

Second-Party Opinion

NMB Bank PLC Social Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the NMB Bank PLC Social Bond Framework is credible and impactful and aligns with the four core components of the Social Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Access to Essential Services, Employment Generation, Socio-Economic Empowerment - Gender inclusion and Food Security and Sustainable Food Systems – are aligned with those recognized by the Social Bond Principles 2021 that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 5, 8, 9, 10.



PROJECT EVALUATION / SELECTION NMB Bank PLC's business lines are responsible for selecting eligible projects and assets in line with the Framework's eligibility criteria and in compliance with local laws and regulatory social requirements. After selection, Credit Appraisal is submitted to relevant committees for approval. For refinancing projects, suballocation of funds will be done by the Treasury team from the available bond proceeds. NMB Bank PLC's environmental and social risk management policy and tools apply to all allocation decisions made under the Framework, which Sustainalytics views as adequate. Sustainalytics considers the project evaluation and selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS NMB Bank PLC utilizes an internal tracking system to monitor financed eligible projects under the Framework. The Credit Administration department monitors the allocation of bond proceeds and reports to the Treasury department, which is overseen by the Executive Committee. The Credit Monitoring and Evaluation team conducts periodic peer reviews to ensure the allocated bond funds continue to finance projects that align with the Framework's eligibility criteria. NMB Bank PLC intends to allocate all proceeds within 18 months of issuance. Pending allocation, proceeds will be temporarily invested in line with the Bank's liquidity asset management investment policy. This is aligned with market practice.



REPORTING NMB Bank PLC intends to report quarterly on the allocation of proceeds in a social bond report, as well as annually on corresponding impact metrics in an impact report, until full allocation. The reports will be published on the Bank's website. Sustainalytics views NMB Bank PLC's allocation and impact reporting as aligned with market practice.

Evaluation date	January 28, 2022
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Issuer Location	Dar es Salaam, Tanzania
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Introduction

NMB Bank PLC (“NMB Bank”, “NMB”, or the “Bank”) is a commercial bank incorporated in the United Republic of Tanzania. NMB provides financial services and products through its retail, wholesale, and treasury business divisions, serving over 4 million customers and employing 3,483 staff across 225 branches. NMB Bank is listed on the Dar es Salaam Stock Exchange (“DSE”), with its largest shareholders including strategic partners Arise B.V and the Government of Tanzania, owning 34.9% and 31.8% of shares, respectively.

NMB Bank has developed the NMB Bank PLC Social Bond Framework (the “Framework”) under which it intends to issue one or more social bonds¹ and use the proceeds to finance or refinance, in whole or in part, existing or future projects that would contribute to inclusive socio-economic growth in Tanzania. The Framework defines eligibility criteria in four areas:

1. Access to Essential Services
2. Employment Generation
3. Socio-Economic Empowerment – Gender Inclusion
4. Food Security and Sustainable Food Systems

NMB Bank engaged Sustainalytics to review the NMB Bank PLC Social Bond Framework, dated January 2022, and provide a Second-Party Opinion on the Framework’s social credentials and its alignment with the Social Bond Principles 2021 (SBP).² This Framework has been published in a separate document.³

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

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ 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 Social Bond Principles 2021, as administered by ICMA;
- 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 1.11, 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 Bank’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. NMB Bank representatives have confirmed (1) they understand it is the sole responsibility of NMB Bank 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 Bank.

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

¹ NMB may issue the “Jasiri Gender Bond” to finance the Socio-Economic Empowerment - Gender category. This issuance will align with the Framework.

² The Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/social-bond-principles-sbp/>

³ The NMB Bank PLC Social Bond Framework is available on NMB Bank PLC’s website at: <https://www.nmbbank.co.tz/investor-relations-nmb>

⁴ 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.

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. The Second-Party Opinion is valid for issuances aligned with the respective Framework for which the Second-Party Opinion was written for a period of twenty-four (24) months from the evaluation date stated herein.

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 Bank has made available to Sustainalytics for the purpose of this SPO.

