



**Development  
Bank of Namibia**

Expect more.

# **The Development Bank of Namibia**

## **SUSTAINABLE FINANCE FRAMEWORK**

April 2023



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## 1. Introduction

The Development Bank of Namibia (hereafter “DBN” or “the Bank”) was established by the Development Bank of Namibia Act 8 of 2002 and is 100% owned by the Government of Namibia, through the Ministry of Finance.

DBN is mandated to contribute to the development of Namibia and socio-economic wellbeing of its citizens by providing financing in support of key development activities, in a sustainable manner.

DBN’s main objective is to contribute to the economic growth and social development of Namibia as well as the sustainable promotion of the welfare of the Namibian peoples by:

- Mobilising financial and other resources from the private and public sectors nationally and internationally
- Appraising, planning and monitoring the implementation of development schemes, export projects and other economic programmes of national importance
- Facilitating the participation of the private sector and community organisations in development schemes, export projects and other economic programmes of national importance
- Assisting in the development of money and capital markets

DBN’s ancillary objectives are to:

- Cooperate with and assist other development financial institutions in order to achieve an integrated finance system in Namibia for economic growth and sustainable development
- Assist other institutions in the public and private sectors with the management of specific funds in order that the development requirements of Namibia may be met

DBN offers financing products across three main areas and its target beneficiaries include large enterprises, local authorities, public private partnerships, ministries, state-owned entities and financial service providers registered with the Namibia Financial Institutions Supervisory Authority (NAMFISA).

| Private Sector Products   | Public Sector and Public Private Partnership (PPP) Products   | On-Lending Product   |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Contract (tender) Based Finance</li> <li>• Guarantees</li> <li>• Asset-Backed Finance</li> <li>• Bridging Finance</li> <li>• Business Finance</li> <li>• Invoice Discounting</li> <li>• Business Acquisition Finance</li> <li>• Property Development Finance</li> <li>• Commercial Property Finance</li> <li>• Project Finance</li> <li>• Franchise Finance</li> </ul> | <ul style="list-style-type: none"> <li>• Local Authority Finance</li> <li>• PPP Finance</li> <li>• Public Infrastructure Finance</li> </ul> | <ul style="list-style-type: none"> <li>• Micro Lenders’ Finance</li> </ul> |

## 2. DBN Sustainability Approach

As a state-owned development bank, DBN's lending and investments are aligned to Namibia's national developmental objectives and the bank is committed to achieve the goals set by Namibia's Vision 2030.

In December 2022, DBN approved its Business Plan for the financial year ending March 2024 which is based on the Bank's 5-year Business Strategy for the financial period from April 2019 to March 2024. DBN's 5-year strategic intent is to achieve a high development impact and achieve sustainability goals. The development impact is defined as a measure of how DBN contributes towards the following:

- A. Support large enterprises and infrastructure projects
  - a. Support hospitality and tourism, transport, and logistics and manufacturing portfolio (e.g. agro processing)
  - b. Support the development and maintenance of infrastructure
  - c. Support social development (i.e. housing, health and education)
- B. Support to SMEs <sup>1</sup>
  - a. Support SMEs (e.g. debt financing, CGS (credit guarantee scheme, venture capital fund (VCF) & mentoring and coaching programme (MCP), skills-based loan facility)
  - b. Target projects with employment creation potential
- C. Support broad-based economic transformation (i.e. financing previous disadvantaged Namibians, women and youth to participate in mainstream economic activities)
- D. Promoting capital market development (e.g. through the introduction of the Venture Capital Fund under SME Financing Strategy)
- E. Promote decentralization (i.e. financing economic activities in the regions & un-proclaimed areas)
- F. Support the development of enterprises and strategic industries

DBN uses a proprietary Development Impact Score Card (DISC) to measure its impact in key areas. This impact assessment provides an indication of the bank's potential economic and socio-economic impact. The assessment enables the bank to boost its development impact by providing a measurable basis for benchmark scores that are structured around combinations of seven key development pillars:

- Creation of sustainable employment opportunities
- Contribution to economic growth and sectoral diversity
- Infrastructure development
- Manufacturing
- Socio-economic transformation
- Import substitutions and export promotion
- Regional equity

Weights will be allocated to each pillar amounting to a total of 100% and loan applications are assessed on this basis:

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<sup>1</sup> DBN defines SMEs as enterprises which have an annual turnover of N\$ 10 million or less

| Score                                   | Assessment of Development Impact                                  |
|---|---|
| 5                                       | Highest   |
| More than 4 but less than 5             | Very High   |
| More than 3 but less than or equal to 4 | High  |
| More than 1 but less than or equal to 3 | Moderate  |
| <1                                      | Low and motivation must be provided prior to approval for project |

## 2.1 DBN Sustainability Principles / Climate Strategy / UN SDGs Priority Areas

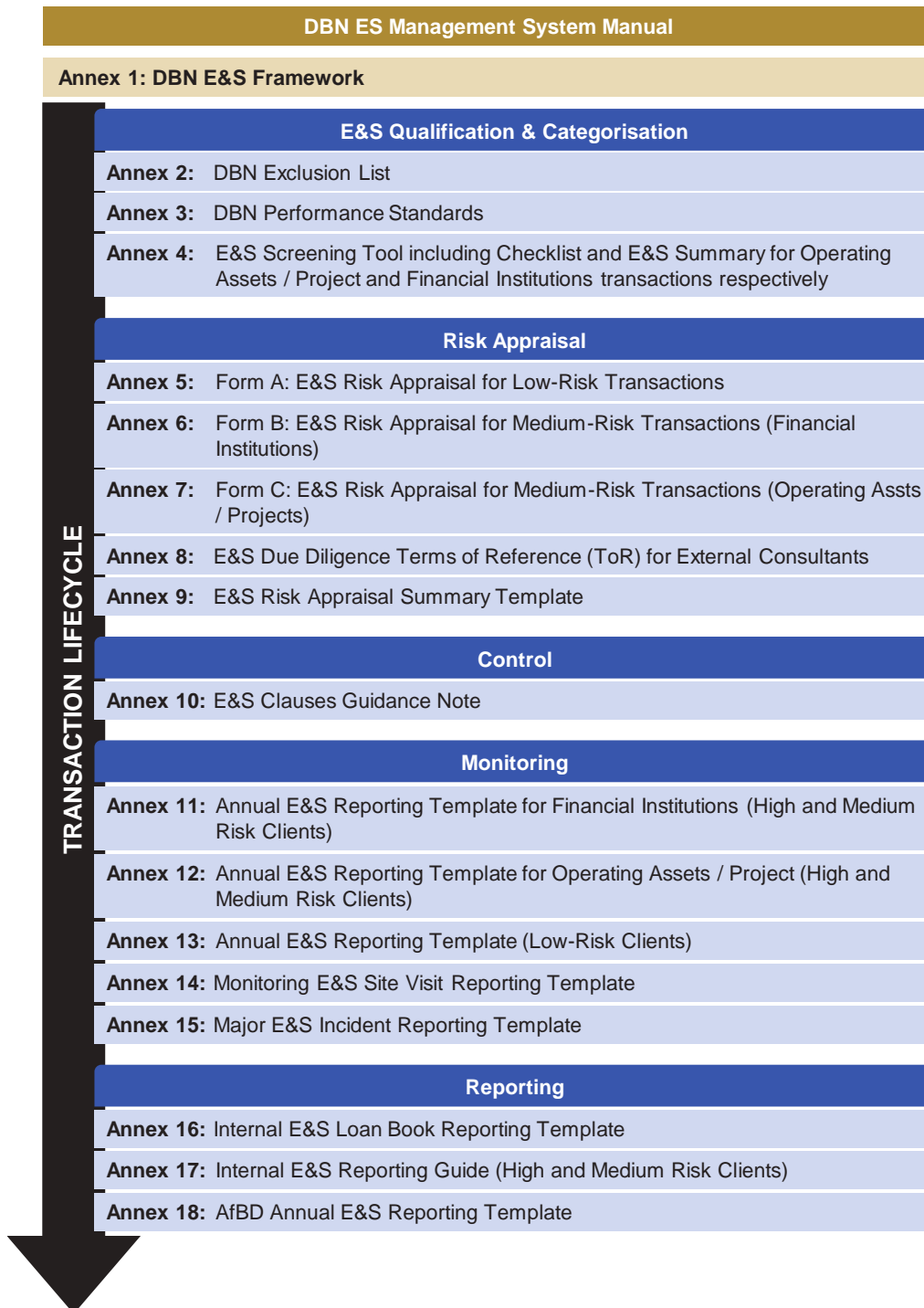
DBN has prioritised sustainable business practices since the Bank's inception. This entail providing responsible financing while gaining the best possible financial returns and contributing to improved outcomes for clients, society at large and the environment. DBN acknowledges the spectrum of risks and impacts posed by climate change on its business and those of its clients and is committed to mitigate the impact of climate change wherever possible. This includes driving opportunities to mitigate against climate change, reduce the Bank's and its clients' vulnerability to climate change and build resilience to the impacts of climate change. Core to this commitment is integrating the recommendations of the Task Force on Climate-related Disclosures (TCFD) 2015 into the way in which the Bank operates, including measures to identify, assess and manage climate related risks across its loan book. DBN applies the recommendations of the TCFD 2015 to assess and manage the potential transition and physical risks of transactions financed by DBN. DBN plays a key role in its ability to leverage sources of international climate finance such as from the Green Climate Fund for blending and on-lending purpose to unlock investment opportunities that would otherwise not be financially feasible.

