

NMB Bank PLC

Type of Engagement: Annual Review

Date: 4 July 2025

Engagement Team:

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Introduction

In November 2023, NMB Bank Plc (“NMB” or the “Bank”) issued a sustainability bond (“2023 Sustainability Bond”) and raised a total of TZS 400 billion to finance and refinance green and social projects which will lead to positive environmental and social impacts. In 2025, NMB engaged Sustainalytics to review the projects financed with proceeds from the 2023 Sustainability Bond (the “Nominated Expenditures”) and provide an assessment as to whether they meet the use of proceeds criteria and whether NMB complied with the reporting commitments in the 2023 Sustainable Financing Framework (the “Framework”).¹ Sustainalytics provided a Second-Party Opinion on the Framework in August 2023.²

Evaluation Criteria

Sustainalytics evaluated the Nominated Expenditures and NMB’s reporting based on whether they:

1. Meet the use of proceeds and eligibility criteria defined in the Framework; and
2. Reported on at least one key performance indicator (KPI) for each use of proceeds category defined in the Framework.

Table 1: Use of Proceeds Categories and Eligibility Criteria

Use of Proceeds Category	Eligibility Criteria
Renewable Energy	<ul style="list-style-type: none"> • Solar, including Solar PV and Concentrated Solar heat and power generation Plants (CSP). For CSP, >85% of the generated electricity will be derived from Solar energy sources. • Wind (onshore and offshore). • Run of the river hydropower where: 1) the used penstock/pondage capacity does not exceed 24hrs usage; 2) a typical power plant would utilize less than two-thirds of a river’s total annual flow; and 3) immediately below the powerhouse, all flows diverted to produce power are returned to the stream and the natural downstream flow patterns are preserved. • Geothermal with direct emissions below 100 gCO₂/kWh. • Biomass or biofuels of sustainable origin for electricity generation and/or biofuel production. It will be demonstrated through compliance with internationally accepted certification schemes (e.g., Roundtable on Sustainable Biomaterials) or other evidence that the activity does not compete with food crop production or supply. <p>Specific exclusion</p> <ul style="list-style-type: none"> • Biomass or biofuels of non-sustainable origin.

¹ NMB, “Sustainable Financing Framework”, (2023), at: <https://www.nmmbank.co.tz/sustainability/sustainability/nmb-jamii-bond-2023>

² Sustainalytics, “Second-Party Opinion, Sustainable Financing Framework”, (2023), at: <https://mstar-sustops-cdn-mainwebsite-s3.s3.amazonaws.com/docs/default-source/spos/nmb-bank-plc-sustainability-bond-framework-second-party-opinion.pdf>

	<ul style="list-style-type: none"> Hydropower projects for which estimated reservoir emissions intensity is >100 gCO₂/kWh or power density greater than 5W/m². Geothermal projects with emission intensity over 100 gCO₂/kWh. Hydrogen production through steam reforming processes using natural gas/oil or coal (grey/black/blue hydrogen). Grid expansion from renewable sources. Micro-grid infrastructure connected to renewable sources. Infrastructure directly connecting.
<p>Sustainable water and wastewater management</p>	<ul style="list-style-type: none"> Construction, maintenance and equipment for water supply and treatment infrastructure (i.e., pipework). Water treatment facilities. Wastewater discharge infrastructure. Water-saving systems and technologies (e.g., smart meters). Energy efficiency measures in water systems that improve efficiency. Sustainable urban drainage systems. Removal of invasive species to improve water catchments. Water Storage Facilities. <p>Specific exclusion:</p> <ul style="list-style-type: none"> Expenditures will exclude application to hard-to-abate industries. Desalination projects that do not have an environmental risk mitigation strategy to address brine management. Desalination plants exclusively powered by fossil fuel rather than grid electricity. Desalination plants supplying water exclusively for fossil fuel activities. Desalination plants with carbon Intensity >100 gCO₂/kWh
<p>Clean transportation</p>	<ul style="list-style-type: none"> Projects to finance the manufacture, retrofit or purchase of low-carbon transportation technology (e.g., electric, hybrid and green hydrogen), including vehicles, buses, tractors, trains and ships. For hybrids, emission threshold is as follows: i) passenger vehicles will be at or below 75 gCO₂/km; ii) buses will meet a direct emissions threshold of less than 50 gCO₂e/ km 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; or If the overall portfolio on average meets the threshold < 25 gCO₂/tkm or 40.23 gCO₂/tmi. Electric vehicle charging stations and electric vehicle infrastructure for public transport and private use. Rail transportation projects for public use, where for hybrid freight: passenger rail with direct emissions threshold of < 50 gCO₂e/km or 80.47 gCO₂/pmi. Manufacture or leasing of unpowered wagons with the condition that they are not designed nor used for the transportation of fossil fuels. Acquisition, development, operation and maintenance of electric vehicle charging stations and electric infrastructure for public transport.

