate mitigation and adaptation objectives.

Accordingly, the Framework is aligned with the objectives of the Paris Agreement, supporting the transition toward low-carbon and climate-resilient development pathways across Africa.

Part II: The Sustainable Finance Framework

Sustainable Finance Framework Overview

This Sustainable Finance Framework establishes the guidelines under which Shelter Afrique Development Bank (ShafDB) intends to issue Green, Social, or Sustainability Bonds to finance or refinance eligible projects that support sustainable housing and urban development across Africa. The framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG).

The framework is structured around the **four core components** of the Sustainable Bond Principles:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

1. Use of Proceeds

An amount equal to the net proceeds from Sustainable Bonds issued under this Framework will be allocated to finance and/or refinance, in whole or in part, new and existing projects that support sustainable housing and urban development across Africa. Eligible projects will fall within the Green and Social project categories defined in this Framework and will contribute to addressing Africa's housing deficit, promoting inclusive access to affordable housing, and supporting environmentally sustainable and climate-resilient urban development.

Consistent with Shelter Afrique Development Bank's mandate as a pan-African housing finance institution, the proceeds will be used to support a range of financing instruments across the housing value chain, including project finance for residential developments, lines of credit to housing developers and financial institutions, and other financing facilities that expand access to affordable and sustainable housing in Member States.

Look-Back and Look-Forward Period

To ensure transparency regarding the allocation of proceeds, ShafDB will apply the following approach to financing and refinancing eligible projects under this Sustainable Finance Framework.

Allocation Parameter	***Description***
Look-Back Period	ShafDB will allocate proceeds to refinance eligible projects financed or incurred up to **36 months prior to the issuance date** of the relevant Sustainable Bond.
Look-Forward Period	Proceeds will also be used to **finance new eligible projects** following the issuance of the Sustainable Bond.
Allocation Period	ShafDB intends to allocate an amount equal to the net proceeds of each Sustainable Bond issuance **within 36 months of issuance**, subject to the availability of eligible projects.
Financing vs Refinancing	The share of proceeds allocated to financing and refinancing will be **disclosed in ShafDB s annual allocation reporting**.

1.1. Eligible Sustainable Project Categories

Below are the categories of eligible green projects and/or expenditures, with their respective environmental benefits, alignment with the Sustainable Development Goals (SDGs) and, the European taxonomy and any applicable taxonomy relevant to the country or sub region of issuance.

Green Project Categories

- Green residential buildings

- Energy-efficient housing
- Climate-resilient housing infrastructure
- Water and resource-efficient housing projects

* https://www.brvm.org/sites/default/files/circulaire_ndeg001-amf-umoa-2024_-_mise_en_place_dune_taxonomie_des_projets_faisant_lobjet_demissions_dobligations_vertes_sociales_et_durable_0.pdf

[7]**ICMA ELIGIBLE GREEN EXPENDITURE CATEGORIES**	**ELIGIBILITY CRITERIA**	**Alignment with the SDGs**	**ENVIRONMENTAL OBJECTIVES**
[8]**Green residential buildings**	Financing and/or refinancing of the development, construction, acquisition, renovation, operation, or maintenance of residential buildings that: (i) have achieved, or are expected to achieve within a defined period, a recognized green building certification such as EDGE, LEED, BREEAM or HQE; and/or (ii) meet the environmental performance thresholds and eligibility criteria as set out in this Framework and related internal appraisal procedures. This may also include expenditures related to • certified retrofits and building-level enhancements that improve environmental performance, • including sustainable landscaping, • green roofs, green walls, • biodiversity-supporting features, • and other measures that contribute to more sustainable building design and operation. (iii) In addition, Buildings qualifying under this category are expected to include material energy performance improvements, either as a standalone qualifying dimension or in combination with other resource-efficiency improvements		**Climate change mitigation** **pollution prevention and control** **sustainable use and protection of natural resources** **biodiversity conservation where relevant**

[7] International Capital Market Association. *Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines*. Latest edition available at: https://www.icmagroup.org
[8] Climate Bonds Initiative. *Climate Bonds Standard and Sector Criteria (Buildings)*. Available at: https://www.climatebonds.net

