

Second-Party Opinion

NMB Bank PLC Sustainable Financing Framework



Evaluation Summary

Sustainalytics is of the opinion that the NMB Bank PLC Sustainable Financing Framework is credible and impactful and aligns with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 6, 7, 11, 12, 14 and 15.



PROJECT EVALUATION AND SELECTION NMB's Asset Originating Businesses will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The Bank's Credit Committee, comprising members from the Business Banking, Wholesale Banking, Treasury, and Risk and Credit departments, will be responsible for the final approval of eligible projects, which will be allocated by the Treasury team. NMB Bank has an environmental and social management system in place to address environmental and social risks associated with projects being financed. This is in line with market practice.



MANAGEMENT OF PROCEEDS NMB's Credit Administration department will manage proceeds using a portfolio approach, ensuring continuous allocation until bond maturity. For unsecured bonds issued under the Framework, NMB Bank has confirmed to Sustainalytics that it will match 100% of the proceeds on an ongoing basis until bond maturity. NMB intends to fully allocate proceeds within 18 months of issuance. Pending full allocation, unallocated proceeds will be invested in accordance with the Bank's liquidity asset management investment policy in short-term money market products from sovereign, supranational, agencies, development banks and financial institutions. This is in line with market practice.



REPORTING NMB commits to report on the allocation and impact of proceeds via impact reports on its website on an annual basis until full allocation. Allocation reporting will be done at the category level and will include the total amount of proceeds allocated to eligible loans or assets, number of eligible loans or assets, balance of unallocated proceeds and amount or percentage of new financing and refinancing. Additionally, NMB commits to report on indicative impact indicators on a category level to the extent that data is available from clients and subject to permitted disclosures in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation. Sustainalytics views NMB Bank PLC's allocation and impact reporting as aligned with market practice.

Evaluation date	August 28, 2023
Issuer Location	Dar es Salaam, Tanzania

Report Sections

Introduction	2
Sustainalytics' Opinion.....	3
Appendix.....	20

For inquiries, contact the Sustainable Finance Solutions project team:

Nadia Djinnit (Amsterdam)
Project Manager
nadia.djinnit@sustainalytics.com
(+31) 20 560 2933

Hamoda Youssef (Toronto)
Project Support

Aishwarya Ramchandran (Toronto)
Project Support

Astrid Bruchou (Amsterdam)
Project Support

Kibii Sisulu (London)
Client Relations
susfinance.emea@sustainalytics.com
(+44) 20 3880 0193

¹ Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings, Clean Transportation, Climate Change Adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Affordable Housing, Access to Essential Services, Employment Generation, Socioeconomic Advancement and Empowerment, and Food Security.

Introduction

NMB Bank PLC (“NMB” or the “Bank”) is a commercial bank incorporated in Tanzania. NMB provides financial services and products through its retail, wholesale and treasury business divisions, serving more than six million customer accounts and employing more than 3,500 staff across 228 branches as of June 2023. NMB is listed on the Dar es Salaam Stock Exchange, with its largest shareholders including strategic partners Arise B.V. and the Government of Tanzania, owning 34.9% and 31.8% shares, respectively.

NMB has developed the NMB Bank PLC Sustainability Bond Framework dated August 2023 (the “Framework”), under which it intends to issue sustainability bonds and loans² and use the proceeds to finance and refinance, in whole or in part, existing and future projects that would contribute to inclusive socioeconomic growth and strengthen its response to climate change. The Framework defines eligibility criteria in 13 areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Water and Wastewater Management
5. Green Buildings
6. Clean Transportation
7. Climate Change Adaptation
8. Environmentally Sustainable Management of Living Natural Resources and Land Use
9. Affordable Housing
10. Access to Essential Services
11. Employment Generation
12. Socioeconomic Advancement and Empowerment
13. Food Security

NMB engaged Sustainalytics to review the NMB Bank PLC Sustainability Bond Framework, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP)³ and the Green Loan Principles 2023 (GLP).⁴ The Framework has been published in a separate document.⁵

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁶ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA and the Green Loan Principles 2023, and Social Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.14, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of NMB’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as

² NMB has communicated to Sustainalytics that in cases where multi-tranche loans are obtained, the Bank will categorize as green, social or sustainable only those tranches that finance eligible projects under the Framework.

³ The Sustainability Bond Guidelines, Green Bond Principles, and Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

⁴ The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/>

⁵ The NMB Bank PLC Sustainability Bond is available on NMB Bank’s website at: <https://www.nmbbank.co.tz/investor-relations-nmb>

⁶ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

well as management of proceeds and reporting aspects of the Framework. NMB representatives have confirmed (1) they understand it is the sole responsibility of NMB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and NMB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated herein, NMB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that NMB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the NMB Bank PLC Sustainability Bond Framework

Sustainalytics is of the opinion that the NMB Bank PLC Sustainability Bond Framework is credible, impactful and aligns with the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy, Energy Efficiency, Pollution Prevention and Control, Sustainable Water and Wastewater Management, Green Buildings, Clean Transportation, Climate Change Adaptation, Environmentally Sustainable Management of Living Natural Resources and Land Use, Affordable Housing, Access to Essential Services, Employment Generation, Socioeconomic Advancement and Empowerment, and Food Security – are aligned with those recognized by the GBP, SBP, GLP and SLP.
 - NMB has established a look-back period of 18 months for the refinancing of capital and operating expenditures relating to its investments under the Framework. Sustainalytics considers this is in line with market practice.
 - Under the Renewable Energy category, NMB may finance or refinance the development, construction, installation and maintenance of renewable energy generation and the manufacturing and importing of renewable energy technology:
 - Renewable energy generation projects include:
 - Solar photovoltaic and concentrated solar heat and power generation (CSP). For CSP, Sustainalytics notes that the large majority of electricity (greater than 85%) generated is derived from solar energy resources.
 - On and offshore wind projects.
 - Run-of-river hydropower facilities where the used penstock or pondage capacity does not exceed 24 hours of usage, less than two-thirds of the river's total annual flow is used and flows diverted to produce power are returned to

- the stream and the natural downstream flow patterns are preserved. NMB has communicated the following: i) facilities will not have an artificial reservoir or low storage capacity; ii) facilities with significant controversies related to environmental and social risks or impacts will not be financed under the Framework; and iii) financing will be limited to run-of-river facilities.
- Geothermal projects with direct emissions below 100 gCO₂/kWh.
 - Biomass or biofuel of sustainable origin for electricity generation and biofuel production. NMB has communicated to Sustainalytics that the feedstock will include sugar crops and agricultural residue and will be certified to the Roundtable on Sustainable Biomaterials⁷ or the Better Biomass schemes.⁸ Sustainalytics notes that the Framework allows for the inclusion of other certification schemes having equivalent requirements and encourages NMB to report on any specific certifications and schemes it intends to use, as market practice is to specify all eligible certifications and schemes.
- Construction, maintenance and expansion of transmission infrastructure and distribution networks, including:
 - Grid expansion projects and microgrid infrastructure related to small-scale grids used to provide efficient, low-cost clean energy.⁹ Sustainalytics notes that projects will be connected to renewable sources. Where less than 90% of renewable energy is integrated into the grid, NMB has communicated to Sustainalytics that it will use a pro-rata approach to determine the green allocation to grid development and maintenance.
 - Infrastructure directly connecting renewable energy or networks.
 - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Energy Efficiency category, NMB intends to finance or refinance projects related to the upgrade and retrofit of infrastructure and assets to increase energy and resource efficiency, including:
 - Activities aimed at improving energy efficiency by at least 20% over pre-retrofit levels:
 - Refurbishment of residential and commercial buildings that increase energy efficiency, such as the installation, maintenance and upgrade of lighting, building management systems, energy-efficient HVAC systems and green roofs. NMB has confirmed to Sustainalytics that only retrofits leading to a 20% improvement will be financed and not the asset value of the building. While noting that retrofits that result in performance improvements of 20% will result in some environmental benefit, Sustainalytics considers market practice to ensure that retrofits will achieve emissions or energy performance improvements of at least 30%.
 - Replacement or upgrade of lighting, appliances, production machinery, industrial processes or products. NMB has communicated to Sustainalytics the intention to finance the purchase and replacement of energy-efficient consumer appliances as part of building renovation costs. Sustainalytics notes that the purchase of such appliances will contribute to the targeted reduction in energy use. The Bank has confirmed to Sustainalytics that technologies designed or intended for processes that are inherently carbon intensive, or primarily driven or powered by fossil fuels will be excluded from the Framework.
 - Replacement or upgrade of non-fossil fuel shipping infrastructure, including the development, maintenance and operation of bunkering facilities for biofuel, hydrogen and alternative maritime power (shore power). NMB has confirmed to Sustainalytics that proceeds will be used to finance facilities that are wholly dedicated to renewable energy components; infrastructure

