



# Social **Financing** Framework



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# 01. SOCIAL FINANCING FRAMEWORK - PURPOSE STATEMENT

This document outlines the social financing framework (framework or SFF<sup>1</sup>) under which Letshego Holdings (Namibia) Limited (LHNL) intends to issue and/or raise repeated programmatic use of proceeds financial instruments in the form of social bonds and/or social loans. The framework can be utilized by eligible LHNL subsidiaries, Letshego Bank Namibia (LBN) and Letshego Micro-Financial Services Namibia (LMFSN). The proceeds of such instruments will be utilized to finance and/or refinance eligible social assets/projects that will contribute to achieving specific objectives aligned with LHNL's sustainability strategy and, in turn, the objectives of the United Nations (UN) Sustainable Development Goals (SDGs).

This framework is aligned with international best practices and guidance published by the International Capital Market Association (ICMA), the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA) and the Asia Pacific Loan Market Association (APLMA), including:

- ICMA Social Bond Principles (SBP) 2023<sup>2</sup>
- LMA Social Loan Principles (SLP) 2023<sup>3</sup>

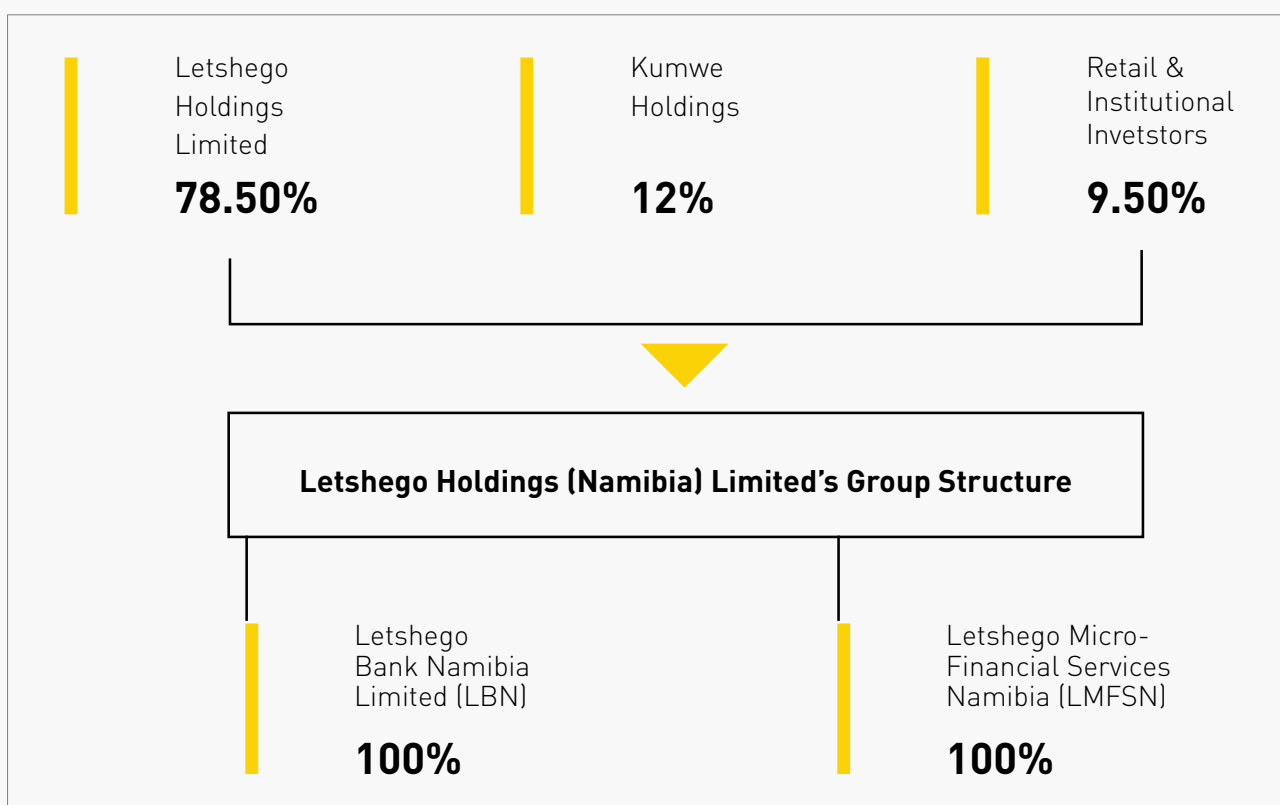
## 02. ABOUT LETSHEGO NAMIBIA

LHNL listed on the Namibian stock exchange on 28 September 2017. LHNL provides accessible consumer finance, micro-finance, savings and transactional banking solutions to the traditionally financially underserved through its 17 outlets and its network of direct sales agents, across Namibia. As depicted in Figure 1 below, LBN and LMFSN are both wholly owned subsidiaries of LHNL. LHNL runs its licensed commercial banking activations, under the regulation of the Bank of Namibia (BoN) through LBN. Both LBN and LMFSN apply responsible lending practices and are locally governed by numerous regulators and ministries, including the likes of the; BoN, Financial Intelligence Centre, Namibian Stock Exchange, Namibia Financial Institutions Supervisory Authority (NAMFISA) and the Ministry of Finance.