In addition, DBN strives to mainstream Gender Equity and Social Inclusion (GESI) in the DBN Environmental and Social Management system to ensure a just transition to a low-emissions, resilient and inclusive future for Namibia. Wherever relevant, DBN will promote gender equity, gender and social responsiveness in its business operations as well as those of its clients and projects. This includes mitigating risks to women, youths, people with disabilities, indigenous people and other minority and vulnerable groups.



## 2.2 DBN Environmental and Social Risk Management Framework

DBN is committed to inclusive, sustainable economic growth which ensures environmental, occupational health & safety and social risks are managed and reduced. As such, the bank has implemented an Environmental and Social Management System (ESMS)<sup>2</sup> with the aim of aligning DBN’s processes to the requirements of the Namibian environmental and labour laws, regulations, and international best practices.



<sup>2</sup> [DBN Environmental and Social Management System](#)

All projects that apply to DBN for financing are assessed for environmental, occupational health & safety and social risks among others, in line with the bank's ethos of causing no harm to Namibia.

The DBN Environment and Social (E&S) risk management approach is based off a set of local, national, and international laws, standards and frameworks of which the Bank and all transactions will act in accordance with (and be reviewed and evaluated against). These E&S requirements, at a minimum, include the following:

- The DBN ESMS Policy<sup>3</sup>
- The DBN Exclusion Lists<sup>4</sup>
- The DBN Performance Standards<sup>2</sup> (PS) 1 to 12 (as applicable) as follows:
  - PS 1: Environmental and Social Management System Standard
  - PS 2: Labour and Working Conditions Standard
  - PS 3: Pollution Prevention and Control Standard
  - PS 4: Occupational Health and Safety Standard
  - PS 5 Land Acquisition and Involuntary Resettlement Standard
  - PS 6: Biodiversity & Ecosystems Standard
  - PS 7: Rights & Interests of Indigenous Peoples Standard
  - PS 8: Cultural Heritage Standard
  - PS 9: Greenhouse Gas Emissions & Climate Change Standard
  - PS 10: Stakeholder Engagement Standard
  - PS 11: Emergency Prevention, Preparedness and Response Standard
  - PS 12: Gender Equality Standard
- Applicable Namibian E&S laws and regulations, including,
  - Namibian Environmental Management Act No 7 of 2007 and its regulations (2012) as per Government Notice No 28-30 of 06 Feb 2012, including requirements for Environmental Assessment and Public Consultation
  - Labour Act No 11 of 2007 and No 156 Labour Act 1992 Regulations relating to the health, safety and welfare of employees at work
- The International Labour Organisation (ILO) Labour Conventions
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability (2012)
- IFC Interpretation Note on Financial Intermediaries (FIs) (2018)
- The World Bank Group Environmental, Health and Safety (EHS) General and Sector Specific Guidelines (2007)

### 2.2.1 Additional Standards and Requirements

In addition to the above, certain transactions will call for the application of relevant E&S requirements of the DBN's funders. These include, but are not limited to:

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<sup>3</sup> [DBN Environmental and Social Management System](#)

<sup>4</sup> [DBN Exclusion List](#)

- The African Development Bank (AfDB) Integrated Safeguards System (ISS) (2015) (African Development Bank)
- Voluntary guidelines on the responsible governance of tenure of land (VGGT) (KfW Development Bank)
- UN Basic Principles and Guidelines on Development-based Evictions and Displacements (KfW Development Bank)
- World Commission on Dams (WCD) (KfW Development Bank)
- UN Guiding Principles on Business and Human Rights (UNGPs) (2011)
- Equator Principles 4 (2020) (as applicable)
- Green Climate Fund

DBN shall not provide financing to any client that in its reasonable opinion will not meet its minimum applicable E&S requirements over the lifespan of the loan. In addition, the Bank reserves the right to invoke other national laws and regulations as well as international standards, principles and / or guidelines as deemed appropriate.

DBN will apply the recommendations of the TCFD 2015, as applicable, to assess and manage the potential transition and physical risks of transactions financed by DBN.

The effective execution and implementation of the ESMS relies on the appointment of competent E&S officers and functions with sufficient capacity to drive E&S efforts within the Bank and across its investment portfolio. As such, DBN has established the Environmental and Social Development Team comprising of an Environmental and Social Development Manager and supporting Officer(s). The Environmental and Social Development Manager's key duties include:

- Oversee the implementation, improvements and maintenance of the ESMS
- Oversee the identification, categorisation and associated E&S risk management requirements for all transactions
- Ensure that all transactions decisions are supported by appropriate E&S documentation and that records are kept
- Ensure that the necessary warranties, conditions, covenants and other safeguards are included in all loan agreements
- Conduct monitoring activities to ensure on-going monitoring and review of client's compliance with the Bank's E&S requirements contained in loan agreements
- Appropriately manage and address any significant E&S incidents arising across the portfolio
- Ensure other DBN E&S resources execute their duties and achieve the goals of the ESMS

The Environmental and Social Development Officers report to the Environmental and Social Development Manager and are primarily responsible for the successful execution and operation of the ESMS, including conducting risk appraisals and monitoring activities, providing technical support and reporting on client's E&S compliance as well as internal information management and administration.

The Environmental and Social Development Team reports to the Head of the Risk and Compliance Department and will guide the implementation of the ESMS process. This team will coordinate and ensure that all transactions that are eligible for funding with DBN are appropriately screened for E&S risks and that these are addressed in each transaction.

Each ESMS procedure specifies the departments or services concerned by the respective procedure as well as the functions, committees or managers that may also be involved in the implementation of the procedure.

The implementation of the ESMS is the responsibility of all the DBN employees.