⁷ Roundtable on Sustainable Biomaterials, "Why Choose RSB", at: <https://rsb.org/why-choose-rsb/>

⁸ Better Biomass, "Certification", at: <https://betterbiomass.nl/en/certification/>

⁹ NMB has communicated to Sustainalytics that this includes renewable energy-based micro-grid developers investing in rural certification programmes, PPP mini-grid projects to decentralize rural areas and micro-grid projects for hospitals, especially in remote areas in Tanzania.

- investments for conventional heavy fuel oil or bunk fuel, low-sulphur heavy fuel oil and marine diesel oil ships will not be financed under the Framework.
- NMB has communicated to Sustainalytics that electric propulsion technologies are limited to: i) electric battery systems; ii) hydrogen fuel cells produced via electrolysis powered by renewables or using 100% sustainably sourced biomass, biogas or renewable natural gas; and iii) shore power infrastructure using sustainable and renewable energy sources.
 - Fuel-switching investments in renewable or green hydrogen fuels to avoid or reduce the use of fossil fuels, such as coal, oil, kerosene and diesel. The Bank has communicated to Sustainalytics that this includes the switching of vehicles powered by petrol to solar energy, as well as electric vehicles and the development and procurement of solar-powered generators to switch from fossil fuel-powered generators in hospitals and commercial buildings. NMB has further communicated that facilities involved in the development of such generators are wholly dedicated to the renewable energy components.
 - Other measures dedicated to improving energy efficiency and preventing system losses, including building insulation, smart energy management systems, HVAC systems, power factor correction systems and non-fossil fuel powered waste heat recovery systems. NMB has communicated that building insulation will include products with low thermal conductivity. The Bank has also communicated that smart energy management systems will include advanced technological solutions aimed at optimizing the generation, distribution and consumption of energy, such as real-time monitoring, demand response, distributed energy resource integration and load monitoring and optimization. NMB has communicated to Sustainalytics that fossil fuel-powered components will be excluded under the Framework.
 - Energy-efficient data centres, with an average power-usage effectiveness of 1.50 and equipment that achieves one of the following green buildings certifications: i) EDGE; ii) BREEAM Excellent and Outstanding; and iii) LEED Platinum or Gold.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Pollution Prevention and Control category, NMB intends to finance or refinance projects related to: i) waste recycling and treatment; ii) reduction and reuse; and iii) refrigerants management.
- Waste recycling or treatment expenditures include:
 - Facilities for the sorting of recyclables, such as e-waste glass, metal, plastic and paper from mixed residual waste, including material recovery facilities. NMB has communicated to Sustainalytics that sorting e-waste and chemical recycling of plastic are excluded.
 - Facilities for composting organic waste, including anaerobic digestion facilities to produce biogas using forestry and agriculture residues and digestate from bio-waste. NMB has communicated to Sustainalytics that forestry and agriculture residues will include corn cobs and sugarcane bagasse, and that it will exclude hazardous waste.
 - Decommissioned landfills with a gas capture efficiency of 75% or more. Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.
 - Waste-to-energy facilities where the majority of recyclables (including plastics and metals) are separated before incineration. Sustainalytics recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, i.e. waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste, particularly fossil carbon content, is a crucial consideration. However, Sustainalytics also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainalytics recommends [Issuer] to

- promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.
 - Manure management with biodigesters to improve the energy efficiency of aquaculture farming and processing facilities.
 - Reduction and reuse expenditures include:
 - The construction of coastal defences to prevent the pollution of rivers and oceans from coastal landfill sites.
 - Activities to promote sharing, reusing, repairing, refurbishing and recycling existing materials and products on the Framework's exclusionary list.
 - Refrigerant management expenditures include:
 - Projects to replace refrigerants in mechanical cooling systems and refrigerant-based appliances with solutions that lower global warming potential.
 - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, NMB intends to finance or refinance projects related to: i) access and use of potable water; and ii) wastewater management.
- Under access and use of potable water, expenditures include:
 - Construction, operation and equipment of water supply and treatment infrastructure.
 - Water treatment facilities, including desalination plants. The Framework stipulates that eligible desalination plants will: i) have an appropriate waste management plan for brine disposal; ii) be powered by low-carbon sources with an average carbon intensity of the electricity used for desalination at or below 100 gCO₂e/kWh; and iii) exclude integrated water and power plants with fossil fuels or supplying water to fossil fuel activities.
 - Water saving systems and technologies, such as smart water meters. NMB has communicated to Sustainalytics that expenditures will exclude application to hard-to-abate industries.
 - Removal of invasive species to improve water catchments. NMB has communicated to Sustainalytics that removal methods can be through manual or mechanical techniques, integrated pest management and biological control.
 - Water storage facilities.
 - Wastewater management expenditures include:
 - Wastewater discharge infrastructure and urban drainage systems. The Framework confirms the exclusion of treatment of wastewater from fossil fuel operations and hard-to-abate industries.
 - Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Green Buildings category, NMB intends to finance or refinance commercial and residential green buildings that meet regional, national or internationally recognized standards or certifications and buildings that achieve equal to or more than a 20% improvement in emissions or primary energy demand compared to the latest building code currently in application in Tanzania. Projects include:
- Construction and acquisition of commercial and residential buildings certified to EDGE,¹⁰ BREEAM Excellent or Outstanding,¹¹ LEED Gold or Platinum,¹² HQE Excellent or above¹³ and Green Star 5 star or above.¹⁴ Sustainalytics views these certifications to be credible and the levels selected as aligned with market practice.¹⁵

¹⁰ EDGE: <https://edge.gbci.org/>

¹¹ BREEAM: <https://bregroup.com/products/breeam/>

¹² LEED: <https://www.usqbc.org/leed>

¹³ HOE: <https://www.greenbuilding.saint-gobain.com/hge-international>

¹⁴ Green Star Rating System: <https://new.gbca.org.au/green-star/rating-system/buildings/>

¹⁵ Sustainability's Second-Party Opinion only applies to these certifications listed in the Framework. Expenditures related to other certifications are therefore not covered by this Second-Party Opinion.