Water and resource efficient housing projects	Financing and/or refinancing of housing-related investments, systems, and infrastructure that improve water efficiency, wastewater management, sanitation, circularity, or broader resource efficiency in residential developments. Eligible expenditures will include, where relevant, • water-saving fixtures, • rainwater harvesting, • wastewater treatment and reuse, • sustainable drainage, • sanitation systems, • greywater systems, • waste minimization systems, and other measures that • reduce potable water use, • improve water quality, • strengthen wastewater treatment, • or reduce material and resource intensity in housing developments.		**Sustainable use and protection of water and marine resources** **pollution prevention and control** **climate change adaptation where relevant**
Energy Efficiency Housing	Financing and/or refinancing of: renovations, retrofits, equipment, technologies, or related expenditures that materially improve energy performance compared with the applicable local baseline, market standard, or building code. Eligible expenditures will include, where relevant, • high-performance building envelopes, • insulation, passive design, • efficient lighting, efficient electric cooling, and ventilation, • building energy management systems, • and other non-fossil or fuel-neutral measures that demonstrably reduce energy use and greenhouse gas emissions and meet the applicable eligibility threshold		**Climate change Mitigation** **Pollution prevention and control**
Climate-resilient housing infrastructure	Financing and/or refinancing of infrastructure, site development, and resilience measures designed to reduce the vulnerability of residential developments and communities to climate and environmental hazards. • Eligible investments will include, where relevant, drainage systems, • flood management works, • erosion control, • slope stabilization, • heat-resilient design, • water storage, • and other infrastructure or measures that improve the capacity of housing assets and communities to withstand physical climate risks such as • floods,		**Climate change adaptation** **sustainable use and protection of natural resources** **pollution prevention and control where relevant**

	• erosion, • landslides, • extreme heat, • drought, • or other severe weather events. Eligible projects will be supported by climate risk screening, resilience assessment, or equivalent internal review processes proportionate to the nature and scale of the project.		

Detailed technical thresholds, certification requirements, and any applicable internal screening parameters for the Green Project Categories will be further set out in Annex 1 and, where relevant, in the Bank's internal appraisal procedures.

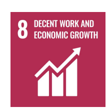
Below are the categories of eligible projects and/or expenses with their respective social benefit, alignment with the Sustainable Development Goals (SDGs) and, European taxonomy and any applicable taxonomy relevant to the country or sub region of issuance.

Eligible projects and/or expenditures seek to generate positive social impacts, with an emphasis on low- and mid- income households*

Social Project Categories

- Affordable housing for low- and middle-income households*
- Housing finance for underserved populations
- Urban infrastructure linked to housing
- Housing developments promoting social inclusion

ELIGIBLE SOCIAL CATEGORIES	ELIGIBILITY CRITERIA	Benefits	Alignment with the SDGs	TARGET POPULATIONS
Affordable Housing for low and middle-income households	Financing and/or refinancing of the development, construction, acquisition, renovation, rehabilitation, operation, or maintenance of housing projects that increase the supply of decent, safe, and affordable housing for low- and middle-income households. This may include: • new housing developments, • rehabilitation of substandard housing, • slum upgrading, • incremental housing improvements, • and related expenditures that improve access to adequate housing and associated basic services.	• Reduced housing deficit; • improved access to decent and affordable housing; • improved living conditions and urban inclusion		• Low-income households; • middle-income households with affordability constraints; • households living in inadequate or informal housing conditions;