### 2.3 DBN Environmental and Social Risk Assessment Procedures

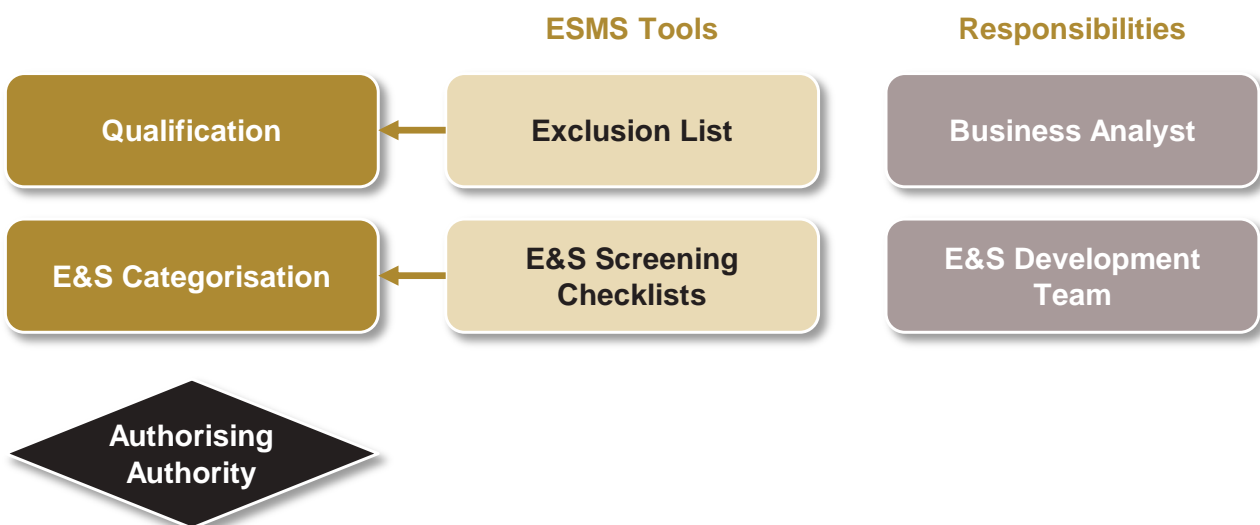
As part of the ESMS, DBN will carry out the E&S assessment procedures to ensure all projects are reviewed against and compliant with the applicable laws and standards outlined above, and that the relevant information regarding E&S risks are appropriately document and provided to the relevant approving authority.

The E&S Risk Assessment Procedures are led by DBN's Environmental Manager and have been integrated into the existing credit appraisal process. The Environmental Manager will coordinate and ensure all transactions eligible for funding with DBN are appropriately screened for E&S risks. DBN is committed to guaranteeing that its operations are aligned with the Bank's ESMS, which enables the Bank to apply a consistent and robust approach to E&S integration. This includes identifying and assessing E&S risks and impacts for all loan applications as early as possible in the transactional process and throughout the transaction lifecycle.

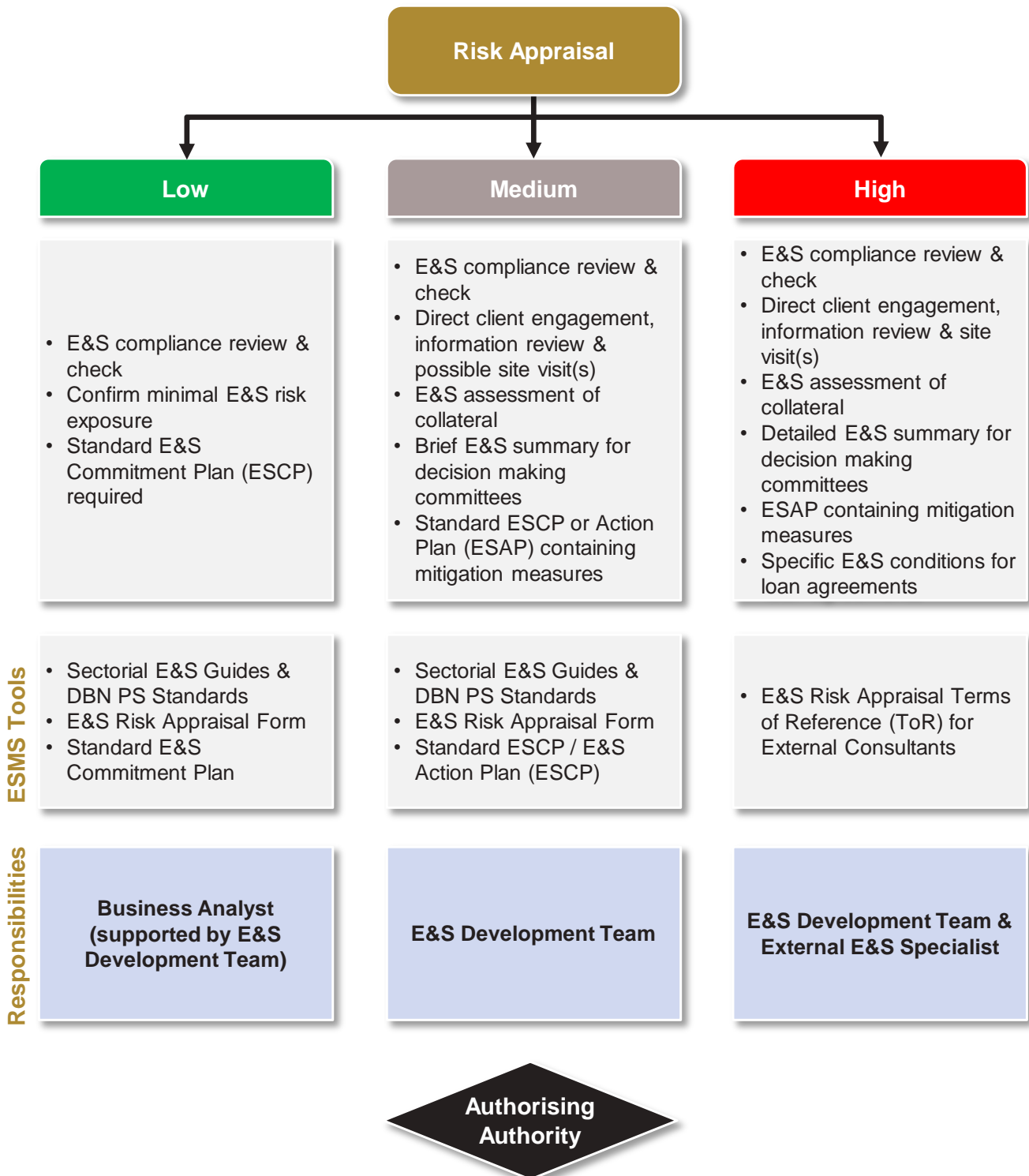
As part of this approach, DBN will categorise each client based on E&S risk and also apply an Exclusion List. DBN and its clients will not fund or be involved in excluded activities, as stipulated in the Bank's Exclusion List. Where DBN's Exclusion List is less stringent than those of its funders, due care will be taken to ensure that the portfolio complies with their Exclusion Lists, unless this has been waived by the DBN's funders for specific strategic transactions. E&S risk appraisals will be conducted, in conjunction with Bank's other risk processes, according to the level of risk that the client poses to the Bank and in accordance with local and national laws and standards and international best practice.

Importantly, key findings from this process will be filtered into the Bank's decision-making processes such as the Risk and Compliance Committee, as well as incorporating E&S provisions into loan agreements.