- Replacement of existing heating and cooling systems in buildings with more efficient systems not powered by fossil fuels and the installation of new renewable energy for cogeneration, trigeneration and combined heat and power plants that generate electricity in addition to providing heating and cooling. The Bank has communicated to Sustainalytics that cogeneration and trigeneration plants are powered by CSP, solar thermal and biomass waste.
- Waste heat recovery improvements, including installation of heat pumps in residential and commercial buildings. NMB has communicated to Sustainalytics that this will include electric and absorption heat pumps, and that the latter will be powered by geothermal-heated water and not by fossil fuels. Sustainalytics notes that heat pumps offer an energy-efficient heat transfer alternative to conventional systems. Nevertheless, Sustainalytics recommends NMB to exclude financing of heat pumps with high-GWP¹⁶ refrigerants, and to promote robust refrigerant leak control, detection and monitoring, while ensuring recovery, reclamation, recycling or destruction of refrigerants at end of life.
- Based on the above, Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Clean Transportation category, NMB intends to finance or refinance projects that increase access to clean transportation and reduce air emissions. Projects include:
 - Manufacture, retrofit and purchase of low-carbon transportation technology, including electric and hybrid vehicles, buses, tractors, trains and ships. For hybrids, Sustainalytics notes that the following emissions thresholds will be met: i) passenger vehicles will be at or below 75 gCO₂/km; ii) busses will meet a direct emissions threshold of less than 50 gCO₂e/pkm based on a WLTP procedure; iii) heavy trucks are at or below 25 gCO₂/km per vehicle; iv) passenger rail will meet a universal threshold of less than 50 gCO₂e/km; v) freight will be below 25 gCO₂/tkm; and vi) ships powered by low-carbon fuel, such as electricity, biofuel or hydrogen, as noted in the Energy Efficiency category.
 - Acquisition, development, operation and maintenance of electric vehicle charging stations and electric infrastructure for public transport. NMB has confirmed to Sustainalytics that standalone parking facilities will be excluded from the Framework.
 - Schemes and incentives to support the purchase of zero-emissions transportation, walking and cycling and expenditures related to their infrastructure. NMB has communicated to Sustainalytics that this includes the construction of cycling parks and tracks. The Bank has confirmed to Sustainalytics that new construction and existing road infrastructure retrofits, and parking facilities will be excluded under the Framework.
 - Mass transit infrastructure for buses, freight and water projects that meet the respective thresholds noted above. The Bank has communicated that this will include the acquisition, development, operation and maintenance of infrastructure.
 - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Climate Change Adaptation category, NMB intends to finance or refinance projects related to: i) climate resiliency; ii) livestock.
 - The Framework stipulates that all investments under the category will undergo climate risk vulnerability assessments and ensure the presence of climate adaptation and resilience plans.
 - Climate resilience expenditures include:
 - Climate observation and early warning systems, such as flood control and prevention systems and extreme weather early warning systems.
 - Protection against river erosion projects, such as porous pavement projects.
 - Water infrastructure projects that improve drought resilience.

¹⁶ The California Air Resource Board (CARB) considers all ozone-depleting substances and any refrigerant with a GWP of 150 or higher as high-global warming potential (high-GWP) refrigerants: <https://ww2.arb.ca.gov/resources/documents/high-gwp-refrigerants>

- Stormwater runoff improvements, such as rainwater harvesting, rain gardens, vegetated depressions to collect and absorb stormwater runoff using native plants and drained soil to filter pollutants.
- The Framework confirms the exclusion of investments towards large-scale agriculture projects related to livestock or poultry production.
- Livestock expenditures include:
 - Training and program implementation costs on integrated cropland-livestock forestry practices (ICLFSs) and sustainable pasture and rangeland management practices for smallholders in order to promote climate resiliency knowledge.
 - NMB has communicated to Sustainalytics that training on sustainable pasture and rangeland practices are intended for traditional livestock farming communities in Tanzania with the aim at improving their ability to withstand and recover from climate-related events. While Sustainalytics notes the negative impacts usually associated with livestock farming, Sustainalytics recognizes the potential green impact in expanding knowledge and skills for such communities to adapt to climate change impacts.
 - Sustainalytics recognizes that ICLFS and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce the vulnerability of farmers (particularly smallholder farmers) to environmental shocks, including climate change. However, such integrated projects could face certain barriers,¹⁷ especially related to their effective adoption on a farm level, as well as their overall potential for achieving a net reduction in methane emissions resulting from livestock production.¹⁸
 - The Framework confirms the exclusion of investments towards industrial-scale meat processors and producers.
- Based on the above, Sustainalytics views investments in this category to be aligned with market practice.
- Under the Environmentally Sustainable Management of Living Natural Resources and Land Use category, NMB intends to finance or refinance projects related to: i) sustainable agriculture; ii) sustainable forestry; and iii) sustainable fisheries.
 - Sustainable agriculture expenditures include:
 - Improvement in existing soil carbon pools activities, such as no-till farming, rehabilitation of degraded land, erosion control measures, reduced tillage intensity and cover crops, crop rotation, higher inputs of organic matter to soil, processing and application of manure and digestate with biogas capture for energy, perennial cropping systems, cultivation of deep-rooting species, peatland restoration and conservation, and soil recovery and restoration of degraded pastureland. NMB has communicated to Sustainalytics that investments will exclude the use of inorganic synthetic fertilizers. The Framework stipulates that the improvements will aim to achieve one of the following:
 - A 20% reduction in energy use in agriculture traction through efficient tillage, soil preparation, sowing, irrigation and agricultural traction.
 - A 20% reduction per unit of product in water consumption through drip irrigation, water harvest and storage facilities, and switching to water-efficient crops.
 - A 20% reduction per unit of product in non-CO₂ GHG emissions through biological nitrogen fixation.

¹⁷ The adoption of integrated crop-livestock systems is influenced by several factors, including the “costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labor, access to information and know-how, as well as the willingness to diversify production.” Gil, JDB et al. (2016), “Determinants of crop-livestock integration in Brazil: Evidence from the household and regional levels”, Land Use Policy, at: https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf

¹⁸ IPCC, “Land-Climate Interactions”, (2019), at: https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2_FINAL.pdf

- A more-than 20% increase in crop productivity without increasing associated GHG emissions.
 - An increase in the climate resilience of agribusinesses through sub-surface drip irrigation and other agricultural processes.
- Expenditures towards certified large-scale agricultural operations that meet one of the following certifications: i) Rainforest Alliance Sustainable Agriculture Standard;¹⁹ ii) Roundtable on Sustainable Biomaterials Standard;²⁰ iii) Roundtable on Responsible Soy;²¹ and iv) Bonsucro Production Standard;²²
 - Sustainalytics views the selected certification schemes as credible and aligned with market practice.
- Investments in livestock management that incorporate integrated cropland-livestock-forestry systems (ICLFSs) for smallholders alongside a sustainable forest management plan. NMB has communicated to Sustainalytics that expenditures will be limited to smallholder farms. Sustainalytics recognizes that ICLFS and agroforestry projects encompass a diversified production strategy that aims to enhance agricultural productivity and have been demonstrated to reduce the vulnerability of farmers (particularly smallholder farmers) to environmental shocks, including climate change. However, such integrated projects could face certain barriers,²³ especially related to their effective adoption on a farm level, as well as their overall potential for achieving a net reduction in methane emissions resulting from livestock production.²⁴
- Greenhouses with sustainable practices. The Framework stipulates financing greenhouse projects that have measures to increase water efficiency, prioritize energy efficiency and use electricity or low-carbon energy sources to power heating and cooling for growing out of season crops.
- NMB has communicated to Sustainalytics that investments will exclude farms exclusively dedicated to livestock.
- Sustainable forestry expenditures include:
 - Sustainable forestry management projects. NMB has communicated to Sustainalytics that investments will be limited to projects with FSC and PEFC certifications.
 - Reforestation in areas previously deforested and afforestation on non-forested land. NMB has communicated to Sustainalytics that projects will: i) use native tree species that are well adapted to local conditions; and ii) have a sustainable management plan in place.
 - The Framework confirms excluding the conversion of natural land.
- Sustainable fisheries expenditures include:
 - Investments to achieve and maintain sustainable fisheries certification that meet one of the following certifications: i) the Aquaculture Stewardship Council (ASC);²⁵ ii) Aquaculture Stewardship Council Tilapia (ASC Tilapia);²⁶ and; iii) under Best Aquaculture Practice (minimum 2 stars)²⁷, and iv) Fisheries certified by the Marine Stewardship Council (MSC).²⁸
 - Tracking and monitoring systems to ensure the sustainability of operations, facilities and supply chain in the fishing industry in line with the MSC