	Housing programs supported under this category are the ones that fall under the social housing eligibility criteria set by the Government of the specific country or should be designed and/or priced in a manner consistent with affordability objectives defined by ShafDB in the relevant market. Affordability assessments will be based on market-relevant benchmarks, which may include price-to-income ratios, Housing Affordability Index HAI (Calculating Housing Affordability : https://housingfinanceafrica.org/library/calculating-housing-affordability/)) Analysis, prevailing market pricing comparisons, or other indicators relevant to the local market context. On the demand side, ShafDB's investments in Regional and National Mortgage Refinancing Institutions (CRRH, KMRC, TMRC), will continue promoting access to long-term financing for home buyers (which means low rents or low mortgage instalments payment for low-income households).			• first-time homeowners, where relevant
Housing finance for underserved populations	Financing and/or refinancing of • lending facilities, • lines of credit, guarantees, • mortgage support, • lease-to-own schemes, • microfinance-linked housing finance, • and other financial solutions that expand access to housing finance for underserved or excluded groups. Eligible uses may include support to financial institutions or housing intermediaries that are on-lend to qualifying households or borrowers, provided that the underlying beneficiaries are aligned with the target population criteria of this Framework. ShafDB will require intermediary institutions and partner entities to apply eligibility criteria consistent with this framework and provide relevant reporting or monitoring	• Improved financial inclusion; • expanded access to affordable housing finance; • reduced barriers to home acquisition or improvement	   	• Underserved households; • low- and middle-income borrowers; • first-time homeowners; • informal-sector earners with limited access to traditional mortgage products; • women-led households, where relevant

	information regarding underlying beneficiaries.			
Urban infrastructure linked to housing	Financing and/or refinancing of infrastructure, services, and related expenditures linked to affordable, inclusive, and sustainable housing developments. Eligible investments may include, where relevant, • water and sanitation, • drainage, • access roads, • public lighting, • community facilities, • and other essential infrastructure that supports the habitability, safety, resilience, and social functioning of residential communities, particularly where such infrastructure improves access for underserved populations.	• Improved access to essential services; • improved habitability, safety, and resilience of residential communities; • reduced infrastructure deficits linked to housing	6 CLEAN WATER AND SANITATION 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	• **Residents of affordable housing developments;** • **low-income and underserved urban communities;** • **households lacking access to basic housing-related infrastructure and services**
Housing developments promoting social inclusion	Financing and/or refinancing of • housing developments, • programs, and related expenditures that promote inclusion, equity, • and improved social outcomes for vulnerable, excluded, or underserved groups. Eligible activities may include housing projects designed to improve inclusion of • women, • youth, • refugees, • migrant populations, • microentrepreneurs, and other vulnerable groups; • lease-to-own or alternative tenure models; • and community-oriented housing developments that improve access, safety, dignity, and economic opportunity.	• Strengthened social inclusion; • improved well-being; • more equitable access to housing and housing-related opportunities; • support for vulnerable and excluded groups	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	• **Women and women-led households;** • **Youth (young adults or early-stage households);** • **underserved communities; vulnerable or excluded groups; microentrepreneurs;** • **refugees or migrant populations, where relevant and consistent with ShafDB's mandate**

For the purposes of this Framework, target populations (further set out in Annex 2) and affordability considerations will be assessed using criteria appropriate to the relevant market and transaction type, which will include income segmentation, affordability benchmarks, borrower profile, access-to-finance constraints, or other indicators defined by ShafDB in its internal eligibility methodology.

1.2. Exclusion Criteria

ShafDB will not knowingly allocate Sustainable Bond proceeds to projects, activities, counterparties, or expenditures that are inconsistent with the objectives of this Framework or ShafDB' s applicable ESG policies.

In addition to any prohibited investments under ShafDB' s ESG policy, ShafDB will not allocate Sustainable Bond proceeds to projects or counterparties associated with:

(i) activities that are illegal under applicable local laws and regulations or prohibited under applicable international conventions and agreements;

(ii) forced labor, child labor, human trafficking, or material violations of applicable labor, health and safety, or human rights standards;

(iii) forced eviction, unlawful land acquisition, unresolved land tenure disputes, or involuntary resettlement that is not managed in accordance with applicable law and good international practice;

(iv) Material adverse impacts on protected areas, critical habitats, wetlands, forests, biodiversity-sensitive areas, or cultural heritage sites, unless such impacts are demonstrably avoided or appropriately mitigated in line with applicable standards;

(v) use, handling, storage, or disposal of banned hazardous substances, persistent organic pollutants, asbestos, ozone-depleting substances, or other hazardous materials in breach of applicable regulation or good international industry practice;

(vi) projects involving unsafe construction practices or material unmitigated community health, safety, or security risks;

(vii) Buildings materially reliant on dedicated fossil-fuel based heating or cooling systems will not qualify under the eligible Green Project categories under this Framework;

(viii) projects or financing practices involving discrimination against target populations or housing finance terms that are inconsistent with the social objectives of this Framework;

(ix) corruption, bribery, fraud, sanctions breaches, or other material governance or integrity concerns; and

(x) any other activity deemed ineligible under ShafDB's internal ESG, compliance, or risk-management policies.