**Initial Stage** (actions performed before or after the initial discussions with clients)



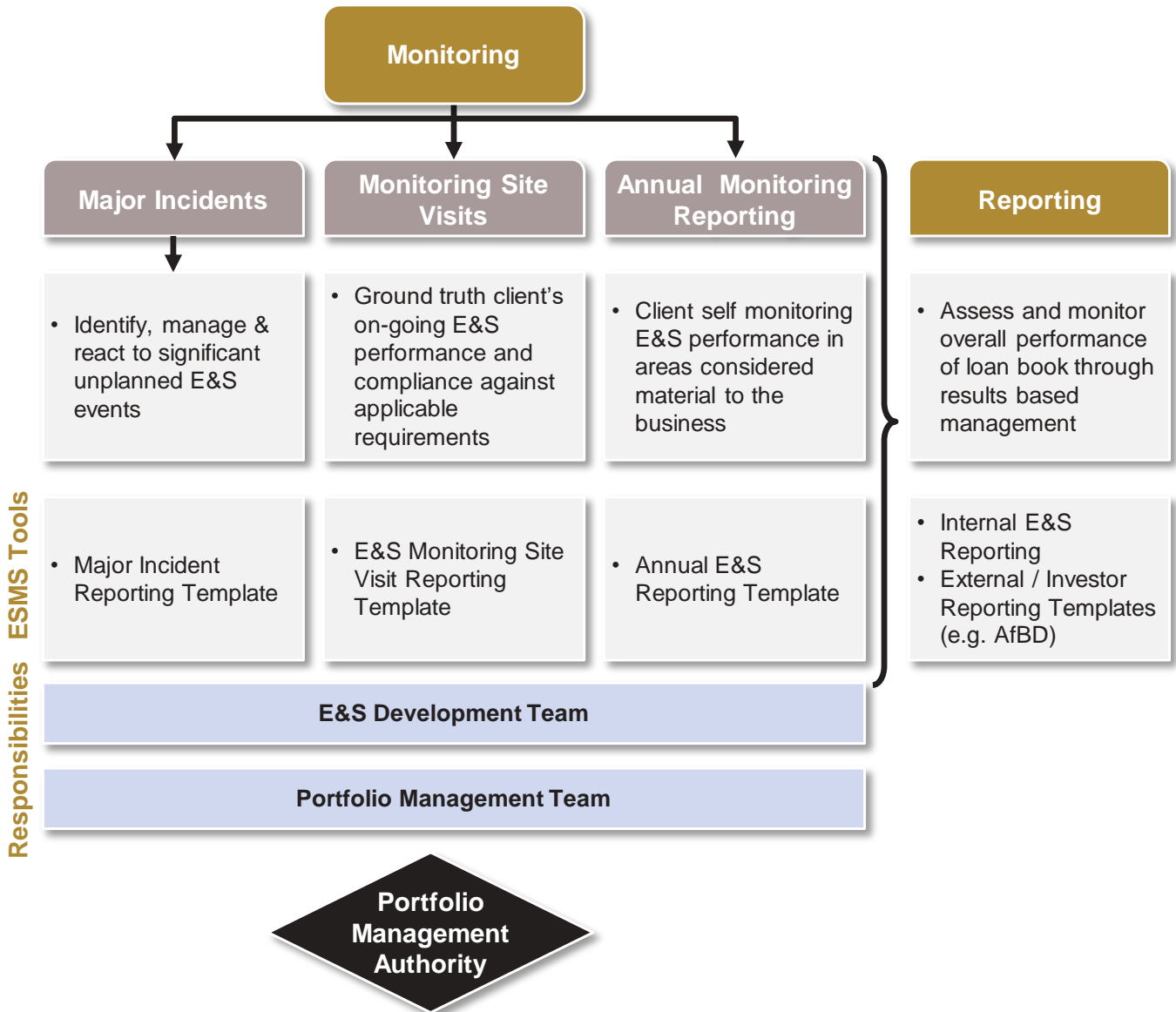
**Evaluation Stage** (actions performed during client engagement e.g., document review, site visits)



**Decision Making Stage** (credit authority discussions and loan agreement preparation)



**Decision Making Stage** (credit authority discussions and loan agreement preparation)



The ESMS procedures and tools at DBN are divided into four stages for the management of E&S risks and impacts that arise during the transaction lifecycle. Each stage is an important step in DBN's integrated E&S approach to client's credit assessment. These include:

- **Initial Stage:** This involves all actions before or just after initial discussion with clients. It captures the screening against the Bank's exclusion list (qualification) and the E&S risk categorization of the transaction (to inform the subsequent stages)
- **Evaluation Stage:** This includes all actions performed during client engagement including site visitations, desktop assessments, documentation review, etc.
- **Decision Making Stage:** This covers actions taken as a result of outputs from the evaluation of transactions. These decisions are taken by the requisite approval authority which is included into loan agreement
- **Monitoring Stage:** After the loan has been disbursed, all actions taken to monitor and report on the client's E&S performance over the life of the loan

All DBN's transactions will be categorised based on the type of transaction (i.e. financing to non-financial institution or project versus financing through a financial institution) and according to the criteria outlined in the E&S Risk Categorisation Criteria below (refer to Table 1).

**Table 1: DBN E&S Risk Categorisation Criteria**

| High Risk Transactions    |   |  |
|---------------------------|---|--|
|                           | Non-Financial Institutions / Projects   | Financial Institutions   |
| <b>Definition</b>         | <ul style="list-style-type: none"> <li>• Client / project activities are likely to induce significant adverse environmental and / or social risks and / or impacts, or significantly affect environmental that are diverse, irreversible, or unprecedented or social components that are considered sensitive</li> </ul>  | <ul style="list-style-type: none"> <li>• A Financial Institutions (FI)'s existing or proposed portfolio includes or is expected to include substantial financial exposure to business activities with potential significant adverse environmental and / or social risks and / or impacts that are diverse, irreversible, or unprecedented</li> </ul> |
| <b>Key Considerations</b> | <ul style="list-style-type: none"> <li>• High-risk greenfield operations and / or expansions of existing facilities transactions typically trigger a listed activity according to the Namibian Environmental Management Act (EMA) (2007) and require a full Environmental Assessment Process and authorised with an Environmental Clearance Certificate to commence operations</li> </ul>   | <ul style="list-style-type: none"> <li>• If an FI's portfolio contains 20% or more high E&amp;S risk sectors / activities, it is typically defined as a high-risk transaction. (FI-1)</li> </ul>   |
| <b>Example Activities</b> | <ul style="list-style-type: none"> <li>• Any activity with a land use change or disturbance of virgin land</li> <li>• Large infrastructure projects (e.g., railways, ports, harbours and terminals, airports, toll roads, long-distance pipelines, large dams, etc.)</li> <li>• Extractive industries (e.g., oil &amp; gas, mining)</li> <li>• Large scale primary agriculture &amp; heavy manufacturing (e.g., cement manufacturing, fertilizer production, petroleum refining, etc.)</li> </ul> |  |

| Medium Risk Transactions |   |  |
|--------------------------|---|--|
|                          | Non-Financial Institutions/Projects   | Financial Institutions   |
| Definition               | <ul style="list-style-type: none"> <li>Client / project activities that are likely to have detrimental site-specific environmental and/or social impacts that are less adverse. Likely impacts shall be few in number, site specific, largely reversible, and readily minimized by applying appropriate management and mitigation measures or incorporating internationally recognized design criteria and standards</li> </ul> | <ul style="list-style-type: none"> <li>When an FI's existing or proposed portfolio is comprised of, or is expected to be comprised of, business activities that have potential limited adverse environmental or social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures; or includes a very limited number of business activities with potential significant adverse environmental or social risks or impacts that are diverse, irreversible, or unprecedented</li> </ul> |
| Key Considerations       | <ul style="list-style-type: none"> <li>Medium risk greenfield operations and / or expansions of existing facilities transactions typically require an Environmental Scoping Report according to the requirements of the EMA (2007) and its Regulations (2012) of Namibia and authorised with an Environmental Clearance Certificate to commence operations</li> </ul>   | <ul style="list-style-type: none"> <li>If an FI's portfolio contains 20% or less high E&amp;S risk sectors / activities, it is typically considered a medium risk transaction (FI-2)</li> </ul>  |
| Example Activities       | <ul style="list-style-type: none"> <li>Smaller scale infrastructure projects (e.g, moderate construction projects, upgrades to existing infrastructure, telecommunications, etc.).</li> <li>Hospitals and medical facilities of small to medium scale.</li> <li>Medium-scale food and beverage processing.</li> <li>Road-based logistics companies for non-hazardous cargo.</li> </ul>  |  |

| Low Risk Transactions |   |  |
|-----------------------|---|--|
|                       | Non-Financial Institutions/Projects   | Financial Institutions   |
| Definition            | <ul style="list-style-type: none"> <li>Client / project activities are not likely to directly, or indirectly, affect the environment adversely and are unlikely to induce adverse social impacts</li> </ul> | <ul style="list-style-type: none"> <li>When an FI's existing or proposed portfolio includes financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts</li> </ul> |
| Key Considerations    | <ul style="list-style-type: none"> <li>Typically, no environmental assessments are required according to the Namibian EMA (2007)</li> </ul>   | <ul style="list-style-type: none"> <li>If an FI has a predominant focus (&gt;80% of total portfolio) on retail clients or micro businesses (FI-3)</li> </ul>   |

**Example Activities**

- Office-based businesses, professional services, (e.g., law firms, management consultants, accountants)
- Service industries
- Small educational facilities
- Financial services, retail and personal banking (consumer loans, retail credit, mortgages, etc.)
- Insurance, etc

Table 2 below provides a high-level illustrative example of how the E&S risk categorisation informs the reference framework, and level, scope, and requirements of the E&S risk appraisal to be performed by DBN.