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible categories – Access to Essential Services, Employment Generation, Socio-Economic Empowerment - Gender inclusion, and Food Security and Sustainable Food Systems – are aligned with those recognized by the SBP. Sustainalytics considers that the eligible projects are expected to promote equal access to financial and essential services for all, as well as to foster inclusive economic growth in Tanzania.
 - NMB Bank intends to finance or refinance eligible social projects and assets selected from its loan portfolio targeting women, youth, people with disability and underserved individuals. The Framework has defined an 18-month allocation period for all proceeds and a two-year look-back period for the refinancing of operational expenditures. Sustainalytics considers this to be aligned with market practice.
 - Under the Access to Essential Services category, NMB Bank may finance or refinance expenditures related to expanding access to financial services for vulnerable communities, including people living below the poverty line,⁵ excluded and marginalized populations, people with disabilities, and unemployed, elderly, sick and underserved individuals. Expenditures under this category may include: (i) financing the construction, operation, maintenance, improvement and purchase of equipment for public hospitals and other public healthcare institutions, (ii) financing the construction, maintenance, improvement and purchase of equipment for private hospitals and other private healthcare institutions which provide free or subsidized access to vulnerable communities. Sustainalytics considers these expenditures to be aligned with market practice.
 - Under the Employment Generation category, the Bank may finance or refinance loans to micro, small and medium enterprises (MSMEs). The Bank defines MSMEs as enterprises with a turnover up to TZS 15 billion (USD 6.5 million).⁶ Sustainalytics expects investments that support MSMEs in developing countries to lead to positive social outcomes and considers expenditures under this category to be aligned with market practice.

⁵ 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/>

⁶ NMB Bank refers to the definition from Organization for Economic Co-Operation and Development (OECD) on MSMEs based on the organization's annual turnover. Deviation related to the size of the domestic economy is also considered. For details, please visit: <https://www.oecd.org/industry/C-MIN-2017-8-EN.pdf>

- Regarding the Socio-Economic Empowerment - Gender inclusion category, the Bank may finance or refinance SMEs⁷ owned or controlled by women (>50% control of the company). Eligible expenditures include: (i) credit facilities and preferential interest rate loans to SMEs controlled by women and (ii) long-term working capital and credit to balance cash flow and support unforeseen expenses for SMEs controlled by women, (iii) financing of MSMEs that offer products and services that specifically or disproportionately benefit women, and (iv) credit facilities to MSMEs that have 30-50% women as workforce. 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.⁸
- Regarding the Food Security and Sustainable Food Systems category, NMB Bank may finance or refinance projects in the agricultural sector and food system to alleviate hunger, achieve food security and to expand access to adequate food for low-income populations. Low-income populations are defined as households with incomes below TZS 10,000 (USD 4.35) per month.⁹ Eligible expenditures include: (i) financing small-scale irrigation and agriculture value chain development to improve productivity of small-scale producers, (ii) provision of farm infrastructure and agriculture inputs for small-scale rural farmers in areas marked by food insecurity, and (iii) financing small-scale fishing and aquaculture sectors of the Blue Economy in the Tanzanian region of Zanzibar.¹⁰ Sustainalytics considers the expenditures under this category to be aligned with market expectation.
- Project Evaluation and Selection:
 - NMB Bank's business lines are responsible for selecting eligible projects and assets in line with the Framework's eligibility criteria and in compliance with local laws and regulatory social requirements. After selection, the business lines submit business engagement requests to relevant committees for approval. Credit Appraisal is submitted to either Management's Credit Committee (Cred-Co) or Board Credit Committee (BCC) and is accompanied by a social management plan detailing the impact expected from the financing of each project. For refinancing projects, suballocation of funds will be done by the Treasury team from the available proceeds. Cred-Co or BCC then reviews the portfolio and signs off on the allocation.
 - Environmental and social ("E&S") risk assessment tools are integrated in the Bank's loan approval process to assess E&S risks profile of the potential customers and projects. In addition, the Bank's Environmental and Social Impact Management Policy (E&S Policy) serves as the principal policy during the loan evaluation process to guide the E&S impact assessment.
 - Based on the described project evaluation and E&S risk assessment processes, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
 - The net proceeds will be credited to a sub-account under the Retail Business upon issuance of the bond. The Bank's Credit Administration department will then monitor the allocation of the proceeds and share the information on a monthly basis with the Treasury department, which then reports to the Executive Committee on a quarterly basis.
 - The Bank utilizes an internal tracking system to monitor financed eligible projects. The Credit Monitoring and Evaluation team also conducts periodic peer reviews to ensure the allocated funds continue to finance projects that align with the Framework's eligibility criteria.
 - The bank intends to allocate all proceeds within 18 months of issuance. Pending allocation, proceeds will be temporarily invested in line with the Bank's liquidity asset management investment policy, mainly in short term money market products from sovereigns, supranational authorities, agencies, development banks and financial institutions.
 - Based on these characteristics, Sustainalytics considers this process to be in line with market practice.