	<ul style="list-style-type: none"> • Schemes and incentives to support the purchase of zero-emission transportation and related infrastructure. • Mass transit infrastructure, including fossil-fuel-related projects with less than 50 g CO₂ per passenger km and freight and water projects with less than 25 kg of CO₂ per tonne. <p>Specific exclusions:</p> <ul style="list-style-type: none"> • Fossil-fuel-based transportation, supporting infrastructure and transportation dedicated to fossil fuel transport. • Systems and infrastructure dedicated to the transportation of fossil fuels.
<p>Environmentally sustainable management of living natural resources and land use</p>	<p>Projects that demonstrate:</p> <ul style="list-style-type: none"> • Increased crop productivity of at least 20% without increasing greenhouse gas (GHG) emissions. • Reduction in at least 20% of energy use in agricultural traction (low or efficient tillage and other agricultural processes). • Reduction in water consumption of at least 20% per unit of product (drip irrigation, switching to less water intensive crops, water harvest and storage facilities). • Improvement in existing soil carbon pools (Potentially eligible activities include but not limited to no-till farming, degraded land rehabilitation, erosion control measures, reduced tillage intensity and cover crops, crop rotation, higher inputs of organic matter to soil, processing and application of manure/digestate preferably with biogas capture for energy, perennial cropping systems, cultivation of deep rooting species, and peatland restoration and conservation). • Biological nitrogen fixation – reduction in at least 20% (per unit of product) of non-carbon dioxide GHG emissions from agricultural processes (e.g., N₂O from fertiliser use). • Integrated cropland-livestock-forestry systems for smallholder farms and that comply with sustainable forestry management plan for smallholders.³ • Projects or activities that increase the resilience of agribusinesses against climate risks, including but not limited to sub-surface drip irrigation. • Large-scale agricultural operations will be considered eligible if they are sustainability certified by credible organizations such as: <ul style="list-style-type: none"> - Rainforest Alliance; - Roundtable on Sustainable Biomaterial⁴ - Roundtable on Responsible Soy Association Standard⁵ - Bonsucro Production Standard⁶

³ NMB employs FAO’s definition of smallholder farmers. FAO, “Smallholders and Family Farmers”, at: <https://www.fao.org/family-farming/detail/en/c/273864/>

⁴ Roundtable on Sustainable Biomaterials Standard: <https://rsb.org/>

⁵ Roundtable on Responsible Soy: <https://responsiblesoy.org/?lang=en>

⁶ Bonsucro: <https://bonsucro.com/>

	<ul style="list-style-type: none"> - Rainforest Alliance 2020 Sustainable Agriculture Standard ⁷ • Greenhouses with sustainable practices with regards to energy, air and carbon management, water use, hydroponics or aeroponics. <p>Specific Exclusion.</p> <ul style="list-style-type: none"> • Financing/refinancing of projects will exclude farms exclusively dedicated to livestock. • Sustainable forest management activities that increase carbon stocks or avoid deforestation. • Reforestation on previously forested land. • Afforestation on non-forested land no conversion of natural land is involved.
	<ul style="list-style-type: none"> • Sustainable fisheries and seafood: • Investments to meet, keep or exceed the relevant certification standard for the Fishing Industry. Following certifications are expected under the activity: <ul style="list-style-type: none"> - The Aquaculture Stewardship Council (ASC) - Aquaculture Stewardship Council Tilapia (ASC Tilapia) - Best Aquaculture Practice (minimum 2 stars) - Fisheries certified by the Marine Stewardship Council (MSC) • Traceability systems to ensure sustainability of operations, facilities and supply chain in the fishing industry (this investment should meet, keep or exceed the MSC certification for the chain of custody certification for suppliers of seafood products). • Increase productivity in an environmentally sustainable way through inter alia climate-smart fisheries and aquaculture innovations.
<p>Employment generation</p>	<ul style="list-style-type: none"> • Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business. • Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activities. • Funding projects that promote growth of Micro, Small and medium enterprises (MSMEs).⁸ • MSMEs are categorised as per Tanzanian Specific guidelines. <p>Specific exclusion:</p> <ul style="list-style-type: none"> • MSMEs whose business activities could be considered harmful to the environment or are in contravention of any of the other criteria outlined above.