**Table 2: Applicable E&S Requirements for DBN**

|                            | High Risk  | Medium Risk   | Low Risk  |  |
|----------------------------|--|---|---|--|
| <b>Reference Framework</b> | <ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>   | <ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>  | <ul style="list-style-type: none"> <li>• DBN Exclusion List</li> </ul>  |  |
|                            | <ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>                           | <ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>                                  | <ul style="list-style-type: none"> <li>• Compliance with local environmental, health, safety and labour laws and regulations, and public disclosure requirements engendered therein</li> </ul>  |  |
|                            | <ul style="list-style-type: none"> <li>• Additional E&amp;S standards and requirements (including those in place by lenders to the DBN) such as the IFC Performance Standards, World Bank EHS Guidelines, etc</li> </ul> | <ul style="list-style-type: none"> <li>• Additional E&amp;S standards and requirements such as the IFC Performance Standards, World Bank EHS Guidelines, etc.</li> </ul>  | <ul style="list-style-type: none"> <li>•</li> </ul>   |  |
|                            | <b>Resources</b>   | <ul style="list-style-type: none"> <li>• Performed by an externally appointed specialist, supported by Environmental and Social Development Team) (unless adequate internal competency and expertise are available).</li> </ul> | <ul style="list-style-type: none"> <li>• Performed by competent and qualified internal resources (i.e., Environmental and Social Development Team), with external specialist input if required (e.g. instances of limited in-house capacity, expertise and/or specialist areas requiring interrogation).</li> </ul> | <ul style="list-style-type: none"> <li>• Performed by competent and qualified internal resources (i.e., Environmental and Social Development Team).</li> </ul> |
|                            |  | <b>Outputs</b>  | <ul style="list-style-type: none"> <li>• E&amp;S Action Plan (ESAP) and any specific E&amp;S conditions (including monitoring and reporting requirements).</li> </ul>   | <ul style="list-style-type: none"> <li>• ESAP and any specific E&amp;S conditions (including monitoring and reporting requirements).</li> </ul>                |

## **2.4 DBN Environmental and Social Risk Control, Monitoring and Reporting**

When heightened E&S risks are identified, DBN will ensure that necessary actions are taken by the client and/or the identified risk is acceptable throughout the term of the loan. E&S covenants will be incorporated in each loan agreement to ensure compliance of the client with the applicable E&S requirements. DBN will monitor E&S risks throughout the term of its funding to ensure clients remain compliant.

For all medium and high risk projects, clients will be requested to provide regular feedback based on a self-monitoring tool developed by the Environmental Manager and verification of milestones included in the ESMP. This will be augmented by a more detailed annual review reports compiled by the Environmental Manager. The Environmental Manager will report to the Risk and Compliance Committee on environmental and social risks at its monthly meetings and to the Board Audit and Risk Committee at its quarterly meetings. The Board Audit and Risk Committee will in turn report to Board on environmental and social risks.

E&S reporting of the Bank and its client portfolio performance shall be conducted to drive progress against E&S objectives, facilitates regular and transparent disclosures of the Bank's E&S efforts, activities and progress to investors, and enable effective communication of E&S information to all other stakeholders. This will also support DBN in setting new organisational objectives and strategies related to E&S management.

The Environmental and Social Development Team will use the E&S monitoring information gathered from clients to generate internal DBN E&S reports. This seeks to assess overall E&S risks and impacts of the Bank's loan book and drive and support E&S performance of its clients and the Bank through results-based management. It also allows the Bank to disseminate E&S information to internal and external stakeholders, thereby demonstrating the Bank's efforts.

As part of this, DBN will compile E&S reports for the Risk and Compliance Committee on E&S risks and impacts on monthly basis and to the Board Audit and Risk Committee on a quarterly basis. The Board Audit and Risk Committee will in turn report to Board. This alerts the Bank management of key E&S issues across the loan book that may require attention or further interrogation.

## **2.5 External Reporting of ESG Performance**

DBN seeks to keep its investors and other relevant stakeholders informed on the Bank's E&S performance. In order to do so, the Bank will produce an Annual E&S Report for distribution to relevant parties. This report aims to showcase the work that has been done on E&S aspects as well as how the Bank is performing from an E&S perspective. Notably, the report content and structure will evolve year-on-year.

### 3. DBN Sustainable Finance Framework

DBN has established this Sustainable Finance Framework (“Framework”) under which it intends to issue Green, Social or Sustainability Bonds, Loans or other debt instruments (“Sustainable Financing Instruments”).

DBN’s Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix I)<sup>5</sup>, ICMA Social Bond Principles (SBP) 2021 (with June 2022 Appendix I)<sup>6</sup>, ICMA Sustainability Bond Guidelines (SBG) 2021<sup>7</sup>, Loan Market Association (LMA) Green Loan Principles (GLP) 2023<sup>8</sup> and LMA Social Loan Principles (SLP) 2023<sup>9</sup>.

The Framework is structured according to the following 4 core components of the above principles and guidelines as well as the recommendation regarding External Review.

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

The Framework may be revised or updated anytime to remain consistent with the strategy of DBN, best market practices and regulatory developments. A new Second Party Opinion will be obtained for a revised or updated Framework. For the avoidance of doubt, any future change to the Framework may not necessarily apply to Sustainable Financing Instruments previously issued under this framework.

#### 3.1 Use of Proceeds

DBN commits to allocate an amount equivalent to the net proceeds of Sustainable Financing Instruments issued by DBN under this Framework to exclusively finance and/or re-finance, in whole or in part, Eligible Green and/or Social projects (collectively “Eligible Projects”) which meet the eligibility criteria of the following Green and Social Project categories as defined below.

Eligible Projects that are refinanced up to 36 months prior to the issuance of the Sustainable Financing Instruments will apply.

DBN will exclude any refinancing of projects or share of projects which were financed by other stakeholders to avoid any potential double counting of the environmental or social impact.

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<sup>5</sup> [ICMA Green Bond Principles \(2021\) \(with June 2022 Appendix I\)](#)




<sup>6</sup> [ICMA Social Bond Principles \(2021\) \(with June 2022 Appendix I\)](#)

<sup>7</sup> [ICMA Sustainability Bond Guidelines \(June 2021\)](#)

<sup>8</sup> [LMA Green Loan Principles \(February 2023\)](#)






<sup>9</sup> [LMA Social Loan Principles \(February 2023\)](#)



### 3.1.1 Eligible Green Projects

| Eligible Project Category                                 | Eligibility Criteria  | Contribution to UN SDGs <sup>10</sup>   |
|---|---|---|
| <b>Environmental Objective: Climate Change Mitigation</b> |   |   |
| <b>Renewable Energy</b>                                   | <p><b>Financing or re-financing of projects to support the construction, development, installation, maintenance and connection of renewable energy as well as the manufacturing of related infrastructure or components:</b></p> <ul style="list-style-type: none"> <li>Onshore and offshore solar and wind</li> <li>Hydropower which meets any of the criteria below<sup>11</sup>: <ul style="list-style-type: none"> <li>Lifecycle GHG emissions of below 100gCO<sub>2</sub>e/kWh</li> <li>Power density greater than 5W/m<sup>2</sup></li> <li>Electricity generation facility is a run of river plant and does not have an artificial reservoir</li> </ul> </li> <li>Bioenergy derived from biofuel or biomass which includes facilities producing biofuel or biomass such as biomass palletization plants. All feedstock is sourced from sustainable feedstock or waste sources that do not compete with food sources or deplete carbon sinks such as invader bush. Crop based feedstock is excluded</li> </ul>  <ul style="list-style-type: none"> <li>Green hydrogen produced using renewable energy such as wind, solar or other renewable energy that has a lifecycle GHG emissions below 100gCO<sub>2</sub>e/kWh</li> </ul> <p><b>Financing or re-financing of projects to support the integration of renewable energy into power grid systems, including:</b></p> <ul style="list-style-type: none"> <li>Smart energy grids</li> <li>Energy storage technologies</li> </ul> |    |
| <b>Energy Efficiency</b>                                  | <p><b>Financing or re-financing of projects related to the installation of energy-efficient technologies and products in order to increase energy efficiency by at least 30%</b></p> <p><i>Exclude any projects that will result in lock in of fossil fuel technologies or associated with hard-to-abate and carbon intensive sectors</i></p>   |  |