<sup>1</sup>Social Financing" is collective term used to refer to social loans and/or social bonds issued/raised in reference to the framework and further, as stated in more detailed in this purpose statement.

<sup>2</sup>[Social-Bond-Principles\\_June2023.pdf \[icmagroup.org\]](https://www.icmagroup.org/~/media/2023/06/Social-Bond-Principles_June2023.pdf)

<sup>3</sup><https://www.lsta.org/content/social-loan-principles-slp/#>



**Figure 1 - Overview of LHNL structure**

Furthermore, LHNL is a subsidiary of Letshego Africa Holdings Limited (LAHL) (the group or holding company) a Botswana-based listed diversified financial services group. Collectively, the LAHL is a truly African multinational organization focused on increasing access to simple and inclusive financial solutions for underserved populations across 11 sub-Saharan markets. The Letshego Group operates in Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Nigeria, Ghana, and Tanzania employing in excess of 3000 people comprising 21 nationalities.

For clarity this SFF relates specifically to LHNL (as outlined in section one above)<sup>14</sup>.

<sup>14</sup>LHNL's SFF will be superseded by any framework that is published by the Letshego Holdings Limited, unless specified otherwise in the instruments financial documentation. Such framework has yet to be established but is being contemplated. Should such framework be established it is likely to be accompanied by its own second party opinion. Clear reference will always be made in the respective instruments financial documentation and will be discussed with potential investors/lenders prior to any issuances/raises.

## 03. #IMPROVINGLIVES

### 3.1. Letshego's focus on sustainability<sup>5</sup>

LAHL's vision is to be a world-class retail financial services organization which meets the needs of lower and middle-income individuals and Micro and Small enterprises (MSE). To achieve this vision LAHL strives to provide market-leading financial services and solutions that dually impact the livelihoods of their customers and the societies in which LAHL operates in.

African economies are typically characterized by high poverty rates which poses an obstacle to achieving sustainable development and improved livelihoods. Access to finance and microfinancing activities are considered an effective enabler to alleviate instances of poverty, by providing underserved population groups with capital that can be invested in income-generating activities, contributing to a ripple effect of increased access to essential services such as health care, education services, increased employment and wealth creation, and overall socio-economic advancement. It is for this reason that LAHL has developed a suite of financial services and products focused on the African consumer to enable access to capital for productive activities (such as agriculture), access to finance for essential services (such as education and health), access to finance for affordable housing and access to finance facilitated in a gender equitable manner. Further, according to the World Bank Global Findex 2021 data, the share of adults engaging in formal borrowing in developing economies is low compared to developed economies, particularly in Africa where the average share of adult's ranges between 1-19%<sup>6</sup>. In addition, the World Bank cites that access to finance is one of the biggest obstacles for micro, small and medium enterprises (MSMEs) and that the average MSME's financing gap in Africa ranges between 30-50%<sup>7</sup>.

LAHL is actively integrating sustainability into its daily operations as set out by the group's Environmental, Social and Governance (ESG) Manual of June 2021. The entrenchment of sustainability is further evidenced in the group's strategic objectives, through the prioritization of key themes under product diversification, digitalization, regional rebalancing, enterprise agility and creating sustainable stakeholder value.

### 3.2. Letshego Namibia's sustainability strategy<sup>8</sup>

LHNL strives to create a positive societal impact by increasing access to essential services (more specifically financial services) for financially underserved low to middle income customers. These efforts align with Namibia's national efforts to encourage access to productive capital, increasing employment and wealth creation which ultimately results in economic and sustainable development.

Furthermore, through LHNL's wide range of financial services focused on the Namibian consumer, LHNL also aims to advance the achievement of various SDGs, as depicted in Figure 2 below. As such, LHNL strives to maintain its value proposition of accessibility to customers by ensuring interest rates and other charges do not exceed the regulatory maximums, through the application of a strict pricing compliance mechanism.