⁷ SMEs are defined in the Framework as enterprises with an annual turnover of between TZS 150 million and TZS 15 billion (USD 65,000 and USD 6.5 million).

⁸ Sustainalytics further notes that the Framework excludes financing to projects and activities that have association with controversial sectors including child labor (as part of the [IFC Exclusion List](#)), tobacco, and generation of power or heat using fossil fuels. fossil fuels.

⁹ NMB Bank aligns with the World Bank's definition of poverty line and defines low-income population as those with income of less than USD 1.90 per day (in Purchasing Power Parity terms).

¹⁰ The Revolutionary Government of Zanzibar, "Zanzibar Blue Economy Policy" (2020), at: <http://planningznz.go.tz/doc/new/BE%20Policy-2020.pdf>

- Reporting:
 - NMB Bank intends to report quarterly on the allocation of proceeds in a social bond report, as well as annually on corresponding impact metrics in an impact report, until full allocation. The reports will be published on the Bank's website.
 - The allocation report will include details on the allocated assets including a breakdown of exposure by type of asset, share of financing versus refinancing, the total outstanding social bond transactions and unallocated proceeds.
 - The impact report may include number of healthcare facilities constructed, number of financed SMEs, number of woman-owned businesses financed, and number of small holder farmers engaged.
 - Based on these elements, Sustainalytics considers the reporting process to be in line with market practice.

Alignment with Social Bond Principles 2021

Sustainalytics has determined that the NMB Bank PLC Social Bond Framework aligns to the four core components of the SBP. For detailed information please refer to Appendix 1: Social Bond/Social Bond Programme External Review Form.

Section 2: Sustainability Strategy of NMB Bank

Contribution of Framework to NMB Bank PLC's sustainability strategy

Sustainalytics is of the opinion that NMB Bank demonstrates a commitment to social sustainability through its Corporate Social Responsibility Policy which mandates support for CSR initiatives financed with a set budget of one percent of the Bank's after-tax profit.¹¹ This commitment focuses on the country's socio-economic development agenda by: (i) Promoting employment through job-creation; (ii) Increasing women and youth participation in businesses and promoting gender equality; (iii) Improving sustainability of the environment and natural resources; (iv) Supporting growth and development of Agriculture sector; (v) Improving access to finance to widen financial inclusion; and (vi) Improving overall access to healthcare.¹²

The following points related to NMB's social sustainability performance are highlighted:

- In the context of the COVID-19 pandemic, the Bank deployed an emergency response plan with the goal to support the Tanzanian Government in providing pandemic relief funding for basic health care programs, including health care equipment and supplies. As part of its efforts the Bank donated an overall package of TZS 200 million (USD 86,700) to the Government of Tanzania.
- NMB's COVID-19 emergency response plan also aims to preserve and create jobs through the financial support of MSMEs impacted by the pandemic, including credit extensions to businesses, economic activities and sectors that were adversely impacted.
- NMB Bank launched its women market proposition, "NMB Jasiri Market Proposition", in November 2020 in recognition of the essential role that women play in the socio-economic development of Tanzania. The proposition aims to increase women's access to formal financial services through a package of banking services which are aimed at addressing their unique needs and helping them achieve their goals. Further, in 2021 the bank unveiled a youth-focused digital finance solution platform, "Go na NMB",¹³ which further supports the Bank's financial inclusion agenda by promoting digital finance for underserved populations
- In 2021 NMB Bank established the NMB Foundation¹⁴, a not-for-profit corporate social investment arm, to scale up its intervention in areas such as education, health, environment, agriculture, and entrepreneurship which are expected to create a positive impact on Tanzania's socio-economic development.