⁷ Rainforest Alliance Sustainable Agriculture Standard: <https://www.rainforest-alliance.org/resource-item/rainforest-alliance-sustainable-agriculture-standard-introduction/>

⁸ MSMEs as defined by the International Finance Corporation on MSMEs as: i) micro enterprises with a turnover of up to TZS 150 million, ii) small enterprises with a turnover from TZS 150 million to TZS 15 billion, and iii) corporates with a turnover above TZS 15 billion.

Food security	<ul style="list-style-type: none"> • Small scale irrigation and agriculture value chain development – with a view to improve productivity of small-scale producers. • Provision of farm infrastructure and agriculture inputs for rural farmers. • Small scale fishing and aquaculture sectors of the Blue Economy. • Financing/refinancing projects that promote food storage, such as cold rooms, warehouses or improved packaging etc.
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Table 2: Key Performance Indicators

Use of Proceeds	Key Performance Indicators
Renewable energy	<ul style="list-style-type: none"> • Total installed capacity MW • Annual Generated Renewable Power (MWh/year) • Number of people with access to clean energy services • Estimated number of jobs created by renewable energy projects • Estimated annual CO₂ equivalent emission reduction (tons CO₂eq/year)
Sustainable water and wastewater management	<ul style="list-style-type: none"> • Annual Volume of water saved/recycled (m³/year) • Annual Volume of wastewater treated for reuse (m³/year) • Additional number of people with access to safe drinking water
Clean transportation	<ul style="list-style-type: none"> • Annual GHG emission reductions (tCO₂eq/year) • Number of people with access to sustainable transport systems • Level of service (passenger km/year) • Number of low carbon vehicles financed • Number of electric vehicles charging points installed
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Annual non-GHG emission reduction (e.g., reduction of N₂O fertiliser emissions) • Productivity gains due to climate-smart agriculture (tonnes of product type/ha year) • Reduction in post-harvest losses (tonnes of product type/year) • Area (ha/year) of biodiversity conserved • Area (ha/year) of forestation or reforestation • Amount/size (ha/year)
Employment generation	<ul style="list-style-type: none"> • Number of MSEs/SMEs financed and value of MSE/SME loans (TZS billion) • Estimated number of jobs created
Food Security	<ul style="list-style-type: none"> • Number of agri-businesses financed • Number of small holder farmers engaged • Number of farmers reached

Issuer's Responsibility

NMB is responsible for providing accurate information and documentation relating to the details of the projects, including descriptions, amounts allocated and impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of the use of proceeds from NMB's 2023 Sustainability Bond. The work undertaken as part of this engagement included collection of documentation from NMB and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by NMB. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by NMB.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,⁹ nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the Nominated Expenditures do not conform with the use of proceeds criteria and reporting commitments in the Framework, except with respect to the use of proceeds criteria for the Environmentally Sustainable Management of Living Natural Resources category. Projects in this category have not yet obtained the sustainable agriculture certifications required under the criteria. NMB has disclosed to Sustainalytics that the proceeds from the 2023 Sustainability Bond were fully allocated as of December 2024.