<sup>5</sup>[Letshego Group ESG Agenda](#)

<sup>6</sup>[The Global Findex 2021 report](#)

<sup>7</sup>[World Bank, Small and Medium Enterprises \(SMEs\) Finance: Improving SME's access to finance and finding innovative solutions to unlock sources of capital](#)

<sup>8</sup>[LHNL Namibia](#)



### No poverty

Our focus areas and impact

We provide finance for housing, health and agri-business. This promotes equal rights and equitable access to economic resources, including ownership and control over land. Overall, it reduces levels of inequality in society since it supports gender equality, skills enhancement, income generation, increased levels of security, health, self-confidence and human dignity.



### Zero Hunger

Our focus areas and impact

We provide finance for agri-business. By supporting agriculture and sustainable livelihoods, we contribute to food production, food security and the goal towards zero hunger.



### Good Health and Wellbeing

Our focus areas and impact

We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. We achieve this through health financing as well as supporting sustainable livelihoods through the provision of innovative financial products.



### Quality Education

Our focus areas and impact

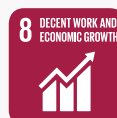
We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. This entails breaking the cycle of poverty and creating opportunities for individuals to develop themselves and become productive members of society. Education can make an important contribution towards this objective.



### Gender Equality

Our focus areas and impact

Letshego fosters equality of opportunity, inclusion and a healthy workplace through our human capital policies and practices. 60% of the workforce is female. In addition, we provide financial services that are aimed at fostering gender justice. This is based on the belief that microfinance services positively influence women's decision-making power and enhance their overall socio-economic status. These services can significantly contribute to gender equality and promote sustainable livelihoods and better working conditions for women.



### Decent Work

Our focus areas and impact

We contribute to this through skills and enterprise development programmes as detailed in the Human Capital and Social Relationship Capital sections of this report. In addition, women's empowerment through microfinance is key for promoting Decent Work, and is central to facilitating equitable, inclusive and sustainable development.



### Sustainable Cities and Communities

Our focus areas and impact

Letshego provides increased access to finance for affordable housing and is building economic infrastructure for a productive housing market for all. This contributes to inclusive growth by building asset wealth, facilitating job creation, equitable economic growth, reduced levels of poverty and improved living conditions.

Figure 2 – LHNL's targeted SDGs

To ensure the continued advancement of LHNL's sustainability strategy and to demonstrate a further tangible commitment to the integration of sustainability, LHNL has developed a well-articulated roadmap to incorporate ESG factors into its operations and processes, as depicted by Figures 3 and 4 below. The roadmap includes several focus areas being:

<p><b>Risk Management</b></p> <p>Adoption of the Letshego group approved ESG Framework which will have implications on credit risk pricing models and product development. In addition, specific key performance indicators are to be developed and tracked. These developments will be supported by employee training and development.</p>	<p><b>Market Intelligence</b></p> <p>A customer insight survey on the Namibian market to better understand the social impact outcomes of its business operations.</p> <p>Customer insights will be used to further inform product development and service delivery.</p>	<p><b>Governance and Reporting</b></p> <p>Align reporting and further evolve its integrated reporting and impact reporting to adhere to global standards and to facilitate further stakeholder communications through thought leadership, financial literacy training and customer education campaigns.</p>	<p><b>Funding and Partnerships</b></p> <p>Efforts from marketing intelligence and enhanced impact reporting will be formalized as a basis to measure application of funds towards environmental and social activities required by funding partners.</p>
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**Figure 3 – LHNL ESG integration focus areas**

#### Key highlights from the market intelligence survey reveal that:

- **LHNL scored 71% (internal benchmark: 40%)** regarding providing access to financial services for underserved areas;
- **LHNL scored 13% (internal benchmark: 14%)** regarding business impact and the ability to support customers to generate business impact; and
- **LHNL scored 25% (internal benchmark: 27%)** regarding management and understanding and the degree to which customers understand the impact of LHNL's products and their ability to manage finances.