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

¹¹ NMB Bank, "CSR Overview", at: <https://www.nmbbank.co.tz/about-us/csr/corporate-social-responsibility>

¹² Information is provided in the NMB Bank PLC Social Bond Framework.

¹³ For more details, please refer to the official website of "Go na NMB" at: <https://www.nmbbank.co.tz/go/about>

¹⁴ For more details, please refer to the official website of NMB Foundation at: <https://foundation.nmbbank.co.tz/>

Approach to managing social and environmental risks associated with the projects

While Sustainalytics recognizes that the net proceeds from the bonds issued under the Framework will be directed towards eligible projects that are expected to have positive social impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key risks associated with consumer finance include predatory lending, stakeholder relations, 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 Bank itself, but rather by the companies and individuals being financed. Nonetheless, Sustainalytics is of the opinion that the Issuer is well positioned to manage and mitigate potential risks through the following existing policies and processes:

- The Bank's due diligence/Know Your Customer process includes inspections for adequate understanding of each customer from the time of opening bank accounts to the point of accessing the Bank's financial services. This helps the Bank to identify potential risks associated with, for instance, the industries and locations the customers operate in as well as to personalize the financial products to tailor to different target populations.
- In November 2020, NMB Bank adopted an Environmental and Social Impact Management Policy that includes processes to ensure that credit decisions and projects financed consider the analysis of environmental and social risk factors. The Bank identifies and manages E&S risks across its portfolio by using E&S risk assessment tools which are integrated in the Bank's loan approval process to assess the E&S risk profiles of the potential customers and projects.
- NMB Bank's Code of Conduct establishes policies and procedures for all Bank employees to adhere to, and includes the prioritization of social responsibility and the setting of high ethical standards that go above what local regulations require. This includes providing sound and tailored advice and services that meet the specific needs of customers and is suitable given the customer's level of expertise.¹⁵ The standards established by NMB's Code of Conduct and by the Credit Policy described below, can be expected to mitigate the risks of predatory lending for retail borrowers.
- NMB Bank's Credit Policy¹⁶ 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 it can be expected that the funds raised under the Framework will be directed to the defined target populations.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that NMB Bank 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 four use of proceeds categories are aligned with those recognized by the SBP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

Importance of addressing supply gaps within the healthcare system in Tanzania

According to the World Bank, approximately 70% of Tanzania's population lives below the poverty line as of 2015, 80% of which resides in rural areas.^{17,18} This combination of widespread and severe poverty with a geographically dispersed population puts much of the country at a significantly increased susceptibility to deadly diseases.¹⁹ Further, limited resources and funding create additional challenges for healthcare facilities to provide equal access to adequate treatment and care services to every individual who requires them within

¹⁵ "NMB Code of Conduct" was provided by NMB Bank to Sustainalytics.

¹⁶ "NMB Credit Policy" was provided by NMB Bank to Sustainalytics.

¹⁷ The World Bank, "Tanzania Mainland Poverty Assessment: A New Picture of Growth for Tanzania", (2015), at: <https://www.worldbank.org/en/country/tanzania/publication/tanzania-mainland-poverty-assessment-a-new-picture-of-growth-for-tanzania-emerges>

¹⁸ The Borgen Project, "10 Facts About Poverty in Tanzania", (2017), at: <https://borgenproject.org/10-facts-about-poverty-in-tanzania/>

¹⁹ 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>

communities.²⁰ For example, according to the International Journal of Africa Nursing Sciences, fewer than half of all healthcare facilities across the country have adequate staff, proper equipment, and sufficient medical supplies to provide quality antenatal care services as of 2020.^{21,22} This creates a significant gap between the supply and demand for quality maternal and child health services.^{23,24} Similar supply gaps are also seen in rural areas where a single dispensary can often serve over 6,000 patients.²⁵ These supply and shortages significantly increase the risk of adverse health for many Tanzanians.²⁶