Where an eligible project subsequently becomes subject to any of the exclusions above, ShafDB will remove the project from the eligible portfolio and reallocate an equivalent amount to other eligible projects in due course.

2. Process for Project Evaluation and Selection

Shelter Afrique Development Bank ("ShafDB") applies a project evaluation and selection process that is anchored in its mandate to finance affordable housing and urban development in Africa, while integrating environmental, social, and governance ("ESG") considerations into credit assessments, project approvals, and portfolio monitoring. In line with its New Dawn Strategy (2023–2027), ShafDB has embedded ESG criteria into housing finance and development to ensure that progress is inclusive, ethical, and climate-resilient. In 2024, this included the use of enhanced screening tools such as the ESG Integration Score (EIS) and Climate Resilience Score (CRS), and the application of environmental impact assessments to all financed projects.

2.1. Sustainable Bond Governance Structure

Eligible projects under this Framework will be identified and reviewed through ShafDB's existing governance and investment architecture, supplemented by a Sustainable Bond governance process for purposes of eligibility determination, proceeds allocation, and reporting.

At Board level, ShafDB's governance framework assigns oversight responsibilities through standing committees, including the **Finance, Credit & Investment Committee (FCIC)** and the **Audit and Risk Committee (ARC)**. The Board formulates Company policies, sets the risk appetite, and ensures that business objectives are achieved within a controlled environment. These committees therefore provide the institutional basis for oversight of investment decisions, risk management, and accountability relevant to this Framework.

For implementation of this Framework, ShafDB intends to constitute an internal **Sustainable Finance Committee** comprising representatives from Business Development, Treasury, Credit and Operations, Risk, Finance, and other relevant functions. This internal committee would be responsible for:

- reviewing proposed projects against the eligible categories and exclusion criteria under this Framework;
- confirming consistency with ShafDB's sustainability strategy and development mandate;

- overseeing the earmarking and monitoring of allocated proceeds; and
- supporting the preparation of annual allocation and impact reports.

Underlying financing decisions will remain subject to ShafDB's ordinary project appraisal, credit, and investment approval processes, including oversight by the relevant management and Board structures.

2.2. Project Screening Process

Projects proposed for inclusion under this Framework will be screened through ShafDB's internal project appraisal process, which integrates financial viability, development impact, ESG risk considerations, and alignment with the Bank's affordable housing and urban development mandate.

As part of this process, ShafDB embeds ESG criteria into credit assessments and project approvals using internal screening tools, including the EIS and CRS. These tools support the Bank in identifying projects that are climate-resilient, socially responsive, and aligned with sustainable housing delivery objectives. ShafDB reported that in 2024 all projects financed were subject to social and environmental impact assessments and achieved full compliance with national and international environmental regulations.

The screening process will also consider the expected contribution of projects to ShafDB's development impact priorities, including affordable housing delivery, job creation, gender inclusion, and climate resilience. This reflects the Bank's strategic orientation toward "building beyond bricks" and aligning housing finance with broader SDG-linked development outcomes.

2.3. ESG Risk Management

ShafDB applies its ESG risk management approach across the lending lifecycle and integrates ESG due diligence into project appraisal, approval, and monitoring. Its sustainability strategy is rooted in integrating ESG considerations into housing finance and development to ensure that financed projects are inclusive, ethical, and climate resilient. ShafDB's sustainability reporting also states that its approach includes climate risk stress testing, ESG due diligence integrated into the lending lifecycle, and transparent reporting of sustainability outcomes. The ESG risk management is guided by the Bank's ESG Framework and safeguard policies.