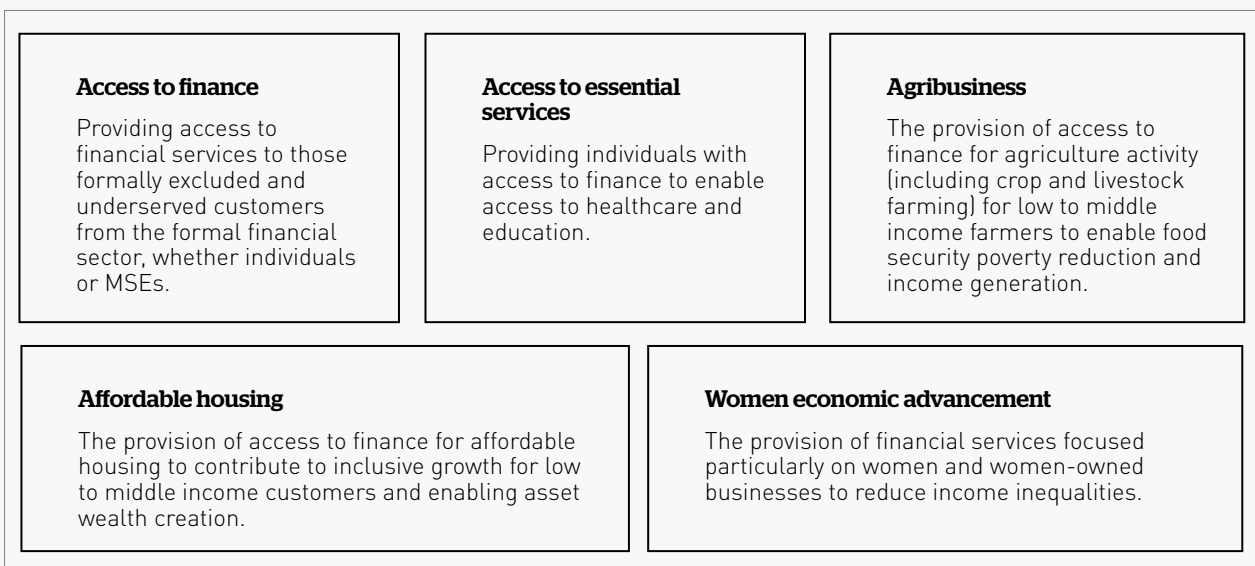
The latter two insights inform LHNL's strategic thinking in providing access to underserved businesses and responsible lending practices. LHNL is embarking on efforts to further enhance this market intelligence to better understand the usage of products and offerings and the social implications of them. Customer insights will be used to further inform product development and service delivery and related to decisions elevated to senior leadership level. In achieving all of the above, LHNL has clearly articulated the sequencing of the ESG roadmap as per Figure 4 below. Initiatives (outlined below) are in the process of finalization with the intention to develop and embed policies and frameworks by end of 2023 with the further intention to operationalize by 2024.





**Figure 4** – LHNL ESG roadmap

Given the above market insights and the efforts underway to create a foundational system that incorporates ESG factors into LHNL’s operations, LHNL has identified various focus areas in their core offerings that would ensure optimal societal impact for the Namibian consumers. These include:



**Figure 5** – LHNL focus areas

# 04. LETSHEGO'S ESG RISK MANAGEMENT

As illustrated in Figure 6, ESG management is implemented throughout the LHNL operations through the office of the Chief Executive Officer and the Board Social, Ethics and Sustainability (SES) Committee (SESC), while the overall LAHL coordination of ESG management is the mandate of the Group Social and Ethics Committee. As such, a monitoring, evaluation and reporting system is in place to assess and manage ESG risks.