¹⁹ Rainforest Alliance Sustainable Agriculture Standard: <https://www.rainforest-alliance.org/resource-item/rainforest-alliance-sustainable-agriculture-standard-introduction/>

²⁰ Roundtable on Sustainable Biomaterials Standard: <https://rsb.org/>

²¹ Roundtable on Responsible Soy: <https://responsiblesoy.org/?lang=en>

²² Bonsucro: <https://bonsucro.com/>

²³ The adoption of integrated crop-livestock systems is influenced by several factors, including the “costs of adoption versus non-adoption, supply chain infrastructure, biophysical suitability, availability of skilled labor, access to information and know-how, as well as the willingness to diversify production.” Gil, JDB et al. (2016), “Determinants of crop-livestock integration in Brazil: Evidence from the household and regional levels”, Land Use Policy, at: https://www.bu.edu/gdp/files/2018/02/Gil_Garrett_et_al_2016_Determinants-of-ICLS.pdf

²⁴ IPCC, “Land-Climate Interactions”, (2019), at: https://www.ipcc.ch/site/assets/uploads/2019/08/2c-Chapter-2_FINAL.pdf

²⁵ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

²⁶ Aquaculture Stewardship Council Tilapia (ASC Tilapia), at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/the-tilapia-standard/>

²⁷ Best Aquaculture Practice, at: <https://www.bapcertification.org/About>

²⁸ MSC chain of custody certification, at: <https://www.msc.org/standards-and-certification/chain-of-custody-standard>

- certification²⁹ for the chain of custody certification for suppliers of seafood products.
- Projects and activities that increase productivity while promoting climate resilience and reduce GHG emissions. NMB has communicated to Sustainalytics that the expenditures will include implementing science-based adaptive fisheries management practices, such as catch limits, critical habitat protection, establishment of marine protected areas, enhancement of coastal resilience and reduction of bycatch.
 - The Framework confirms limiting investments towards medium- and small-scale fisheries.
 - Sustainalytics views expenditures under this category to be aligned with market practice.
- Under the Affordable Housing category, NMB may finance or refinance investments related to the construction or improvements of affordable and social housing units. NMB communicated to Sustainalytics that in Tanzania, affordable housing units target low- and middle-income populations, whose average monthly income is less than TZS 1 million (USD 400) and TZS 4 million (USD 1,600), respectively.³⁰ Additionally, the affordable housing unit cost is, on average, less than TZS 50 million (USD 25,000) with mortgage payments below 40% of the buyer's income.
- Sustainalytics notes that the role of NMB is limited to providing financing to affordable housing developers for the development, refurbishment and improvement of affordable housing as described above, and it does not have control over the detailed criteria for determining the low-income groups deemed eligible for the affordable housing properties and the corresponding affordability mechanisms.
 - Furthermore, Sustainalytics recognizes the expected benefits from investment in this category for many first-time home buyers.³¹ However, in Sustainalytics' opinion, it is best practice to establish mechanisms to ensure just and equitable access to affordable housing. Sustainalytics encourages NMB to report on the positive social impact of its financing allocated to below-median income populations, to the extent possible.
- Under the Access to Essential Services category, NMB may finance or refinance projects aimed at improving the quality and capacity of education and healthcare facilities. NMB has communicated to Sustainalytics that all private education and healthcare facilities financed under the Framework will: i) target underserved, disadvantaged, or low-income population, and ii) provide free or subsidized access to vulnerable communities including people living below the poverty line,³² excluded and marginalized populations, people with disabilities, and unemployed, elderly, sick and underserved individual,
- Education facilities expenditures include:
 - Construction or renovation of new and existing education facilities that aim to increase access to primary, secondary and tertiary education. The Bank has confirmed that educational facilities financed will include: i) public schools that are accessible and affordable to all segments of the population regardless of their ability to pay; and ii) private schools serving underserved, disadvantaged or low-income populations.³³
 - Construction or renovation of new and existing student housing developments for underserved, disadvantaged or low-income populations. Sustainalytics notes the limited availability of student housing both on and off campus of Tanzanian universities, which leads to poor housing conditions

²⁹ MSC, "The MSC Chain of Custody Standard", at: <https://www.msc.org/standards-and-certification/chain-of-custody-standard>

³⁰ The Tanzanian government-owned National Housing Corporation defines low-income populations as those that earn less than TZS 1 million (USD 400) per month and middle-income populations as those that earn less than TZS 4 million (USD 1,600) per month.

NHC, "Strategic Plan 2015/16 – 2024/25", at: http://www.nhc.co.tz/kit/NHC_STRATEGIC_Plan_Exec_Summary.pdf

³¹ TanzaniaInvest, "Housing", at:

<https://www.tanzaniainvest.com/housing#:~:text=Tanzania%E2%80%99s%20demand%20for%20housing%20and%20housing%20loans%20is,governme nt%20provides%20some%20public%20rental%20or%20social%20housing>

³² Approximately 25.7% of Tanzania's population was living below the country's National Poverty Line as of 2020.

<https://www.statista.com/statistics/1200556/poverty-rate-in-tanzania/>

³³ The NHC defines low-income populations as those that earn less than TZS 1 million (USD 400) per month.

- and the need to provide adequate and affordable housing for university students from rural and underserved areas.^{34,35,36}
- Projects to improve technological access in schools for underserved, disadvantaged or low-income populations. NMB has communicated to Sustainalytics that the expenditures can include IT systems that support school management systems and foster technology integration in education.
- Healthcare facilities expenditures include:
 - Construction, operation, maintenance, improvement of public hospitals and other public healthcare institutions that are accessible and affordable to all segments of the population regardless of their ability to pay.
 - Construction, maintenance, improvement and purchase of equipment for private hospitals and other private healthcare institutions that provide free or subsidized access to vulnerable communities, including people living below the poverty line,³⁷ excluded and marginalized populations, people with disabilities, and unemployed, elderly, sick and underserved individuals.
 - Projects to improve IT systems in healthcare facilities defined above. NMB has communicated to Sustainalytics that the expenditures can include data management and integration systems, telehealth infrastructure and privacy systems.
- Furthermore, Sustainalytics recognizes the expected benefits from investment in this category for the general public in Tanzania.^{38,39}
- However, in Sustainalytics' opinion, it is best practice to establish mechanisms to ensure just and equitable access to essential services. Sustainalytics encourages NMB to report on the positive social impact of its financing allocated to below-median income populations, to the extent possible.
- Under the Employment Generation category, the Bank may finance or refinance the following:
 - Loans, long-term working capital and credit to micro, small and medium-sized enterprises (MSMEs). The Bank defines MSMEs as enterprises with a turnover of up to TZS 15 billion (USD 6 million).⁴⁰
 - Projects that promote the growth of MSMEs, such as government initiatives or public-private Partnerships.
 - Poverty alleviation and employment government programmes, such as the Ministry of Agriculture's Building a Better Tomorrow: Youth Initiative for Agribusiness⁴¹ and other programmes in partnership with external organizations.
 - Based on the above, Sustainalytics expects investments that support MSMEs in developing countries to lead to positive social outcomes.
- Under the Socioeconomic Advancement and Empowerment category, the Bank may finance or refinance MSMEs owned or controlled by women (more than 50% control of the company). Eligible expenditures include: i) credit facilities and preferential interest rate loans to MSMEs controlled by women; ii) long-term working capital and credit to balance cash flow and support

³⁴ Mtani, I.W. and Nuhu, S. (2019), "Accommodation Status and Gender Based Analysis at Public Universities in Tanzania: Case of Ardhi University", Open Journal of Social Sciences, at: <https://doi.org/10.4236/jss.2019.74003>

³⁵ Sundkvist, H. (2010), "Students Housing in Urban Areas of Tanzania", Arbetsrapporter, at: <http://www.diva-portal.org/smash/get/diva2:328056/FULLTEXT01.pdf>

³⁶ According to the World Bank, in 2018, 26.4% of Tanzania's population lived below the poverty line, 80% of which resided in rural areas.