In June 2021, the Government of Tanzania launched the Health Sector Strategic Plan 2021 – 2026, which addresses the shortages that the healthcare sector faces by committing to provide sustainable health services for its citizens by 2026.²⁷ To meet 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.²⁸ The government has 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.²⁹ Spending on construction, new equipment and furniture will cost TZS 2 trillion (USD 865 million).³⁰ In addition, under the National Health Policy 2007, the government established policies that dedicate resources towards meeting the needs of marginalized groups such as children, women, people with disabilities and the elderly.^{31,32} It also presents a policy on the rooms, space and required provisions for dispensaries to meet demand of essential services.³³

NMB Bank 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 promoting socio-economic empowerment by supporting women-led SMEs in Tanzania

Approximately 54% of micro, small and medium-sized enterprises (MSMEs) in Tanzania are owned and operated by women.³⁴ Despite this prevalence, Tanzanian women often face many difficulties and are unable to grow their businesses to the same degree their male counterparts are. Women face several legal, cultural

²⁰ Swere, K.M.R. (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

²¹ Pelt, S.V. 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>

²² 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/>

²³ Ministry of Health, Community Development, Gender, Elderly and Children – United Republic of Tanzania, "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>

²⁴ Msafiri, D. et al. (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>

²⁵ Swere, K.M.R. (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

²⁶ 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/>

²⁷ Ministry of Health, Community Development, Gender, Elderly and Children – United Republic of Tanzania, "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>

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

³¹ Ministry of Health, Community Development, Gender, Elderly and Children – United Republic of Tanzania, "Health Policy (in Kiswahili) 2007", (2007), at: <https://www.moh.go.tz/en/policies>

³² Ministry of Health, Community Development, Gender, Elderly and Children – United Republic of Tanzania, "Health – National Adaptation Plan (HNAP) to Climate Change in Tanzania 2018 – 2023", (2018), at: <https://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2018/09/8715.pdf>

³³ Ministry of Health, Community Development, Gender, Elderly and Children – United Republic of Tanzania, "Health Policy (in Kiswahili) 2007", (2007), at: <https://www.moh.go.tz/en/policies>

³⁴ International Labour Organization (ILO), "Women's Entrepreneurship Development in Tanzania: Insights and recommendations", (2014), at: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_360426.pdf

and social barriers such as limited rights to owning property and being confined to traditional familial roles in society.^{35,36} The United Nations has stated that women have limited access to the financial and capacity-development support needed to professionalize and grow their enterprise.³⁷ In 2014, the International Labour Organization reported that 75% of women, from a sample of 200 firms, struggled to obtain access to finance.³⁸ A 2018 study interviewing 29 women entrepreneurs in Dar es Salaam indicated that this is largely due to unfavorable borrowing terms.³⁹ High interest rates and stringent collateral requirements discouraged these women from obtaining a loan.⁴⁰ Support for women-led SMEs contributes toward economic growth and reducing unemployment, particularly for young women in Tanzania.^{41,42}

To promote economic and social development across multiple sectors, Tanzania created the 2025 Development Vision.⁴³ Under this vision, the government has committed to ensuring gender equality and women empowerment in all socio-economic relations and cultures by 2025.⁴⁴ To meet these national commitments, the Small and Medium Enterprise Development Policy 2003, updated in 2021, was established, which encourages women to participate in SME activities.⁴⁵ The policy will facilitate SME service providers to design specialized programmes for women.⁴⁶ It will also enable the government to create programmes that help women entrepreneurs overcome barriers currently that prevent them from going into business.⁴⁷ Additionally, the National Strategy for Gender Development 2005 was enacted, and remains active as of 2019, to improve credit facilities and incentivize financial institutions to provide soft loans to increase the number of women receiving financing support.^{48,49} Initiatives that help women build entrepreneurship and managerial skills will be undertaken to promote employment as well.⁵⁰ The strategy is also linked to the 2025 Development Vision.⁵¹

NMB Bank intends to finance projects that are expected to support socio-economic empowerment of women and promote gender inclusion. Sustainalytics is of the opinion that eligible activities such as establishing credit facilities and preferential interest rate loans, providing capital and credit, and promoting employment, will support women-led SMEs and therefore the country's national commitments.