<sup>10</sup> [17 UN SDGs](#)

<sup>11</sup> Hydropower plants larger than 25MW are excluded

| Eligible Project Category   | Eligibility Criteria  | Contribution to UN SDGs <sup>10</sup>  |
|---|---|--|
| <p><b>Clean Transportation</b></p>  | <p><b>Financing or re-financing of projects to support manufacturing or use of low-carbon passenger or freight vehicles, public transportation, water transportation and related infrastructure that meet any of the following criteria:</b></p> <ul style="list-style-type: none"> <li>• Low-carbon hybrid passenger vehicles with direct emissions below 50gCO<sub>2</sub>e/p-km</li> <li>• Low-carbon non-electrified public transportation with direct emissions below 50gCO<sub>2</sub>e/p-km</li> <li>• Low-carbon freight vehicles with direct emissions below 25gCO<sub>2</sub>e/t-km</li> <li>• Electrified rail transportation for passenger and freight</li> <li>• Electric transportation infrastructure (e.g. electrified railway and charging stations)</li> </ul> <p><i>Exclude any projects related to the transportation of fossil fuels</i></p>   | <br>   |
| <p><b>Green Buildings</b></p>   | <p><b>Financing or re-financing of low-carbon residential and commercial buildings:</b></p> <ul style="list-style-type: none"> <li>• <b>Construction or acquisition of new and existing buildings that meet at least 1 of the following criteria:</b> <ul style="list-style-type: none"> <li>• IFC EDGE (certified)</li> <li>• LEED min Gold</li> <li>• BREEAM min Excellent</li> <li>• Africa Green Star min 4 Stars</li> <li>• Other equivalent internationally or nationally recognised Green Building certification</li> </ul> </li> <li>• <b>Renovations of existing buildings</b> which lead to an improvement in energy efficiency by at least 30% or enable the building to achieve at least 1 of the building standards above</li> <li>• <b>Installation, maintenance or repair of specific energy efficiency equipment</b> such as more energy efficient windows, HVAC systems, LED lights etc. which are rated in the highest two classes of the SADC energy efficiency label system in Namibia (A to G with A being the most energy efficient)</li> </ul> | <br> |
| <p><b>Environmental Objective: Sustainable Use and Protection of Water and Marine Resources</b></p> |   |  |
| <p><b>Sustainable Water and Wastewater Management</b></p>   | <p><b>Financing or re-financing of projects to improve water usage efficiency or reduce water consumption:</b></p> <ul style="list-style-type: none"> <li>• Water recycling and reuse projects</li> <li>• Water saving technologies and systems such as the water reclamation project for industrial use in Walvis Bay</li> <li>• Wastewater recycling and usage</li> </ul>   |   |






| Eligible Project Category   | Eligibility Criteria   | Contribution to UN SDGs <sup>10</sup>  |
|---|--|--|
| <b>Environmental Objective: Protection and Restoration of Biodiversity and Ecosystems</b>   |  |  |
| <p><b>Environmentally Sustainable Management of Natural Living Resources and Land Use</b></p> <p><b>Terrestrial and Aquatic Biodiversity Conservation</b></p> | <p><b>Financing or re-financing of projects to enhance sustainable land and ecosystem management, prevent deforestation and support biodiversity conservation on land as well as marine or coastal areas:</b></p> <ul style="list-style-type: none"> <li>• <b>Sustainable Management of invader bush encroachment in Namibia<sup>12</sup></b></li> <li>• <b>Sustainable Agriculture, Aquaculture, Mariculture and Algaiculture:</b> <ul style="list-style-type: none"> <li>• Improve environmental sustainability of practices such as crop rotation, crop diversification and organic soil cover</li> <li>• Hydroponic and vertical farming</li> </ul> </li> <li>• <b>Sustainable Fisheries Management:</b> <ul style="list-style-type: none"> <li>• Projects to improve sustainability of fisheries to be certified under third-party certification schemes (e.g. Marine Stewardship Council (MSC) or Aquaculture Stewardship Council (ASC))</li> </ul> </li> <li>• <b>Terrestrial and Aquatic Ecosystem Management, Rehabilitation or Restoration:</b> <ul style="list-style-type: none"> <li>• Sustainably manage, conserve or restore the health and resilience of coastal, marine and river ecosystems and biodiversity</li> <li>• Projects relating to Marine protected area establishment and management, management and restoration of coral reefs, mangroves, coastal wetlands etc.</li> </ul> </li> </ul> | <br> |

### 3.1.2 Eligible Social Projects

| Eligible Project Category                                    | Eligibility Criteria  | Contribution to UN SDGs   |
|--|---|---|
| <b>Social Objective: Access to Adequate Living Standards</b> |   |   |
| <p><b>Affordable Basic Infrastructure</b></p>                | <p><b>Financing or re-financing of projects to improve access to basic infrastructure:</b></p> <ul style="list-style-type: none"> <li>• Construction, maintenance or improvement of clean drinking water and sanitation infrastructure</li> <li>• Construction, maintenance or improvement of rural roads and public infrastructure to provide access to transportation for populations with limited or no access to public transportation</li> <li>• Development of electricity transmission and distribution infrastructure to connect rural populations to the grid</li> </ul> <p><b>Target Population:</b> Rural areas<sup>13</sup> with limited or no access to basic infrastructure</p> | <br><br> |

<sup>12</sup> <https://www.n-big.org/namibia-environment-minister-launches-namibias-national-bush-management-resource-strategy-2022-2027/>

<sup>13</sup> Defined as the countryside in Namibia other than proclaimed townships and municipalities under the National Rural Development Policy

| Eligible Project Category                               | Eligibility Criteria  | Contribution to UN SDGs  |
|---|---|--|
| <p><b>Affordable Housing</b></p>                        | <p><b>Financing or re-financing of the construction, maintenance or renovation of social residential housing projects:</b></p> <ul style="list-style-type: none"> <li>• Tripartite agreement with local authorities to provide financing for affordable housing, targeting households which are eligible for affordable housing in the less developed towns and/or less developed suburbs or municipalities</li> <li>• Construction, maintenance, or refurbishment of affordable and sustainable housing in the less developed towns and/or less developed suburbs or municipalities</li> </ul> <p><b>Target Population:</b> Namibians in the low to middle income groups<sup>14</sup> who qualify for affordable residential housing provided by local authorities, with a focus on low to middle income housing<sup>15</sup> only</p> |    |
| <p><b>Social Objective: Social Inclusion</b></p>        |   |  |
| <p><b>Socioeconomic Advancement and Empowerment</b></p> | <p><b>Financing or re-financing of projects to support the social integration and economic development of populations via expansion of employment capacity particularly targeting Previously Disadvantaged persons<sup>16</sup>:</b></p> <ul style="list-style-type: none"> <li>• Financing for women-owned businesses<sup>17</sup> and youth entrepreneurs</li> <li>• Financing for disabled persons</li> </ul> <p><b>Target Population:</b> Women, youths<sup>18</sup>, disabled persons</p>  |    |



<sup>14</sup> Namibia does not have a national definition for low to middle income groups or low to middle income housing. DBN defines low income groups as persons with income between N\$ 0 – N\$ 500,000 and middle income groups as persons with income between N\$ 500,000 to N\$ 1.5 million

<sup>15</sup> Housing for low income group is below N\$1 million and housing for middle income group is up to N\$ 5 million

<sup>16</sup> Previously Disadvantaged persons means persons contemplated in Article 23(2) of the Namibian Constitution and includes: (a) racially disadvantaged persons; (b) women; and (c) persons with any disability as defined in the National Disability Council Act, 2004 (Act No. 26 of 2004); "racially disadvantaged persons" means all persons who belong to a racial or ethnic group which was or is, directly or indirectly, disadvantaged in the labour field as a consequence of social, economic, or educational imbalances arising out of racially discriminatory laws or practices before the independence of Namibia, as per the Affirmative Action (Employment) Act, Act 29 of 1998