Kamer, L. (2022), "Poverty rate in Tanzania in selected years from 2000 to 2020", Statista, at: <https://www.statista.com/statistics/1200556/poverty-rate-in-tanzania/>

³⁷ Nearly 26% of Tanzania's population was living below the country's national poverty line as of 2020. Kamer, L. (2022), "Poverty rate in Tanzania in selected years from 2000 to 2020", Statista, at: <https://www.statista.com/statistics/1200556/poverty-rate-in-tanzania/>

³⁸ Binyaruka, P. and Borghi, J. (2022), "An equity analysis on the household costs of accessing and utilising maternal and child health care services in Tanzania", Health Economics Review, at: <https://doi.org/10.1186/s13561-022-00387-7>

³⁹ Swere, KMR (2016), "Challenges Hindering the Accessibility of Tanzania's Health Service: A Literature Review", International Journal of Economics and Finance, at:

https://www.researchgate.net/publication/305487245_Challenges_Hindering_the_Accessibility_of_Tanzania's_Health_Service_A_Literature_Review/fulltext/57a3bede08aefe6167a838c2/Challenges-Hindering-the-Accessibility-of-Tanzania's-Health-Service-A-Literature-Review.pdf

⁴⁰ NMB refers to the definition from International Finance Corporation on MSMEs based on the organization's annual turnover. Deviation related to the size of the domestic economy is also considered.

IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

⁴¹ Building a Better Tomorrow, "About Us", at: <https://bbtkilimo.co.tz/about-us/>

- unforeseen expenses for MSMEs controlled by women; and iii) financing of MSMEs that offer products and services that specifically or disproportionately benefit women.
- Sustainalytics considers the intent to increase access to financial services for MSMEs in a developing economy, such as Tanzania, to be impactful and aligned with market practice.
 - Under the Food Security category, NMB may finance or refinance projects in the agricultural sector and food system to alleviate hunger, achieve food security and support smallholder farmers⁴² with the aim to expand access to adequate food for low-income populations.⁴³ Eligible expenditures include: i) small-scale irrigation and agriculture value chain development; ii) provision of farm infrastructure and agriculture inputs for rural farmers; iii) small-scale fishing and aquaculture equipment, such as boats, fishing nets and lights, and iv) food storage infrastructure such as cold rooms and warehouses.
 - Sustainalytics considers the expenditures under this category to be aligned with market practice.
 - The Framework specifies a list of activities that are excluded from financing: i) forced labour, child labour or human trafficking; ii) products or activities deemed illegal under Tanzanian laws and regulations or international conventions and agreements; iii) weapons and munitions or other activities related to warfare; iv) gambling, casinos and equivalent enterprises; v) wildlife or wildlife products protected by national or international law and regulations; vi) radioactive materials; vii) tobacco; viii) unprotected asbestos fibres and their use; ix) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest; x) highly toxic chemicals; xi) pharmaceutical products, pesticides, herbicides or ozone-depleting substances subject to gradual elimination or international bans; xii) illegal drugs or psychotropic substances; xiii) activities that, because of their nature, are deemed against NMB's Environmental Policy, Code of Conduct or Tanzanian laws; and xiv) fossil fuel-related activities or equipment.
 - Project Evaluation and Selection:
 - NMB's Asset Originating Businesses will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The Bank's Credit Committee, comprising members from the Business Banking, Wholesale Banking, Treasury and Credit departments, will be responsible for the final approval of eligible projects.⁴⁴
 - NMB has an environmental and social management system to address environmental and social risks associated with projects financed.⁴⁵ For additional details, see Section 2.
 - Based on a cross-functional oversight for project selection and evaluation and the presence of a risk management system, Sustainalytics considers this process to be in line with market practice.
 - Management of Proceeds:
 - NMB's Credit Administration Department will be responsible for the management and allocation of proceeds and will track the proceeds using a sustainable asset register and its IT system. The Bank intends to earmark proceeds for eligible projects and manage proceeds using a portfolio approach, ensuring continuous allocation until bond maturity. For unsecured bonds issued under the Framework, NMB has confirmed to Sustainalytics that it will match 100% of the proceeds on an ongoing basis until bond maturity.
 - NMB intends to fully allocate proceeds to eligible projects within 18 months of the respective issuance date. Pending full allocation, unallocated proceeds will be invested in accordance with the Bank's liquidity asset management investment policy, in short-term money market products from sovereign, supranational, agencies, development banks and financial institutions.
 - Instruments issued under the Framework may include multi-tranche loan facilities. NMB has communicated to Sustainalytics that it will only label those tranches of such facilities green or

⁴² NMB employs FAO's definition of smallholder farmers.

FAO, "Smallholders and Family Farmers", at: <https://www.fao.org/family-farming/detail/en/c/273864/>

⁴³ Low-income populations are defined as households with incomes below TZS 10,000 (USD 4.35) per month.

⁴⁴ The composition of the Asset Originating Businesses and Credit Committee have been communicated to Sustainalytics by the Bank.

⁴⁵ The Bank has communicated that once eligible projects are identified, an environmental and social specialized unit assesses environmental and social risks and impacts associated with the projects and mitigation measures. Once the risk acceptance criteria are met, eligible projects are finally recommended for approval to the Credit Committee.

- social whose proceeds will be allocated to the activities per the eligibility criteria in the Framework.
- Based on the presence of an internal tracking system and disclosure on the temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice.
- Reporting:
 - NMB intends to report on the allocation and impact of proceeds in impact reports on its website on an annual basis until full allocation. For revolving credit facilities, the Bank has confirmed that reporting will continue until the maturity of such facilities.
 - Allocation reporting will be done at the category level and will include the total amount of proceeds allocated to eligible loans or assets, number of eligible loans or assets, balance of unallocated proceeds and amount or percentage of new financing and refinancing.
 - Impact reporting is expected to be based on category-level indicative impact indicators to the extent that data is available from clients and subject to permitted disclosures in accordance with relevant confidentially agreements and privacy, competition, or other relevant regulation. Indicators may include: i) total installed capacity; ii) annual energy savings (in MWh/year or TZS); iii) number of education facilities financed; and iv) number of MSMEs financed and value of MSMEs loans (in TZS bn). For a full list of indicators, please see Appendix 1.
 - Based on the Bank's commitment to both allocation and impact reporting, Sustainalytics considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023

Sustainalytics has determined that the NMB Bank PLC Sustainability Bond Framework aligns with the four core components of the GBP, SBP, GLP and SLP. For detailed information, please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

Section 2: Sustainability Strategy of NMB

Contribution to NMB's sustainability strategy

Sustainalytics is of the opinion that NMB demonstrates a commitment to sustainability with a focus on Tanzania's sustainable development. In 2020, the Bank revised its Medium-Term Plan for the 2021-25 period with a focus on three pillars: i) winning propositions, ii) operational efficiency, and iii) innovation for the future. In addition, the Bank's sustainability objectives include: i) sustainable economic growth, ii) environmental stewardship, iii) community investments, and iv) robust governance and risk management. The Bank has a Corporate Social Investments policy since 2012, through which it invests a set budget of 1% of its after-tax profit on an annual basis across the pillars of education, health, financial literacy training and disaster recovery. In 2022, the Bank started to develop a climate action strategy, framework and roadmap. In 2023, climate change was set as the focus of NMB's sustainability's action plan, including prioritizing to increase financial access to the agricultural sector.