Alignment with/contribution to SDGs

The SDGs were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the NMB Bank PLC Social Bond Framework advances the following SDGs and targets:

³⁵ International Labour Organization (ILO), "Women's Entrepreneurship Development in Tanzania: Insights and recommendations", (2014), at: https://www.ilo.org/wcmsp5/groups/public/-ed_emp/-emp_ent/-ifp_seed/documents/publication/wcms_360426.pdf

³⁶ Birdi, M. et al. (2017), "Factors Affecting Growth of Women-led Small and Medium Enterprises in Arusha Municipality, Tanzania", International Journal of Scientific Development and Research (IJS DR), at: <https://www.ijedr.org/papers/IJS DR1710012.pdf>

³⁷ UN Women, "Tanzania", at: <https://africa.unwomen.org/en/where-we-are/eastern-and-southern-africa/tanzania>

³⁸ ILO, "Women's Entrepreneurship Development in Tanzania: Insights and recommendations", (2014), at: https://www.ilo.org/wcmsp5/groups/public/-ed_emp/-emp_ent/-ifp_seed/documents/publication/wcms_360426.pdf

³⁹ Naegels, V. (2018), "Why Tanzanian women entrepreneurs don't apply for formal loans", The Conversation – Academic Journalism Society, at: <https://theconversation.com/why-tanzanian-women-entrepreneurs-dont-apply-for-formal-loans-102429>

⁴⁰ Ibid.

⁴¹ UN Women, "Tanzania", at: <https://africa.unwomen.org/en/where-we-are/eastern-and-southern-africa/tanzania>

⁴² Birdi, M. et al. (2017), "Factors Affecting Growth of Women-led Small and Medium Enterprises in Arusha Municipality, Tanzania", IJS DR, at: <https://www.ijedr.org/papers/IJS DR1710012.pdf>

⁴³ Food and Agricultural Organization of the United Nations, "FAOLEX Database – Tanzania Development Vision 2025", at: <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC154578/>

⁴⁴ Ministry of Finance and Planning – United Republic of Tanzania, "The Tanzania Development Vision 2025 – Planning Commission", at: <https://mof.go.tz/mofdocs/overarch/vision2025.htm>

⁴⁵ Ministry of Industry and Trade – United Republic of Tanzania, "Small and Medium Enterprise Development Policy 2003", (2021), at: <https://www.mit.go.tz/uploads/documents/sw/1455890063-SME-Development-Policy.pdf>

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ Ministry of Community Development Gender and Children – United Republic of Tanzania, "National Strategy for Gender Development", (2005), at: https://www.tanzania.go.tz/egov/uploads/documents/Tanzania_-_National_Strategy_for_Gender_Development_sw.pdf

⁴⁹ United Republic of Tanzania (2019), "Country Report on the Review and Progress Made in Implementation of the Beijing Declaration and Platform for Action – Beijing +25", UN Women, at: <https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/CSW/64/National-reviews/United-Republic-of-Tanzania-en.pdf>

⁵⁰ Ministry of Community Development Gender and Children – United Republic of Tanzania, "National Strategy for Gender Development", (2005), at: https://www.tanzania.go.tz/egov/uploads/documents/Tanzania_-_National_Strategy_for_Gender_Development_sw.pdf

⁵¹ Ibid.

Use of Proceeds Category	SDG	SDG target
Food Security and Sustainable Food Systems	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 2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment
Access to Essential Services	3. Good Health and Wellbeing	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
Socio-Economic Empowerment - Gender Inclusion	5. Gender Equality	5.1 End all forms of discrimination against all women and girls everywhere
Employment Generation	8. Decent Work and Economic Growth 9. Industry, Innovation and Infrastructure	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Socio-Economic Empowerment - Gender Inclusion	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Conclusion

NMB Bank has developed the Social Bond Framework under which it intends to issue social bonds and use the proceeds to finance projects that provide access to essential services, create socio-economic empowerment and employment generation, and contribute to food security and sustainable food systems. Sustainalytics considers that the projects funded by the social bond proceeds are expected to provide positive social impact.

The Social 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 Social Bond Framework is aligned with the overall sustainability strategy of the company and that the social use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 2, 3, 5, 8, 9 and 10. Additionally, Sustainalytics is of the opinion that NMB Bank 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 Bank PLC is well-positioned to issue social bonds and that the Social Bond Framework is robust, transparent, and in alignment with the core components of the Social Bond Principles 2021.