This ESG risk management approach ensures that projects financed under the Sustainable Bond remain compliant throughout their lifecycle.

ShafDB seeks to ensure that eligible projects financed under this framework do not significantly undermine other environments or social objectives and are consistent with ShafDB ESG risk management and safeguard processes.

In practice, ShafDB's impact reporting shows that the Bank already monitors a broad set of environmental and social dimensions across its operations, projects, and programs. These include, among others:

- number of housing units built.
- number of families housed.
- number of jobs created.
- Social and environmental concerns in financing construction and mortgage acquisition.
- approved environmental and social impact policies;
- creation of green spaces and promotion of biodiversity;
- management of pollutants, waste, and greenhouse gas emissions; and
- management of community vulnerability to floods, erosion, landslides, and extreme climatic conditions.

This existing impact architecture provides a practical basis for the Bank's Sustainable Bond project selection and post-issuance monitoring.

2.4. Compliance with Environmental and Social Safeguards

Projects financed under this Framework will be expected to comply with ShafDB's applicable environmental and social requirements, relevant national laws and regulations, and good international practice as adopted by the Bank.

ShafDB has stated that all projects financed in 2024 were subject to environmental impact assessments and achieved compliance with national and international environmental regulations. The Bank also reported full ESG compliance across its 2024 portfolio and no reported cases of involuntary resettlement or human rights violations.

In managing ESG risks, ShafDB will apply the mitigation hierarchy, seeking first to avoid adverse impacts, then minimize and mitigate unavoidable impacts, and, where necessary, implement appropriate corrective or compensatory measures. The Bank also promotes responsible sourcing, waste management, biodiversity conservation, and climate resilience in supported developments, with counterparties encouraged to use local materials, sustainable building technologies, and legally compliant sourcing practices.

3. Management of Proceeds

ShafDB will manage the net proceeds of Sustainable Bonds in line with its treasury, liquidity, and internal fiscal management practices, while ensuring that an amount equal to the net proceeds is allocated to eligible projects under this Framework.

3.1. Allocation of Bond Proceeds

Proceeds from Sustainable Bonds issued under this Framework will be used to finance and/or refinance eligible projects that support affordable housing and urban development in Africa.

This approach is consistent with ShafDB's prior bond practice. Under the Bank's Nigerian Series I Bonds, proceeds were earmarked to fund mass housing development projects undertaken by real estate developers and to provide lines of credit to developers. The Bank's impact report further notes that a prior Nigerian bond issuance was used to provide local-currency financing through Corporate Lines of Credit and Bank Guarantees, which contributed to increased housing-unit delivery in Nigeria.

In line with its broader capital markets strategy, ShafDB will similarly direct Sustainable Bond proceeds toward project finance, lines of credit, guarantees, or other eligible financing instruments within the affordable housing value chain, subject to the eligibility criteria set out in this Framework. The Bank has stated that the proceeds from forthcoming issuances are intended for project finance and lines of credit in Member States, supporting large-scale affordable housing developments.

ShafDB expects a significant portion of proceeds to support new financing activities, while a portion may also be allocated to refinance eligible projects originated within the defined lookback period.

3.2. Tracking of Proceeds

ShafDB will track the allocation of Sustainable Bond proceeds through an internal monitoring process, which will be implemented via an internal register, earmarked portfolio monitoring, or another equivalent internal control mechanism. The tracked amount of net proceeds will be periodically adjusted to reflect allocations to eligible projects during the life of the relevant Sustainable Bond.

The Bank's prior bond practice demonstrates that proceeds have been earmarked and monitored against disbursement. For example, under the Nigerian Series I Bonds, most proceeds had been disbursed to developers, while the balance remained temporarily invested pending deployment.

For Sustainable Bonds, ShafDB intends to maintain records showing:

- the amount allocated to each eligible project or portfolio segment;
- the applicable eligible category;
- whether proceeds are used for financing or refinancing; and
- the balance of unallocated proceeds, if any.

3.3. Temporary Allocation of Unallocated Proceeds

Pending full allocation, unallocated proceeds will be held or invested in accordance with ShafDB's treasury and liquidity management practices.