Regarding NMB's social commitments, the Bank established in 2021 the NMB Foundation,⁴⁶ a not-for-profit corporate social investment arm to scale up its intervention in areas such as education, health, environment, agriculture and entrepreneurship, which is expected to create a positive impact on Tanzania's socioeconomic development. In 2022, NMB issued the Jasiri Social Bond, which disbursed more than 1,200 loans to MSMEs and women-led businesses and was named Platinum Winner of the Sustainable Bond of the Year at the 2022 Global SME Finance Forward Awards. In addition, NMB was the first African financial institution to receive the Economic Dividends for Gender Equality (EDGE) certification for promoting diversity and inclusion in its workspace and was recognized Champion of Economic Empowerment: Best Bank and Best Agri-Business Bank in Tanzania by Global Brands Magazine.⁴⁷

In 2022, the Bank started to develop a climate action strategy, framework and roadmap, and identified the following priorities: i) carbon reduction and energy conservation, ii) resource usage, iii) waste management, iv) increasing sustainable lending, v) leadership and volunteering activities in support of the transition to a low-carbon economy.⁴⁸ Additionally, NMB has a specific Foundation for Agricultural Development, which aims to enhance farmer organizations and co-operatives by concentrating on diverse skills, such as governance, financial skills, production techniques and quality.⁴⁹ In line with its commitment to empowering farmers and

³⁸ NMB Bank Foundation, "NMB Bank Foundation", at: <https://foundation.nmbbank.co.tz/>

⁴⁷ NMB, "Financial and regulatory reports", (2022), at: <https://www.nmbbank.co.tz/investor-relations-nmb/financial-and-regulatory-reports/annual-reports>

⁴⁸ Ibid.

⁴⁹ NMB, "Agribusiness", at: [Overview - NMB Bank Plc.](#)

the agricultural sector, NMB supported 1.3 million farmers in 2021 through agricultural programmes and additionally committed to plant 1 million trees by the end of 2023.⁵⁰ In 2022, NMB provided more than 10,700 agricultural loans for a value of TZS 558 billion (USD 222 million) to support agricultural growth.⁵¹

Based on the above, Sustainalytics recognizes NMB's overall sustainability performance and notes that the NMB Bank PLC Sustainable Financing Framework is expected to further the Bank's action on key social and environmental issues. Sustainalytics encourages NMB to establish quantifiable and time-bound targets for its sustainability goals.

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have a positive environmental and social impact. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks possibly associated with consumer finance include stakeholder relations; business ethics and predatory lending; land use and biodiversity issues associated with large infrastructure projects; emissions, effluents and waste generated during construction; occupational health and safety; and the exacerbation of inequalities if underserved groups are not appropriately targeted.

Sustainalytics acknowledges that the activities financed under this Framework will not be carried out by NMB itself but rather by the companies and individuals being financed. Nonetheless, Sustainalytics is of the opinion that the Bank is well positioned to manage or mitigate potential risks through the implementation of the following:

- To manage stakeholder relations, the Bank's due diligence and know-your-customer process includes inspections to adequately understand each customer from opening bank accounts to accessing the Bank's financial services. This helps the Bank to identify potential risks associated with the industries and locations, including the communities where the customers operate, as well as to personalize the financial products to tailor to different target populations.⁵²
- To manage or mitigate risks related to business ethics and predatory lending, NMB has established the NMB's Code of Conduct. The code outlines a set of standards for all Bank employees to adhere to social responsibility and ethical conduct. The standards further mandate that employees must provide sound and tailored advice and services that meet the specific needs of customers and are suitable to the customer's level of expertise.⁵³ Furthermore, the Bank has established an anti-money laundering policy that sets forth a framework to manage money laundering, terrorism financing and proliferation financing. This policy is applicable to all business units, employees and service providers.⁵⁴ NMB's Fraud, Anti-Bribery and Corruption Policy helps identify risks related to fraudulent and corrupt activities and guides the establishment of policies and controls for the prevention and detection of such activities.⁵⁵
- To manage land use and biodiversity issues associated with large infrastructure projects, emissions, effluents and waste generated during construction, NMB has implemented its Environmental and Social Risk Management Approach, which describes the consideration for environmental and social risks and use of E&S risk assessment tools in its lending business from credit origination to business appraisal processes, approvals and monitoring stages. The approach enables the Bank to have processes in place for improving employee competency to implement the environmental and social policies and procedures as applied to business lines and processes for monitoring customers' implementation of and compliance with environmental and social requirements included in agreements.⁵⁶ Furthermore, NMB adopted an Environmental and Social Impact Management Policy, requiring all projects and transactions to undergo an environmental and social due diligence process. Through this process, projects are categorized as either low, medium or high risk based on the magnitude of the environmental or social impact.⁵⁷ The policy considers international standards and best practices in sensitive on emissions, solid waste, water and wastewater and land conversion. NMB is currently in the process of enhancing its policy to identify and address climate-related risks to which the Bank is exposed.

⁵⁰ NMB, "The Journey of Prosperity – Annual Report 2022", (2022), at: Annual Reports - Annual Reports - NMB Bank Plc.

⁵¹ NMB, "Financial and regulatory reports", (2021), at: <https://www.nmbbank.co.tz/investor-relations-nmb/financial-and-regulatory-reports/annual-reports>

⁵² NMB shared its Code of Conduct with Sustainalytics confidentially.

⁵³ Ibid.

⁵⁴ NMB shared its Anti-Money Laundering Policy with Sustainalytics confidentially.

⁵⁵ NMB shared its Fraud, Anti-Bribery and Corruption policy with Sustainalytics confidentially.

⁵⁶ NMB, "NMB Bank PLC Sustainability Bond Framework", (2023), at: <https://www.nmbbank.co.tz/investor-relations-nmb>

⁵⁷ NMB shared its Environmental and Social Impact Management Policy with Sustainalytics confidentially.

- Under the Environmental and Social Impact Management Policy, projects classified as high risk during the due diligence process will be required to undergo an environmental impact assessment (EIA) during loan origination and appraisal. The Bank will require that the client implements corrective action plans and will annually monitor the client's facilities to ensure compliance with environmental and social requirements. It also provides a list of the various national laws and regulations that projects are required to comply with during the EIA and states that projects will be assessed by the Bank during the approval process. Examples of laws include: i) Fisheries Act No. 22 of 2003; ii) Wildlife Act No. 12 of 1974; iii) Water Utilization (Control and Regulation) Act, Land Act No. 4 of 1999; and iv) Occupational Health and Safety Act No. 5 of 2003. It also includes an exclusionary list defined by the Netherlands Development Finance Company, which the Bank will consider during approval. For example, it ensures that projects involving critical habitats with a high biodiversity value and that provide key ecosystem services and have significant social, economic or cultural importance to local communities will align with the World Conservation Union (ICUN) classification and will not be funded.⁵⁸
- NMB's Credit Policy sets forth a comprehensive credit governance process for all lending done by the Bank. The credit governance process ensures the correct management and timely allocation of proceeds by setting forth requirements for client identification, evaluation and approval metrics. Through this process, funds raised under the Framework can be expected to be directed to the defined target populations.⁵⁹

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NMB has in place adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All 13 use of proceeds categories are aligned with those recognized by GBP, SBP, GLP and SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of addressing supply gaps in the healthcare system in Tanzania

According to the World Bank, in 2018, 26.4% of Tanzania's population lived below the poverty line, 80% of which resided in rural areas.⁶⁰ This scenario combined with a geographically dispersed population puts much of the country at a significant susceptibility to disease exposure.⁶¹ Further, limited resources and funding create additional challenges for healthcare facilities to provide equal access to adequate treatment and care services.⁶² In Tanzania, 41% of all households have no access to healthcare centres, dispensaries or hospitals, leading to have of the lowest rates of access to health personnel in the world.^{63,64} In addition, less than half of all healthcare facilities had adequate staff, proper equipment and sufficient medical supplies to provide quality antenatal care services as of 2020.^{65,66}

Furthermore, a significant gap in access to healthcare in Tanzania puts children in a particularly vulnerable position: 270 children under the age of 5 die every day from preventable diseases, such as malaria, pneumonia and diarrhoea, and only 20% of dispensaries and 39% of healthcare centres offer delivery services with all

⁵⁸ Ibid.