<sup>17</sup> Women-owned businesses are defined in line with the IFC definition: An enterprise qualifies as a women-owned enterprise if it meets the following criteria: (a)  $\geq 51\%$  owned by woman/women OR (b)  $\geq 20\%$  owned by woman/women AND (i) has  $\geq 1$  woman as CEO/COO/President/Vice President AND (ii) has  $\geq 30\%$  of the board of directors composed of women, where a board exists

<sup>18</sup> Defined as persons aged between 15 and 24 years old in line with UN definition as compared to Namibia's national definition of 36 years old and below

| Eligible Project Category   | Eligibility Criteria   | Contribution to UN SDGs  |
|---|--|--|
| <b>Social Objective: Access to Essential Healthcare and Education</b> |  |  |
| <b>Access to Essential Services (Healthcare &amp; Education)</b>      | <p><b>Financing or re-financing of projects expanding the access to public, free, subsidised or non-profit health care and education services and infrastructure:</b></p> <ul style="list-style-type: none"> <li>• Construction, maintenance or refurbishment of hospitals, clinics, healthcare centers, nursing homes, rehabilitation centers and elderly care facilities</li> <li>• Production of medical supplies, medical equipment, medicines and vaccines to treat and prevent spread of infectious diseases or health disasters</li> <li>• Construction, maintenance or refurbishment of public schools, universities, or vocational training facilities</li> </ul> <p><b>Target Population:</b> General public</p> | <br> |

### 3.1.3 Exclusions

Any financing and/or re-financing related to the following projects will be excluded from the portfolio of prospective Sustainable Financing Instruments:

- Any project which falls into DBN Exclusion Lists<sup>19</sup>
- Fossil fuel extraction, processing and distribution
- Fossil fuel related power generation
- Alcohol
- Gambling
- Tobacco
- Weaponry and defense related equipment

### 3.2 Process for Project Evaluation and Selection

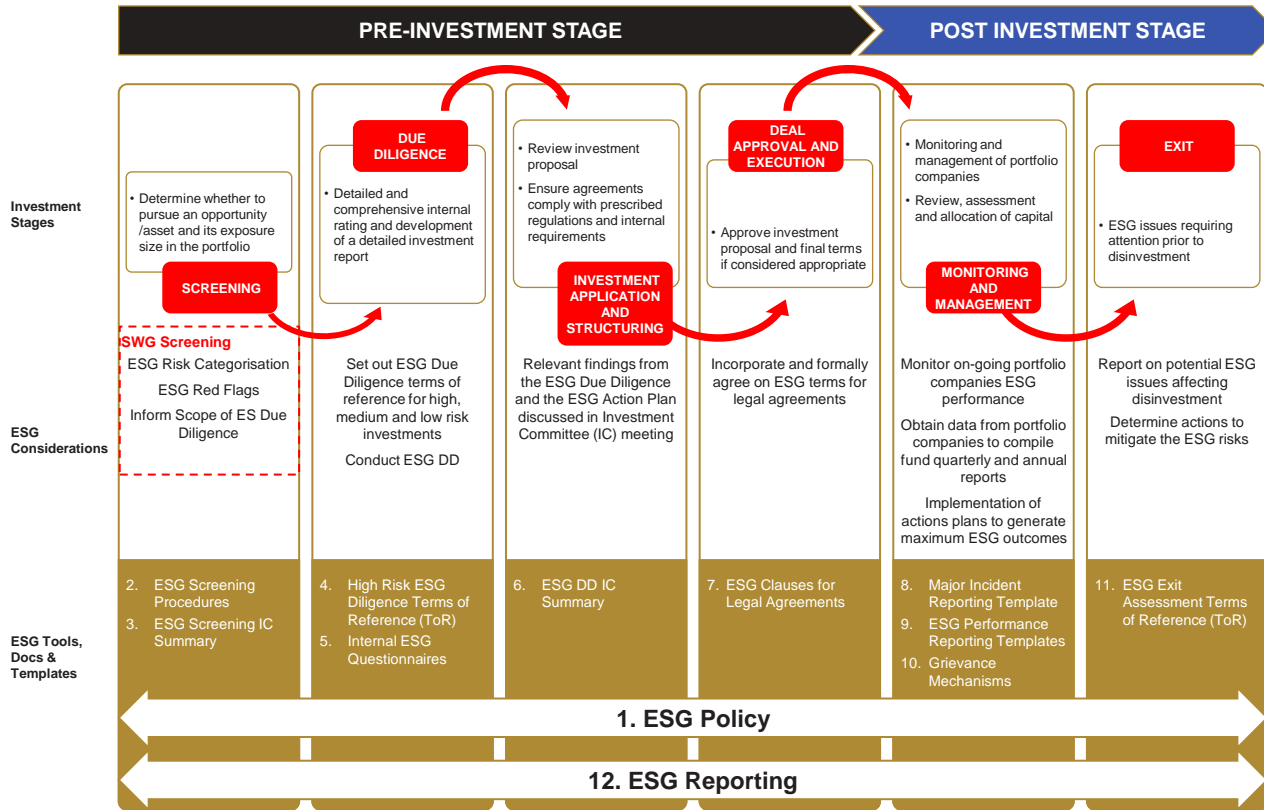
DBN has established a Sustainable Finance Working Group (“SFWG”) comprising of the following departments:

- Treasury
- Risk and Compliance
- Investments
- SME
- Credit Risk
- Other Key Business Units if relevant

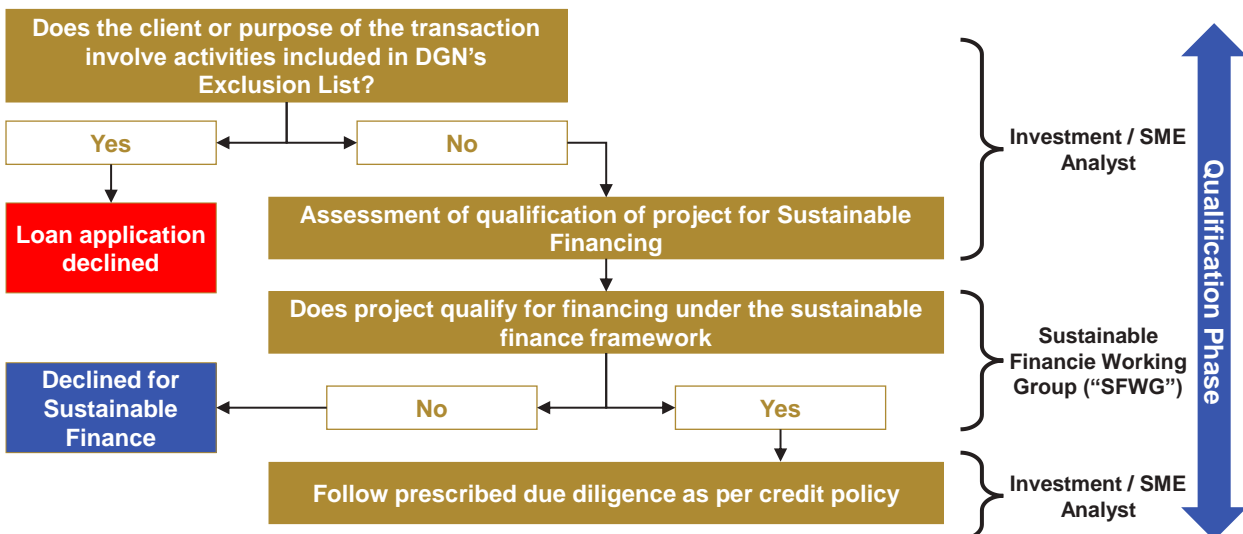
<sup>19</sup> [DBN Exclusion List](#)

SUSTAINABLE FINANCE FRAMEWORK

The SFWG will carry out the Project Evaluation and Selection process during the pre-investment stage for every prospective investment to ensure that the proceeds of the Sustainable Financing Instruments are allocated to projects which meet the eligibility criteria set out in Section 3.1 Use of Proceeds. Below is the detailed workflow:



As part of the initial screening during the pre-investment stage, the investment/SME analyst will assess whether the prospective projects are included in DBN’s Exclusion list. Projects which are included will be automatically declined while projects which are not included will be screened by the SFWG for their compliance with the eligibility criteria set out in Section 3.1 Use of Proceeds. Once the Eligible Projects are identified, they will undergo DBN’s due diligence process which includes E&S risk assessment.