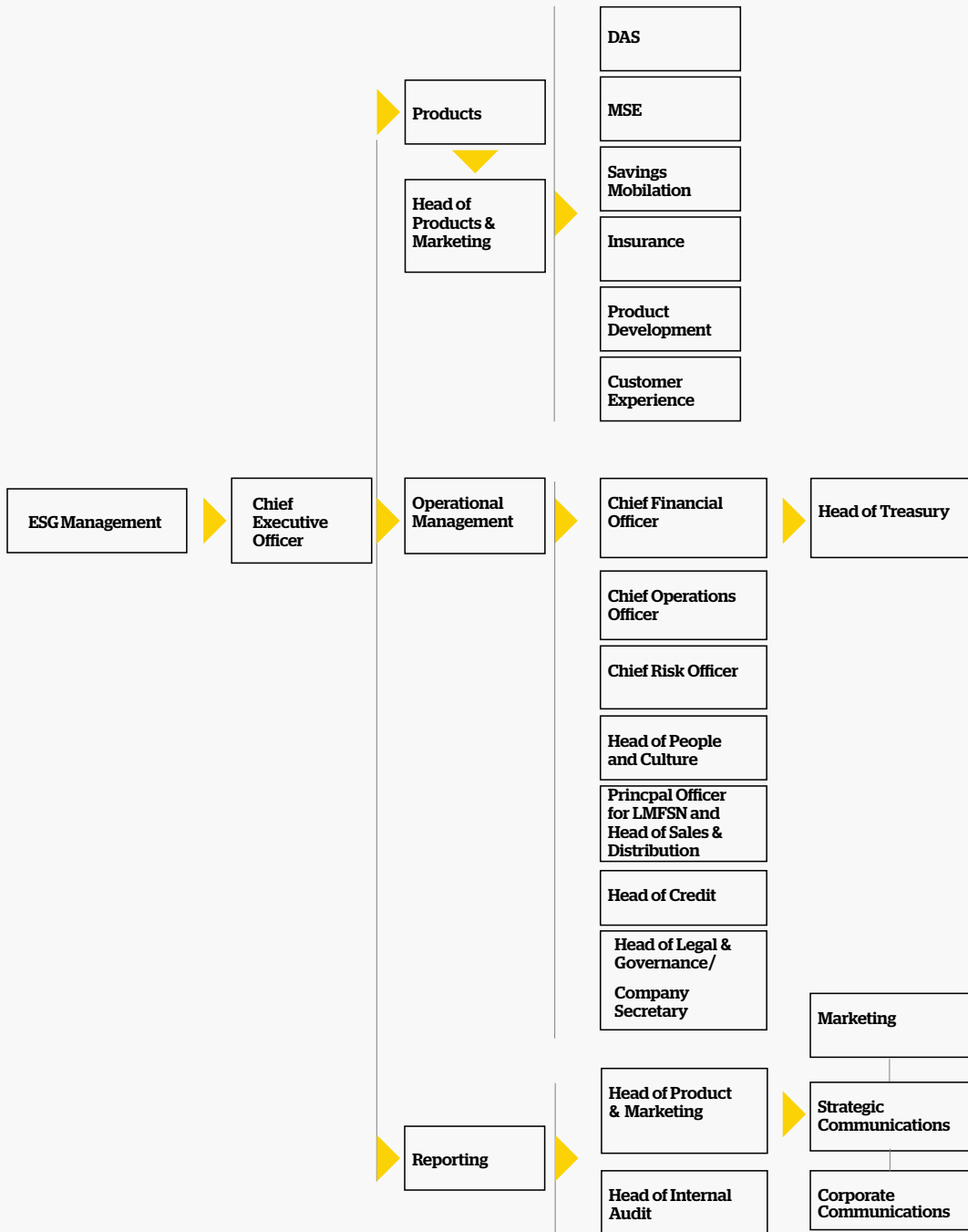
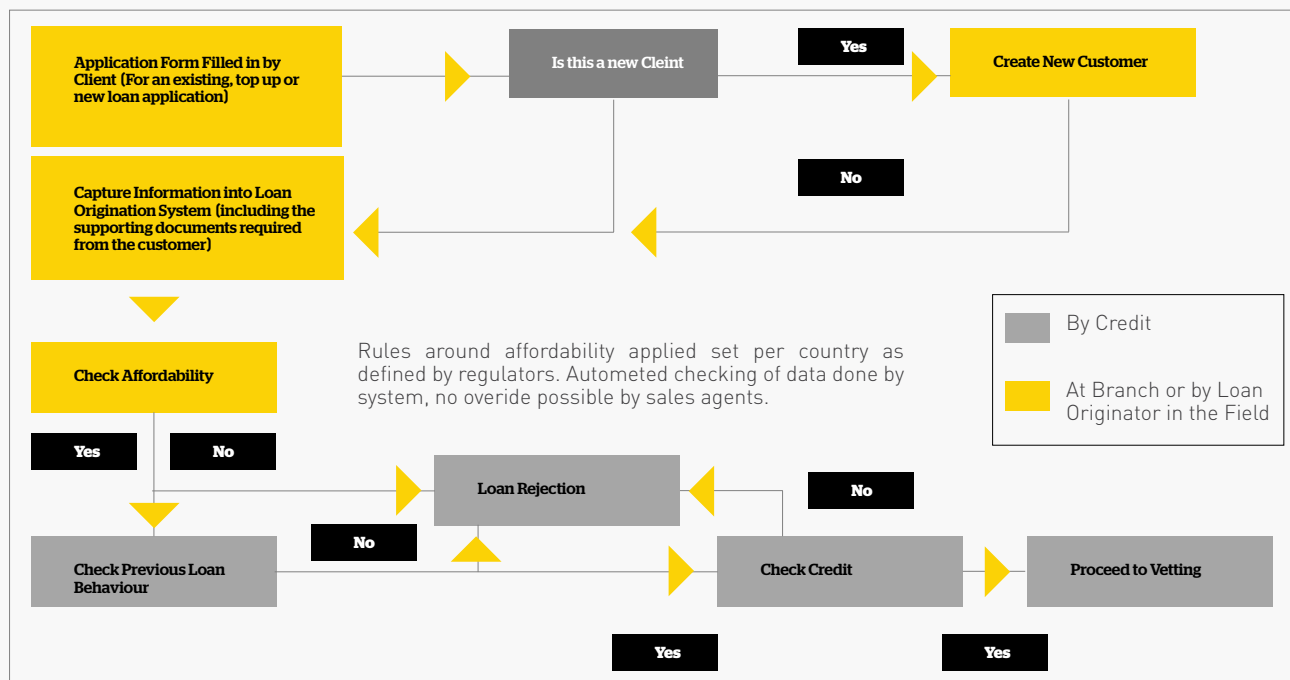