Appendix

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

Section 1. Basic Information

Issuer name:	NMB Bank PLC
Social Bond ISIN or Issuer NMB Bank PLC Social Bond Framework Name, if applicable:	NMB Bank PLC Social Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 28, 2022
Publication date of review publication:	

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 SBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (please specify): | |

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 Access to Essential Services, Employment Generation, Socio-Economic Empowerment - Gender inclusion and Food Security and Sustainable Food Systems are aligned with those recognized by the Social Bond Principles that seek to achieve positive socio-economic outcomes for target populations. Sustainalytics considers that investments in the eligible categories will lead to positive social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 3, 5, 8, 9, 10.

Use of proceeds categories as per SBP:

- | | |
|---|--|
| ☐ Affordable basic infrastructure | ☒ Access to essential services |
| ☐ Affordable housing | ☒ Employment generation (through SME financing and microfinance) |
| ☒ Food security | ☒ Socio-Economic advancement and empowerment |
| ☐ Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | ☐ 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 business lines are responsible for selecting eligible projects and assets in line with the Framework's eligibility criteria and in compliance with local laws and regulatory social requirements. After selection, Credit Appraisal is submitted to relevant committees for approval. For refinancing projects, suballocation of funds will be done by the Treasury team from the available proceeds. NMB Bank PLC's environmental and social risk management policy and tools apply to all allocation decisions made under the Framework, which Sustainalytics views as adequate. Sustainalytics considers the project evaluation and selection process to be in line with market practice.

Evaluation and selection

- | | |
|---|---|
| ☒ Credentials on the issuer's social objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Social Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |

- ☒ Summary criteria for project evaluation and selection publicly available ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification ☐ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

NMB Bank PLC utilizes an internal tracking system to monitor financed eligible projects under the Framework. The Credit Administration department monitors the allocation of bond proceeds and reports to the Treasury department, which is overseen by the Executive Committee. The Credit Monitoring and Evaluation team conducts periodic peer reviews to ensure the allocated bond funds continue to finance projects that align with the Framework's eligibility criteria. NMB Bank PLC intends to allocate all proceeds within 18 months of issuance. Pending allocation, proceeds will be temporarily invested in line with the Bank's liquidity asset management investment policy. This is aligned with market practice.

Tracking of proceeds:

- ☒ Social Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☒ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

NMB Bank PLC intends to report quarterly on the allocation of proceeds in a social bond report, as well as annually on corresponding impact metrics in an impact report, until full allocation. The reports will be published on the Bank's website. Sustainalytics views NMB Bank PLC's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported:

- | | |
|--|--|
| ☐ Allocated amounts | ☒ Social Bond financed share of total investment |
| ☐ Other (please specify): | |

Frequency:

- | | |
|---|--------------------------------------|
| ☐ Annual | ☐ Semi-annual |
| ☒ Other (please specify): Quarterly | |

Impact reporting:

- | | |
|--|--|
| ☐ Project-by-project | ☒ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (please specify): |

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ Number of beneficiaries | ☐ Target populations |
| ☐ Other ESG indicators (<i>please specify</i>):
number of healthcare facilities constructed, number of financed SMEs, number of woman-owned businesses financed, and number of small holder farmers engaged | |

Frequency:

- | | |
|--|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (please specify): | |

Means of Disclosure

- | | |
|---|---|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☒ Information published in ad hoc documents | ☒ Other (please specify): Corporate website |
| ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

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:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (please specify): | |

Review provider(s):

Date of publication:

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

- i. **Second-Party Opinion:** An institution with social expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its NMB Bank PLC Social 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 Social Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to social sustainability, and an evaluation of the 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 social criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the 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 Social Bond proceeds, statement of social impact or alignment of reporting with the SBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Social Bond or associated NMB Bank PLC Social Bond Framework or Use of Proceeds certified against a recognised external social 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. **Social Bond Scoring/Rating:** An issuer can have its Social Bond, associated NMB Bank PLC Social 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 social performance data, process relative to the SBP, or another benchmark. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material social risks.

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