Detailed Findings

Table 3: Detailed Findings

Framework Requirements	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the Nominated Expenditures to determine alignment with the use of proceeds criteria outlined in the Framework.	The Nominated Expenditures comply with the use of proceeds criteria, except for those under the Environmentally Sustainable Management of Living Natural Resources and Land Use category. Sustainalytics notes that projects in this category have not yet obtained the sustainable agriculture certifications required by the criteria. NMB has confirmed that the projects are currently pursuing these certifications and that environmental and social (E&S) risk management measures are in place for these projects.	Exception
Reporting Criteria	Verification of the Nominated Expenditures or assets to determine if impact was reported in line with the KPIs outlined in the Framework.	NMB reported on at least one KPI per use of proceeds category.	None

⁹ Sustainalytics' limited assurance process includes reviewing documentation relating to details of projects, as provided by the issuing entity, which is responsible for providing accurate information. These may include descriptions of projects, estimated and realized costs, and reported impact. Sustainalytics has not conducted on-site visits to projects.

Appendices

Appendix 1: Allocation and Reported Impact

Table 4: Allocation of proceeds from the 2023 Sustainability Bond

Use of Proceeds Category	Number of projects	Project Description	Amount Allocated (TZS million)
Renewable energy	1	Renewable energy service company: Under this project, the Bank financed a purchase order for the supply and installation of solar panels and mounting structures at 100 telecommunication sites. NMB financed 33% of the total project. The solar installation will replace diesel generators previously used at these sites.	802.00
Sustainable water and wastewater management	1	Public water authority: NMB has supported a water supply and sanitation infrastructure project in Tanga, Muheza, and Pangani, Tanzania. The funding contributed to expanding water distribution capacity, improving access for public services, replacing outdated meters with prepaid ones, and extending the sewage network to underserved communities. The project also boosts local economic activity by involving small businesses, such as water kiosks and material suppliers.	3,000.00
Clean transportation	1	Railway construction company: Expenses under this project have been allocated to infrastructure supporting a fully electric railway linking major cities, key ports and neighbouring countries.	66,901.02
Environmentally sustainable management of living natural resources and land use ^{10,11,12}	2	Sugarcane production and processing company: NMB is contributing to the project by supporting the completion of the sugarcane plantation. The project incorporates drip irrigation technology to enhance water efficiency and yield and ensures all production waste is reused or recycled on-site.	24,498.00
		Large Tanzanian sugar producer: NMB's project funding supports the purchase and installation of 26 pivots for pivot irrigation. The proceeds will also be used to install drip irrigation. Irrigation has been implemented to boost water use efficiency compared to traditional methods. 80% of the waste that is produced on site is recycled and the remaining 20% is reused.	
Employment generation ¹³	29	MSME Banking: NMB supports targeted lending MSMEs ¹⁴ through tailored financial products, including working capital loans, asset financing, trade finance, and cash management solutions. The proceeds contributed to improving credit access in underserved sectors by providing affordable small loans to micro and small entrepreneurs and medium-sized loans to SMEs, supporting business growth, job creation, and local economic development.	14,483.48
Food Security	6508 ¹⁵	Public food security agency: The loan supports cereal (maize and paddy) procurement from smallholder farmers ¹⁶ and agribusinesses during the	290,315.50

¹⁰ NMB has confirmed that the projects in this category increased crop productivity by at least 20% without raising greenhouse gas (GHG) emissions and achieved a reduction in water consumption of at least 20% per unit of product.

¹¹ NMB has confirmed that the projects under this category exclude farms exclusively dedicated to livestock

¹² Sustainalytics notes that the projects under this category are yet to obtain the sustainability certifications. NMB has confirmed that the projects are currently pursuing these certifications and that environmental and social (E&S) risk management measures are in place for these projects.

¹³ NMB has confirmed that MSME Banking project excludes any MSMEs whose business activities could be considered harmful to the environment.

¹⁴ NMB has confirmed that MSMEs definition is consistent with the one outlined in the framework.

¹⁵ The number of projects under the food security category includes the total number of Agri-retail loans provided to farmers and agri-businesses and three other food security projects.

¹⁶ NMB has confirmed that smallholder farmers' definition is consistent with the one outlined in the framework.