Figure 6 – LHNH ESG Governance structure

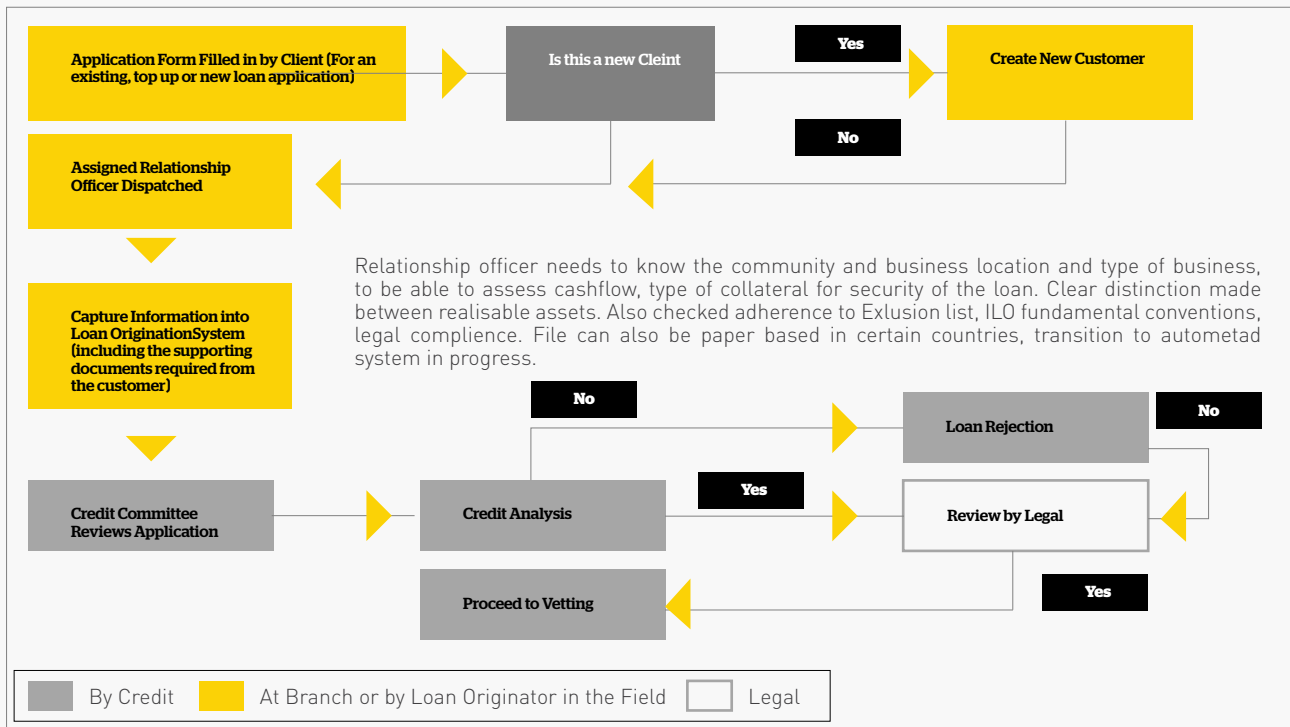
More specifically, LHNL's ESG Risk Management is governed by the ESG Manual of June 2021. This manual was first adopted by the Letshego Group and was subsequently adopted by LHNL in accordance with the Namibian context. The core focus of the document remains consistent throughout, which emphasizes solving the needs of the financially under-served customers in Namibia. The manual details the policy, procedures, reporting requirements and review processes that are implemented by LHNL to manage environmental and social risks and performance (both internally and externally) in order to maximize social and financial returns. The manual is designed to ensure the LHNL team implements the principles of good corporate, environmental and social governance, while simultaneously complying with regulatory frameworks within Namibia to drive sustainable development.

In addition, LHNL has a practical process for identifying pertinent ESG risks and potential negative impacts which are generated directly by LHNL operations, as well as those from contractors and LHNL's supply chain (where possible). This process is consistent with Good International Industry Practice. LHNL also has an ESG risk assessment process tool in place to assess the probability that each ESG risk will occur, assess the severity of the potential impact and rank the identified ESG risks. Subject to the probability and severity, LHNL's operational procedures and practices, management plans and action plans to effectively manage ESG risks.

Further to ESG Risk management LHNL has implemented responsible lending and credit practices through their Home Loan Credit Policies and Individuals' Loans credit policies. Both policies are owned by the Credit Department, where the Country Management Committee and LHNL Board have ultimate oversight and mandates for approval for any recommended changes. These policies depict how affordability assessments need to be conducted by LHNL and the thresholds for affordability, taking into consideration an individual's income and expenditure, to avoid consumer over-indebtedness (see Figures 7 and 8). Furthermore, a pricing mechanism is in place to ensure interest rates and charges do not exceed the maximum stipulated by the regulator (BoN and NAMFISA) to allow the Namibian customer to access finance and while removing barriers to entry.