ShafDB's prior bond issuance indicates that undisbursed proceeds were held in low-risk placements pending disbursement. This provides a practical precedent for the temporary management of unallocated proceeds under this Framework.

Accordingly, pending allocation to eligible projects, unallocated amounts may be invested in cash, cash equivalents, money market instruments, sovereign securities, or other low-risk liquidity instruments, provided that such temporary placements do not undermine the environmental and social objectives of the Framework.

4. Reporting

ShafDB has committed to providing transparent reporting on both the allocation of proceeds and the environmental and social development impacts of projects financed under this Framework. Where feasible and subject to confidentiality considerations, annual reporting will also include a list of projects or portfolio segments financed, a brief description of such projects, amounts allocated, and their expected environmental and/or social impacts

This commitment builds on the Bank's existing reporting practice, including its Development Impact Report and sustainability reporting disclosures. Allocation and impact reporting will be carried out in accordance with internationally recognized best practices, including the ICMA Sustainability Bond Guidelines, in order to ensure transparency and credibility for investors. Relevant information is expected to be made publicly available, for instance, through the ShafDB website and/or the Bank's annual reporting.

4.1. Allocation Reporting

ShafDB will publish, at least annually and until full allocation, information on the allocation of net proceeds from Sustainable Bonds issued under this Framework.

Allocation reporting is expected to include where feasible:

- the total amount of proceeds allocated
- the share of proceeds used for financing versus refinancing
- the breakdown of allocations by eligible project category
- the geographic distribution of financed projects and
- The amount of unallocated proceeds, if any, together with information on temporary placement.

This approach is consistent with the Bank's prior reporting discipline around bond disbursement and capital mobilization. The Annual Report emphasizes that Shelter Afrique Development Bank is re-engaging with local currency capital markets to mobilize long-term financing tailored to Member States' needs, and that funding models are being aligned with strategic housing and infrastructure priorities.

4.2. Impact Reporting

Where feasible, ShafDB will report, at least annually and until full allocation, on the environmental and social impacts of projects financed under this Framework, using indicators consistent with its internal development impact methodology and the availability of data.

This is strongly supported by the Bank's existing Development Impact Report, which already tracks detailed project- and portfolio-level indicators. Impact reporting may be based on a combination of actual data, estimates, and reasonable assumptions depending on data availability and project characteristics.

Social Impact Indicators

Subject to data availability, ShafDB will report where feasible, indicators such as:

- number of housing units financed, delivered, or under construction;
- estimated number of families benefiting, households, borrowers reached or beneficiaries;
- jobs created, including gender-disaggregated information where available;
- average selling price or mortgage value of supported units; and
- affordability metrics, including Housing Affordability Index (HAI) or other relevant affordability measures.
- geographic distribution of supported housing developments.

These indicators are already embedded in ShafDB's internal impact reporting and are therefore suitable for use under this Framework.

Environmental Impact Indicators

Subject to data availability and relevance, ShafDB will also report:

- energy savings or resource-efficiency improvements;
- greenhouse gas emissions reductions or avoided emissions;
- percentage of projects subject to environmental impact assessments;
- climate resilience performance, including use of internal screening tools such as CRS;
- use of responsibly sourced materials, including future metrics such as Sustainable Material Usage Ratio (SMUR) and Local Sourcing Percentage (LSP); and
- Green space, biodiversity, pollution, waste, and vulnerability management indicators.

ShafDB's 2023 impact reporting already captures many of these elements, including greenhouse gas management, waste management, biodiversity, green spaces, climate vulnerability, and responsible sourcing practices.

5. External Review

To enhance transparency and credibility, Shelter Afrique Development Bank (ShafDB) will obtain independent external reviews of this Sustainable Finance Framework; in line with ICMA recommendations and will seek additional external verification of allocation and impact reporting. The allocation of proceeds and, where applicable, impact reporting will be subject to external verification on an annual basis. The external review (e.g., opinion or verification report) will be made publicly available, typically on the Bank's website

5.1. Second Party Opinion

Shelter Afrique Development Bank (ShafDB) will obtain a Second Party Opinion (SPO) from an independent external reviewer with recognized experience in sustainable finance. The SPO will confirm the alignment of this Sustainable Finance Framework with the ICMA Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines, as well as the robustness of SHAFDB's project selection, management of proceeds, and reporting processes.