**Key roles of the SFWG include:**

- Coordinate internally and with other departments to identify and select Eligible Projects for inclusion and ensure compliance with eligibility criteria set out in Section 3.1 Use of Proceeds
- Assess any known material risks of negative environmental or social impacts to ensure that while an environmental and/or social objective is achieved, it is not done at the expense of other material environmental and/or social objectives in line with DBN's ESMS set out in Section 2.3 DBN Environmental and Social Risk Assessment Procedures
- Review proposed Eligible Projects to determine their compliance with the Sustainable Finance Framework to approve allocation of proceeds every 12 months
- Review allocation of net proceeds to Eligible Use of Proceeds and determine if any changes are necessary every 12 months
- Exclude or replace Eligible Projects if an Eligible project no longer meets the eligibility criteria
- Review the management of proceeds and facilitate reporting
- Manage any future updates of the Framework and Second Party Opinion
- Meet every 12 months and as necessary to review the framework

**3.3 Management of Proceeds**

The net proceeds of the Sustainable Financing Instruments will be deposited in a separate general ledger account and earmarked for allocation in a Sustainable Financing Register. DBN intends to allocate these proceeds to an Eligible Loan Portfolio, selected in accordance with the Use of Proceeds criteria and evaluation and selection process presented above.

DBN will ensure that so long as the Sustainable Financing Instruments are outstanding, the balance of the tracked net proceeds in the Sustainable Financing Register should be periodically adjusted to match the allocations to Eligible Projects made during that period. During the life of the Sustainable Financing Instruments, if the designated projects cease to comply with the eligibility criteria or are withdrawn, the net proceeds will be re-allocated to other Eligible Projects as soon as reasonably practicable and in any case, within 12 months.

DBN will commit to, on a best-effort basis, allocate the net proceeds from the Sustainable Financing Instruments to Eligible Projects within 24 months from issuance date of the Sustainable Financing Instruments in accordance with Section 3.2 Process for Project Evaluation and Selection.

Pending full allocation of net proceeds to Eligible Projects, any unallocated funds will be held in cash and cash equivalents and managed per DBN's Treasury and Finance general cash management policies. For the avoidance of doubt, unallocated funds will not be allocated to greenhouse gas intensive or controversial activities as per the exclusion criteria of the Framework.

### 3.4 Reporting

DBN commits to publish a report on the allocation of net proceeds and impact metrics within one year from issuance of the Sustainable Financing Instrument and annually thereafter until full allocation of the net proceeds, and as necessary in the event of material developments. This report will be made available on DBN's website<sup>20</sup>.

#### 3.4.1 Allocation Reporting

The allocation report will include:

- Total amount of Eligible Projects and breakdown across Eligible Project Categories and Type of Assets
- Total amount of proceeds allocated to Eligible Green or Social Projects
- Total amount of proceeds allocated per Eligible Green or Social Project Category
- Share of proceeds for refinancing vs. new financing
- Total amount of unallocated proceeds
- The geographic location of the assets, at country level
- Brief descriptions of Eligible Green and Social Projects including project locations target populations (for social projects) and amount allocated

#### 3.4.2 Impact Reporting

DBN commits to report the following expected and achieved environmental and social impacts arising from the financing of Eligible Green and Social Projects where feasible. DBN will work with an external consultant on the calculation of impact metrics, and information on the methodology and assumptions used will be published in its impact report. Where feasible, the impact report may include:

| Eligible Project Category           | Impact Reporting Metrics  |
|-------------------------------------|---|
| <b>Green Project Categories</b>     |   |
| <b>Renewable Energy</b>             | <ul style="list-style-type: none"> <li>• Total installed capacity (MW)</li> <li>• Annual renewable energy generated (MWh/GWh)</li> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> </ul>                  |
| <b>Energy Efficiency</b>            | <ul style="list-style-type: none"> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> <li>• Annual energy savings (MWh)</li> </ul>   |
| <b>Clean Transportation</b>         | <ul style="list-style-type: none"> <li>• Number of low carbon vehicles or vessels</li> <li>• Length of electrified railway</li> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> </ul>                     |
| <b>Green Buildings</b>              | <ul style="list-style-type: none"> <li>• Number of certified buildings and respective certification</li> <li>• Annual energy savings (MWh)</li> <li>• Annual GHG emissions avoided or reduced (tCO<sub>2</sub>e)</li> </ul>     |
| <b>Sustainable Water Management</b> | <ul style="list-style-type: none"> <li>• Annual water savings (m<sup>3</sup>)</li> <li>• Water usage (m<sup>3</sup>)</li> <li>• Percentage of water discharged (%)</li> <li>• Percentage of recycled waste water (%)</li> </ul> |

<sup>20</sup> If the Sustainable Financing Instrument is a loan/private placement, the annual report may be provided to lenders/investors on a bilateral basis instead of being publicly shared

|   |  |
|---|--|
| <p><b>Environmentally Sustainable Management of Natural Living Resources and Land Use</b></p> <p><b>Terrestrial and Aquatic Biodiversity Conservation</b></p> | <ul style="list-style-type: none"> <li>• Increase of area for sustainable management of invader bush in km<sup>2</sup> and in %</li> <li>• Number of fisheries projects certified by MSC</li> <li>• Absolute number of predefined target organisms and species per km<sup>2</sup> or m<sup>2</sup> before and after the project</li> <li>• Absolute number of protected and/or priority species that are deemed sensitive in protected/ conserved area before and after the project</li> </ul> |
| <p><b>Social Project Categories</b></p>   |  |
| <p><b>Affordable Basic Infrastructure</b></p>   | <ul style="list-style-type: none"> <li>• Number of people gaining access to basic sanitation</li> <li>• Number of people gaining access to safe water supply</li> <li>• Number of new water treatment plants or reservoirs</li> <li>• Number of people gaining access to transportation</li> <li>• Number of roads built to provide access to transportation</li> </ul>  |
| <p><b>Socioeconomic Advancement and Empowerment</b></p>   | <ul style="list-style-type: none"> <li>• Number of Previously Disadvantaged persons financed</li> <li>• Number of women entrepreneurs financed</li> <li>• Number of youth entrepreneurs financed</li> <li>• Number of disabled persons financed</li> </ul>   |
| <p><b>Affordable Housing</b></p>  | <ul style="list-style-type: none"> <li>• Number of households who benefit from the programme</li> <li>• Number of housing units constructed</li> </ul>   |
| <p><b>Access to Essential Services</b></p>  | <ul style="list-style-type: none"> <li>• Number of education or healthcare infrastructure financed</li> <li>• Number of beneficiaries</li> </ul>   |

## 4. External Review

### 4.1 Second Party Opinion (Pre-Issuance)

DBN has appointed S&P Global Ratings to assess the Sustainable Finance Framework and its alignment with the GBP, SBP, SBG, GLP, SLP and issue a Second Party Opinion.

The Second Party Opinion will be made available on DBN's website.

### 4.2 Verification (Post-Issuance)

DBN commits to engage an external reviewer to assess the allocation of net proceeds to eligible assets, on an annual basis until full allocation.

The report will be made available on DBN's website<sup>21</sup>.

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<sup>21</sup> If the Sustainable Financing Instrument is a loan/private placement, the annual report may be provided to lenders/investors on a bilateral basis instead of being publicly shared

### Disclaimer

DBN will on an ongoing basis review the Sustainable Finance Framework and reserves the right to update the SFF if improvements are identified or to be able to extend the reach to further eligible projects, provided that the second opinion is updated. The updated second opinion will be made publicly available on the DBN's website.

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