⁵⁹ NMB shared its Credit Policy with Sustainalytics confidentially.

⁶⁰ World Bank, "Poverty & Equity Brief: Africa Eastern & Southern – Tanzania", (2021), at: https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_TZA.pdf

⁶¹ Nattey, C. et al. (2013), "Relationship between household socio-economic status and under-five mortality in Rufiji DSS, Tanzania", Global Health Action, at: <https://www.tandfonline.com/doi/full/10.3402/gha.v6i0.19278>

⁶² Swere, KMR (2016), "Challenges Hindering the Accessibility of Tanzania's Health Service: A Literature Review", International Journal of Economics and Finance, at:

https://www.researchgate.net/publication/305487245_Challenges_Hindering_the_Accessibility_of_Tanzania's_Health_Service_A_Literature_Review/fulltext/57a3bede08aefe6167a838c2/Challenges-Hindering-the-Accessibility-of-Tanzanias-Health-Service-A-Literature-Review.pdf

⁶³ World Bank, "Poverty & Equity Brief: Africa Eastern & Southern – Tanzania", (2021), at: https://databankfiles.worldbank.org/public/ddpext_download/poverty/987B9C90-CB9F-4D93-AE8C-750588BF00QA/AM2020/Global_POVEQ_TZA.pdf

⁶⁴ International Trade Administration, "Tanzania – Country Commercial Guide: Healthcare", (2022), at: <https://www.trade.gov/country-commercial-guides/tanzania-healthcare>

⁶⁵ Van Pelt, S. et al. (2020), "If you don't have enough equipment, you're not going to provide quality services': Healthcare workers' perceptions on improving the quality of antenatal care in rural Tanzania", International Journal of Africa Nursing Sciences, at: <https://www.sciencedirect.com/science/article/pii/S2214139120301098>

⁶⁶ Penfold, S. et al. (2013), "Staff experiences of providing maternity services in rural southern Tanzania – a focus on equipment, drug and supply issues", BMC Health Services Research, at: <https://pubmed.ncbi.nlm.nih.gov/23410228/>

signal functions for basic emergency obstetric and care.^{67,68,69,70} Similar supply gaps also exist between rural and urban areas: even though 70% of the Tanzanian population reside in rural areas, only 30% of all health professionals are present there, and resources, equipment and quality are low.⁷¹ These shortages significantly increase the risk of adverse health for many Tanzanians.⁷² In June 2021, the Government of Tanzania launched the Health Sector Strategic Plan 2021-2026 to addresses these shortages by committing to provide sustainable health services for its citizens by 2026.⁷³ To meet these commitments, the plan sets forth several strategies, including: enhancing the quality of training to build the healthcare workforce; investing in nursing and midwife services to meet demands for specialized healthcare; improving procurement and delivery systems to increase availability; reducing the cost of medical supplies; and investing in the maintenance and renovation of facilities and equipment according to population needs.⁷⁴ The Tanzanian government began a five year plan in 2021 in which it set a target to increase the number of healthcare service providers by 21% from a baseline of 97,000, while investing in all 1,185 wards present across the country.⁷⁵ Spending on construction, new equipment and furniture will cost TZS 2 trillion (USD 865 million).⁷⁶ Furthermore, the government drafted a Universal Health Coverage bill to provide universal healthcare access in Tanzanian public and private hospitals. The bill is yet to be approved by Parliament but is expected to be enacted in 2023.⁷⁷

NMB intends to invest in projects that are expected to improve access to essential services, with a focus on healthcare. Sustainalytics is of the opinion that projects aimed at financing the construction, operation, maintenance, improvement and development of healthcare institutions are likely to improve shortage issues and increase the capacity of facilities providing essential medical care. This will enable the sector to provide increased access to quality healthcare services for all individuals and subsequently support the achievement of the targets and commitments set by the Tanzanian government.

Importance of financing sustainable agriculture in Tanzania

Agriculture accounted for approximately 25% of Tanzania's GDP, employing 65% of the country's workforce in 2022.⁷⁸ The sector is 80% led by smallholder farmers, which depend on manual cultivation and proper climate conditions for production, leading them to be particularly vulnerable to climate change and enhancing food insecurity.⁷⁹ The Global Hunger Index ranks Tanzania 95th out of 121 countries, with a score signifying serious levels of hunger.⁸⁰

Sub-Saharan Africa is the most vulnerable region in the world to climate change impacts, and Tanzania is currently experiencing effects of heat stress, drought and food insecurity.⁸¹ In 2022, drought, especially in northern Tanzania, caused increased poverty levels and food insecurity due to loss of pasture land and livestock.⁸² Alongside the effects of climate change, conventional agricultural practices, including monocropping, increased use of fertilizers and poor livestock rearing practices, have intensified soil

⁶⁷ Ministry of Health, Community Development, Gender, Elderly and Children, "Health Sector Strategic Plan July 2021 – June 2026", (2021), at: <https://mitu.or.tz/wp-content/uploads/2021/07/Tanzania-Health-Sector-Strategic-Plan-V-17-06-2021-Final-signed.pdf>

⁶⁸ Msafiri, D. and Katera, L. (2020), "Healthcare Delivery Environment and Performance in Tanzania", REPOA, at: <https://www.repoa.or.tz/wp-content/uploads/2021/02/SDI-Health-Designed-Sept-2020.pdf>

⁶⁹ Unicef, "Maternal and child health", at: <https://www.unicef.org/tanzania/what-we-do/health>

⁷⁰ Ibid.

⁷¹ Shemdoe, A. et al. (2016), "Explaining retention of healthcare workers in Tanzania: moving on, coming to 'look, see and go', or stay?", Human Resources for Health, at: <https://human-resources-health.biomedcentral.com/articles/10.1186/s12960-016-0098-7>

⁷² Penfold, S. et al. (2013), "Staff experiences of providing maternity services in rural southern Tanzania – a focus on equipment, drug and supply issues", BMC Health Services Research, at: <https://pubmed.ncbi.nlm.nih.gov/23410228/>

⁷³ Ministry of Health, Community Development, Gender, Elderly and Children, "Health Sector Strategic Plan July 2021 – June 2026", (2021), at: <https://mitu.or.tz/wp-content/uploads/2021/07/Tanzania-Health-Sector-Strategic-Plan-V-17-06-2021-Final-signed.pdf>

⁷⁴ Ibid.

⁷⁵ Ibid.

⁷⁶ Ibid.