5.2. Post-Issuance Verification

In addition, ShafDB will engage independent third-party assurance providers to review, on an annual basis, the allocation of net proceeds and the environmental and social impacts of Eligible Green and Social Expenditures. This verification will also be conducted by external auditors engaged by ShafDB.

The external verification will take place annually until full allocation of proceeds. The corresponding assurance report will be published within 120 days following the end of each fiscal year on ShafDB's website or through any other relevant reporting channel.

6. Amendments to the Framework

ShafDB will update or amend the Sustainable finance Framework to reflect evolutions in:

- its sustainability strategy and Environmental and Social Governance Framework (ESGF),
- ICMA principles and global sustainable finance standards,
- regulatory requirements or market best practices,
- the nature of eligible projects or internal processes.

For the purposes of this Framework, a material amendment is generally understood to refer to any significant change that could affect the ongoing alignment of the Framework with the ICMA Sustainability Bond Guidelines. Such amendments may include, but are not limited to, changes to the eligible project categories, the governance and management of proceeds, or the scope, content, or frequency of allocation and impact reporting. Any material amendments will undergo:

I. Internal validation by ShafDB's sustainability, risk, and treasury teams;
II. Review by an external SPO provider, particularly if changes are significant;

III. Publication of the updated Framework on ShafDB's website, indicating the version number and date, as well as appropriate communication of such updates to investors to ensure transparency.

Bonds issued prior to the update will remain governed by the version of the Framework in place at the time of their issuance, unless otherwise specified in the relevant documentation.

7. Disclaimer

This Framework is provided for information purposes only and does not constitute an offer to sell or a solicitation to buy any securities. It should not be relied upon as financial, legal, tax, or investment advice. ShafDB makes no representation or warranty regarding the accuracy or completeness of the information contained herein and accepts no liability for any loss arising from its use. Any issuance of bonds will be made solely based on the final legal documentation. Investors should conduct their own analysis and seek independent professional advice before making any investment decisions. ShafDB may update this Framework from time to time.

Annexes

Annex 1 – Eligibility Criteria Table (Green and Social Thresholds)

Green Project Eligibility Criteria

Category	Eligibility Criteria	Minimum Threshold / Requirement	Environmental Objective
Green Residential Buildings	Financing of buildings certified or aligned with recognized green building standards	Eligible Green Residential Buildings are expected to demonstrate meaningful environmental performance improvements relative to applicable local baselines, market standards, or project-specific benchmarks. Eligibility may be assessed through: • recognized green building certification systems or methodologies (including EDGE, LEED, BREEAM, HQE, or equivalent frameworks where relevant); and/or • demonstrated environmental performance improvements relative to local baseline conditions. Projects are expected to achieve a minimum 20% improvement across one or more of the following dimensions: • energy efficiency,	Climate change mitigation; resource efficiency

		• water efficiency, and/or • material/resource efficiency. Where multiple environmental dimensions are combined to assess eligibility, ShafDB will apply internal technical review and professional judgment to ensure that the resulting environmental performance improvement remains meaningful and consistent with the environmental objectives of the category. Energy performance improvements are expected to constitute a primary environmental driver for the large majority of eligible green building projects financed under this Framework.	
Energy-Efficient Housing	Infrastructure s, retrofits, or technologies improving energy performance	Local baselines or market standards selection • First preference: applicable local / national building energy code • Second preference: recognized local market standard or prevailing practice **ShafDB seeks to ensure that eligible projects financed under this framework do not significantly undermine other environments or social objectives and are consistent with ShafDB ESG risk management and safeguard processes.** • Third preference: project-specific engineering or modelling baseline • Certification tools such as EDGE will be used where they incorporate a location-appropriate base case **ShafDB seeks to ensure that eligible projects financed under this framework do not significantly undermine other environments or social objectives and are consistent with ShafDB ESG risk management and safeguard processes.** • Minimum **20–30% reduction in energy consumption** compared to baseline or building code • Use of energy-efficient systems (HVAC, lighting, insulation, passive design)	Climate change mitigation
Water & Resource Efficiency	infrastructure projects improving water use, sanitation, or resource efficiency	• Minimum **20% reduction in potable water use** • Implementation of systems such as rainwater harvesting, greywater reuse, or wastewater treatment	Sustainable water use; pollution prevention