**Figure 7** – LHNL personal loan process flow



**Figure 8 – LHNL MSE loan process flow**

More broadly the Letshego Group solicited an independent ESG consulting firm which conducted an Environmental and Social Due Diligence on LAHL in 2015 and 2016. The ESDD ascertained levels of compliance with a number of standards highlighted with an (\*), which are adopted at group level and operationalized through policy documents. These policy documents are in the process of being aligned/realigned with all of the below mentioned standards and will be adopted across all LAHL subsidiaries including LHNL, post approval from the relevant boards.

- IFC Interpretation Note on Financial Intermediaries, 2012\*;
- IFC Performance Standards on Environmental and Social Sustainability\*;
- IFC/World Bank General Environmental, Health, and Safety (EHS) Guidelines;
- International Labour Organisation (ILO) Core Labour Standards, as it relates to the Human Resources policy\*;
- United Nations Global Compact, 2000\*;
- United Nations Environmental Programme Statement of Commitment by Financial Institutions on Sustainable Development\*;
- United Nations-supported Principles of Responsible Investment (UNPRI); and
- Applicable national laws, international conventions, and standards on environment, occupational health, safety and social issues.

Letshego is classified as a Category FI-3 investment grade according to the World Bank and IFC Guidelines (Interpretation Note on Financial Intermediaries). Category FI-3 means that our operations (both existing and proposed) include financial exposure to business activities that predominantly have minimal or no adverse environmental or social impacts.

## 05. SOCIAL FINANCING FRAMEWORK

LHNL will regularly review and update this framework in line with market developments, in order to incorporate best practice evaluation, management and reporting.

This SFF has been developed in line with the ICMA SBP (2023) and LMA SLP (2023) and covers the following four key pillars:

- Use of proceeds
- Process for project evaluation and selection
- Management of proceeds and
- Reporting

The ICMA, LMA, LSTA and APLMA principles and guidelines are globally accepted by issuers/borrowers, investors/lenders and other relevant market participants as the voluntary industry guidance. These principles underpin the integrity and credibility of this framework and therefore any issuances/raises made in reference to this framework.

### 5.1. Context of target populations in Namibia

Despite Namibia being classified as an upper-middle-income country, the economy is still characterized by high poverty rates, high inequality rates and large disparities persist between urban and rural development. According to the Namibia Income and Expenditure Survey of 2015/2016, the incidence of poor and severely poor were recorded at 17.4% and 10.7%, respectively. In addition poverty rates among females are higher than males and poverty rates in rural areas are higher compared to urban areas. Namibia's GINI coefficient stands at 0.56, noted as one of the highest levels of income inequalities in the world. Most Namibians live in traditional dwellings (32.9%), with a notable prevalence of living in improvised housing units (20.2%). These instances are higher for rural areas than for urban areas<sup>9</sup>.

Namibia's financial sector has evolved over the years and while there has been improvement in the country's financial exclusion rates, there remain areas for improvement. According to the 2017 Namibian Financial Inclusion Survey, the level of financial exclusion, defined as those adults who do not use any financial products/services, would borrow from family/friends and/or save at home, declined from 51% (2007) to 31% (2011), to 22% (2017). There exist disparities between urban and rural areas, where in 2017 urban financial exclusion rates stood at 17.5%, compared to rural areas which stood at 27.1%. The proportion of the eligible population that takes out credit or borrows is 42.1% (increased from 32% in 2011). However, only 17.4% reported that they borrowed money from a bank and/or other formal non-banking institutions and 24.7% borrowed from informal mechanisms such as informal money lenders, family or friends. Furthermore, 30.2% of those that were refused a loan was because the income of the individual was too low. 20% of those that borrow or take out credit loans cite that the reasons for borrowing are to access essential services such as education and medical expenses while buying and renovating homes make up 7.4%<sup>10</sup>.

<sup>9</sup>[Namibia Income and Expenditure Survey, 2015/2016](#)

<sup>10</sup>[Namibia Financial Inclusion Survey, 2017](#)

According to the World Bank Enterprise Survey of 2014, 52.9% of small firms (those with less than 19 full-time staff members) in Namibia, indicate access to finance as their biggest obstacle. When the top manager is female, this stands at 50.7%. Only 19% of small firms have a bank loan or credit line. Where the top manager is female, this drops to 11%<sup>11</sup>.