⁷⁷ TanzanianInvest, "Universal Health Coverage To Come Into Effect in July, Minister Says", (2023), at: <https://www.tanzanianinvest.com/finance/insurance/universal-health-coverage-bill-update>

⁷⁸ IFAD, "Investing in rural people in the United Republic of Tanzania", (2022), at: <https://www.ifad.org/documents/38714170/39972426/Investing+in+rural+people+in+the+United+Republic+of+Tanzania.pdf/527b0c0a-d30a-42a4-a777-6040a43b73fb>

⁷⁹ IFAD, "United Republic of Tanzania Country Strategic Opportunities Programme 2022-2027", (2022), at: <https://www.ifad.org/documents/38711624/39485382/EB-2022-135-R-20.pdf/c093b308-6258-43cf-8f4d-dae746e50005?t=1655912038508>

⁸⁰ Global Hunger Index, "Tanzania (United Rep. of)", at: <https://www.globalhungerindex.org/tanzania.html>

⁸¹ International Monetary Fund, "Regional Economic Outlook: Sub-Saharan Africa", (2023), at: <https://www.imf.org/en/Publications/REO/SSA/Issues/2023/04/14/regional-economic-outlook-for-sub-saharan-africa-april-2023>

⁸² International Federation of Red Cross and Red Crescent Societies, "Tanzania: Food Insecurity (Drought) – Emergency Plan of Action (EPoA), DREF Operation MDRTZ030", (2022), at: <https://reliefweb.int/report/united-republic-tanzania/tanzania-food-insecurity-drought-emergency-plan-action-epoa-dref#:~:text=The%20ongoing%20drought%20has%20affected,are%20facing%20the%20same%20challenge.>

degradation, adversely impacting the productivity of land.^{83,84} According to Tanzania's National Determining Contributions, efforts to mitigate climate change effects may cost the country up to USD 500 million per year, with the expectation of this estimation increasing to USD 1 billion per year by 2030.⁸⁵

In this context, Tanzania's Climate-Smart Agriculture (CSA) 2015-2025 programme aims to improve productivity and build resilience in the sector through technology innovations, value chain integrations and agricultural advisory service improvements.⁸⁶ Regarding soil degradation, Tanzania has committed to improving land productivity on 8.4 million hectares of cropland by 2025.⁸⁷ To achieve the target, the country plans to adopt sustainable land management practices, such as agroforestry and improved crop seeds.⁸⁸ Despite limited financial and technical capacity to implement knowledge- or capital-intensive practices, such as minimum tillage and water harvesting, approximately 60% of smallholder farmers across Tanzania have already adopted several CSA practices, including the introduction of drought-resistant crops, intercropping and integrated soil fertility management, through co-operation with government programmes, international organizations, NGOs and practitioners of traditional knowledge.⁸⁹

Based on the above, Sustainalytics is of the opinion that NMB's allocation of proceeds to projects intended to support the implementation of sustainable agricultural practices in Tanzania is expected to contribute to reducing the effects of climate change on the country's agricultural production.

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Sustainable Water and Wastewater Management	6. Clean Water and Sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Green Buildings	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in

⁸³ World Bank, "Climate-Smart Agriculture in Tanzania", (2017), at: <https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA-in-Tanzania.pdf>

⁸⁴ Government of Tanzania, "Land Degradation Neutrality Target Setting Programme Report", (2018), at:

https://www.unccd.int/sites/default/files/ldn_targets/2018-11/Tanzania%20LDN%20TSP%20Country%20Report.pdf

⁸⁵ UNFCC Government of Tanzania, "National Determining Contribution", (2021), at: https://unfccc.int/sites/default/files/NDC/2022-06/TANZANIA_NDC_SUBMISSION_30%20JULY%202021.pdf

⁸⁶ Irish Aid, "Tanzania Country Climate Change Risk Assessment Report", (2018), at:

https://www.climatelearningplatform.org/sites/default/files/resources/tanzania_country_climate_risk_assessment_report_final_version.pdf

⁸⁷ Government of Tanzania, "Land Degradation Neutrality Target Setting Programme Report", (2018), at:

https://www.unccd.int/sites/default/files/ldn_targets/2018-11/Tanzania%20LDN%20TSP%20Country%20Report.pdf

⁸⁸ Ibid.

⁸⁹ World Bank, "Climate-Smart Agriculture in Tanzania", (2017), at: <https://climateknowledgeportal.worldbank.org/sites/default/files/2019-06/CSA-in-Tanzania.pdf>

		vulnerable situations, women, children, persons with disabilities and older persons
Climate Change Adaptation	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
Environmentally Sustainable Management of Living Natural Resources and Land Use	14. Life Below Water	14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
	15. Life on Land	15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
Affordable Housing	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Access to Essential Services	3. Good Health and well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
	4. Quality Education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes
Employment Generation	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Socioeconomic Advancement and Empowerment	1. No Poverty	1.4 By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance
Food Security	2. Zero Hunger	2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

Conclusion

NMB has developed the NMB Bank PLC Sustainability Bond Framework, under which it may issue sustainability bonds and loans and use the proceeds to finance or refinance, in whole or in part, existing and future projects that would contribute to inclusive socioeconomic growth and strengthen the response to climate change. Sustainalytics considers that the projects funded by the sustainability bond proceeds are expected to provide positive environmental and social impact.

The NMB Bank PLC Sustainability Bond Framework outlines a process by which proceeds will be tracked, allocated and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Framework is aligned with the overall sustainability strategy of the Bank and that the use of proceeds categories will contribute to the advancement of UN Sustainable Development Goals 1, 2, 3, 4, 6, 7, 11, 12, 14 and 15. Additionally, Sustainalytics is of the opinion that NMB has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that NMB is well positioned to issue sustainability bonds and that the NMB Bank PLC Sustainable Financing Framework is robust, transparent and in alignment with the four core components of the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	NMB Bank Plc
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	NMB Bank PLC Sustainability Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	August 28, 2023
Publication date of review publication:	
Original publication date <i>[please fill this out for updates]</i> :	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.
The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental and social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 6, 7, 11, 12, 14 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input checked="" type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input checked="" type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

NMB Bank PLC's Asset Originating Businesses, comprising Relationship Managers, will be responsible for evaluating and selecting eligible projects in line with the Framework's eligibility criteria. The Bank's Credit Committee, comprising members from the business banking, wholesale banking, Treasury and Risk and Credit department, will be responsible for the final approval of eligible projects, which will be allocated by the Treasury team. NMB Bank has an environmental and social management system in place to address environmental and social risks associated with projects being financed. This is in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

NMB Bank PLC's Credit Administration department will manage proceeds using a portfolio approach, ensuring continuous allocation until bond maturity. NMB Bank has confirmed to Sustainalytics that the matching of proceeds is ongoing on a 100% basis until bond maturity for unsecured bonds issued under the Framework. NMB Bank PLC intends to fully allocate proceeds within 18 months of issuance. Pending full allocation, unallocated proceeds will be invested in accordance with the Bank's liquidity asset management investment policy, in short-term money markets productions from sovereign, supranational, agencies, development banks and financial institutions. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify): |

4. REPORTING

Overall comment on section (if applicable):

NMB Bank PLC intends to report on the allocation and impact of proceeds via impact reports, on its website, on an annual basis until full allocation. Allocation reporting will be done at the category level and will include the total amount of proceeds allocated to eligible loans/assets, number of eligible loans/assets, balance of unallocated proceeds and amount or percentage of new financing and refinancing. Additionally, NMB Bank PLC is committed to reporting on indicative impact indicators on a category level to the extent that data is available from clients and subject to permitted disclosures in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation. Sustainalytics views NMB Bank PLC's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other (please specify): | |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |

- | | |
|---|---|
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): i) total installed capacity; ii) annual energy savings (MWh/year or in TZS); iii) number of education facilities financed; and iv) number of MSMEs financed and value of MSMEs loans (TZSbn) |
|---|---|

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Impact reports published on NMB's website |
| <input checked="" type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): a limited assurance report of the allocation of the green, social and/or sustainability bond/loan proceeds to eligible loans/assets, to be provided by an external auditor | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. Second-Party Opinion: An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the

issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.

- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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