Climate-Resilient Housing	Projects designed to withstand climate risks	• Incorporation of **climate adaptation measures** (e.g., flood protection, drainage systems, heat-resilient design) • Use of climate risk screening tools (e.g., CRS or equivalent)	Climate change adaptation

Social Projects Eligibility Criteria

Category	Eligibility Criteria	Minimum Threshold / Requirement	Target Population
Affordable Housing	Housing projects that improve access to affordable housing	• Housing affordability aligned with local benchmarks (e.g., **≤30–40% of household income**) • Targeted at underserved income segments	Low- and middle-income households
Housing Finance for Underserved Populations	Financial products improving access to housing finance	• Lending targeted to underserved borrowers • Reduced barriers (e.g., flexible collateral, microfinance, lease-to-own)	Informal sector workers; first-time homeowners
Urban Infrastructure Linked to Housing	Infrastructure supporting residential developments	• Must be directly linked to eligible housing projects • Improves access to essential services (water, sanitation, roads, lighting)	Low-income communities; underserved urban populations
Inclusive Housing Developments	Projects promoting social inclusion and equity	• Designed to benefit vulnerable groups (women, youth, migrants, etc.) • Includes inclusive design, tenure models, or access features	Women-led households; youth; vulnerable groups

Annex 2 - Target Populations

Projects financed and/or refinanced under the Social Project Categories of this Framework are intended to benefit populations that face barriers to accessing adequate housing, housing finance, or housing-related infrastructure and services.

For the purposes of this Framework, eligible target population will include, as relevant to the project, country, and financing structure:

- **low-income households**, including households that are unable to access adequate housing at prevailing market prices or financing conditions;
- **middle-income households with affordability constraints**, including households that are underserved by the formal housing market or unable to access housing that is decent, safe, and affordable;
- **first-time homeowners or first-time home buyers**, particularly those facing structural barriers to mortgage access, down-payment requirements, or formal credit eligibility;
- **women and women-led households,** including women borrowers, women-headed households, and women facing unequal access to housing or housing finance;
- **youth and young households**, including young adults or early-stage households facing limited access to affordable housing or housing finance;
- **underserved or excluded populations**, including households operating in the informal economy, borrowers with limited access to traditional financial services, and communities with limited access to adequate housing or basic housing-related infrastructure;
- **residents of inadequate, informal, or under-served urban or peri-urban settlements**, including populations affected by poor housing quality, overcrowding, insecure tenure, or lack of access to basic services;
- **vulnerable or excluded groups**, including, where relevant and consistent with ShafDB's mandate, migrants, refugees, microentrepreneurs, and other populations facing structural barriers to housing access, affordability, or inclusion.
- **households living in inadequate or informal housing conditions**, informal settlement, overcrowding, insecure tenure, lack of basic services
- **Youth** will include young adults or early-stage households facing structural barriers to homeownership or access to adequate housing.

- **Underserved communities; vulnerable or excluded groups; microentrepreneurs**, will include underserved communities, informal-sector earners, microentrepreneurs, and populations lacking access to adequate housing or housing-related infrastructure.

Annex 3 - Application Across Financing Structures

Where proceeds are used through project finance, lines of credit, guarantees, intermediary lending, or other financing structures, ShafDB will identify target populations at the level of:

- the underlying beneficiary households;
- the borrower segment served by the intermediary or partner institution;
- the housing project or program supported; or
- the geographic or socioeconomic profile of beneficiary the community.

In such cases, ShafDB will seek to ensure that the relevant financing structure maintains a credible and demonstrable link to one or more of the target populations identified in this Framework.