	<p>2023/2024 season across eight regions in Tanzania, including Dodoma, Dar es Salaam, Njombe, and Shinyanga. The agribusinesses primarily procure their cereal from smallholder farmers. The investment includes stakeholder training on harvesting and post-harvest handling to maintain grain quality and ensure fair farmer compensation.</p> <p>Public crop trading company: NMB has provided over 50% of the company's funding to support crop purchases from smallholder farmers for processing and trade.</p> <p>Rural development organisation: NMB provided working capital to support the company's purchase, processing, and transport of coffee and beans from Agricultural Marketing Cooperatives societies (AMCOS)¹⁷ and smallholder farmers. The company sells Fairtrade and organic-certified coffee, helping farmers earn a better income through competitive pricing. In addition to trading, it offers training and support services to improve farmers' productivity and quality.</p> <p>Agri-retail: NMB's special agriculture fund offers financing to agri-value chain MSMEs at nearly half the market interest rate in Tanzania. This initiative improves credit access, helping bridge the financing gap while boosting productivity, job creation, and sustainable sector growth.</p>	
Total Amount Allocated		400,000.00
Total Unallocated Amount		0.00
Total Net Proceeds Raised		400,000.00

Table 5: Financing v/s Refinancing

	Number of projects	Net proceeds allocated (TZS million)	% of proceeds
Total new finance ¹⁸	6,540	374,112	94%
Total refinance (1 green and 1 social project)	2	25,888	6%
Total	6,542	400,000	100%

¹⁷ Iringa Hope, "Agricultural Marketing Cooperative Society (AMCOS)", at: <https://iringahope.org/how-iringa-hope-works/amcos/>

¹⁸ NMB's look back period for new finance and refinance is 18 months prior to the date of the sustainable instrument issuance.

Appendix 2: Reported Impact

Table 6: Reported Impact from the 2023 Sustainability Bond

Use of Proceeds Category	Key Performance Indicators	Reported Impact
Renewable energy	Total installed capacity (MW)	26.4 ¹⁹
	Annual Generated Renewable Power (MWh)	22,760 ²⁰
	Estimated annual tonnes of carbon dioxide equivalent emission reduction (tCO ₂ eq)	45.2 ²¹
	Estimated number of jobs supported	111 ²²
Sustainable water and wastewater management	Annual volume of wastewater treated for reuse (m ³)	52,800 ²³
	Additional number of people with access to safe drinking water	26,400
Clean transportation	Annual GHG emission reductions (tCO ₂ e)	622,044
	Number of people with improved access annually (million)	1.7
	Level of service (passenger-km/year)	27.9
Environmentally sustainable management of living natural resources and land use	Productivity gains due to climate-smart agriculture (tonnes of sugar)	27,500 ²⁴
	Amount/size of sustainable agriculture (ha)	6,529
Employment generation	Number of MSMEs financed	29
	Value of MSME loans (TZS million)	14.5
	Estimated number of jobs supported by MSMEs	515
Food security²⁵	Number of agri-businesses supported	12,193
	Number of smallholder farmers engaged	31,312
	Estimated number of farmers reached	50,244

¹⁹ NMB has reported that this impact includes 1.35MW renewable energy company installation and the 5MW and 20MW bagasse boilers for the two sugar producing companies.

²⁰ NMB has reported that this impact includes the renewable energy company installation (1,440MWh) and one sugarcane producing company boiler (2,665 MWh x estimated average operation of 8 months) and no monthly or annual power generation figures were available for the other sugar producing company.

²¹ NMB has confirmed that emission reduction is associated with the renewable energy company installation only (replacing diesel generators at client sites)

²² NMB has reported that the renewable energy company installation supported eight jobs (both skilled and unskilled), while the boiler installations at the two sugar-producing companies supported 103 jobs. Of these, approximately 50 are unskilled positions expected to be filled on a casual basis.

²³ NMB has confirmed that estimated volume of water is reported for only one sugar production company, based on an average of 220 operational days. and no data was available for other assets.

²⁴ NMB has calculated the expected increase in production of sugar by averaging the projected outputs of two sugar-producing companies ((25,000 + 30,000)/2). It is estimated that at least half of this increase could be achieved using more traditional irrigation methods.

²⁵ NMB has reported that the impact under Food Security category includes Agri-retail finance impact plus the number of businesses/farmers supported by the Food security agency and Rural development NGO.

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