The above analysis utilized the most recent publicly available data. Namibia's voluntary SDG impact report of 2021 (compared to the 2019 baseline report) states that challenges brought about by COVID-19 and geopolitical factors have adversely impacted the Namibian society and to an extent, regressed that nation's achievement towards development goals<sup>12</sup>. To this extent the statistics provided give relevant context for the Namibian target population.

## 5.2. Rationale of social bond/loan issuance

Given the above context, and that access to responsible finance is a critical enabler to socio-economic development, LHNL is well positioned to support Namibia in improving the well-being of the Namibian society through its efforts and provision of financial services and products to underserved individuals and MSEs as per the focus areas illustrated in Figure 5. The insights derived from the market intelligence survey explained in Section 3.2 demonstrate LHNL's advantageous position to make a positive impact on Namibian society. This positioning is a result of their existing infrastructure, expertise, and reach within the financial sector in Namibia. LHNL is not merely seeking to offer financial services indiscriminately but rather intends to provide services that are, accessible, ethical, and sustainable.











Responsible finance ensures that financial products are tailored to the needs of the target audience and do not lead to over-indebtedness or exploitation. Therefore, the LHNL business model and strategy is hinged on a strong social ethos that requires access to the right type of funding in order to truly allow further social impact to materialize at scale. Thus, the rationale for accessing the social bond/loan market is to further demonstrate LHNL's commitment to addressing financial inclusion in Namibia, while optimizing cost of funding to ensure that our responsible financial products and services remain accessible to low-income individuals and MSEs, with the intention of improving customer pricing for existing and/or future financial products. To ensure the highest degree of social impact, the proceeds of the social bonds/loans will be restricted to lower income populations as defined in the target population and will not be allocated to the middle-income sector that LHNL serves in a normal course of business.

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<sup>11</sup>[World Bank Enterprise Survey, Namibia](#)

<sup>12</sup>[Namibia's Second Voluntary National Review Report on the Implementation of the SDGs towards Agenda 2030, 2021](#)

### 5.3. Use of proceeds - eligible social investment categories and eligibility criteria

Social Objective	Social Bond Loan Principles	Eligibility Criteria	Contributing to UNSDGs	Target Population
Financial Inclusion	<p><b>Access to essential services</b></p> <p><b>Employment generation</b></p> <p><b>Socioeconomic advancement and Empowerment</b></p>	<ul style="list-style-type: none"> <li>Financing or refinancing of financial product(s) and/or service(s) provided to MSME,</li> <li>Financing or refinancing of individuals that employ others or use the proceeds of the loan to finance other MSME's.</li> </ul>	  	<p>MSMEs.</p> <ul style="list-style-type: none"> <li>Micro enterprises defined as 1-10 full-time employees and N\$0-300,000 annual turnover;</li> <li>Small enterprises defined as 11-30 full-time employees and N\$300,001 – 3,000,000 annual turnover; and</li> <li>Medium defined as 31-100 full-time employees and N\$3,000,001-10,000,000 annual turnover<sup>13</sup></li> </ul> <p>The above definition is intended to include self-employed individuals and informal traders</p>
	<p><b>Access to essential services</b></p> <p><b>Socioeconomic advancement and Empowerment</b></p>	<ul style="list-style-type: none"> <li>Financing or refinancing of financial product(s) and/or service(s) which aim to increase access to financing and/or financial services including affordable credit at preferential rates<sup>14</sup> to the specified target populations.</li> </ul>	 	<p>Population groups with monthly individual or household income of:</p> <ul style="list-style-type: none"> <li>Ultra-low: N\$ 0 – 7,500</li> <li>Low: N\$ 7,501 – 15,000<sup>15</sup></li> </ul>
	<p><b>Affordable housing</b></p>	<ul style="list-style-type: none"> <li>Financing or re-financing of financial product(s) and/or service(s) which directly enables affordable home ownership through the purchasing of a home or purchasing of land (for plans to build homes) or construction of homes, by the target population on proclaimed land.</li> <li>Financing or re-financing of home improvements by the target population including but not limited to the: <ul style="list-style-type: none"> <li>Purchasing building material for the improvement of homes; or incremental building of formal, affordable homes.</li> </ul> </li> </ul>	 	<p>And one of the below</p> <p>Financially excluded or informally served individuals that are unable to access bank credit or secured credit (mainstream lending) due to reasons including a limited asset base, limited skills, and limited income<sup>16</sup>.</p> <p>Or</p>
	<p><b>Socio-economic advancement</b></p> <p><b>Food security and sustainable food systems</b></p> <p><b>Employment generation</b></p>	<ul style="list-style-type: none"> <li>Financing or re-financing of financial product(s) and/or service(s) that aims to enable the activities of small/MSME agribusinesses and small-scale farmers.</li> </ul>	  	<p>Previously disadvantaged and disabled<sup>17</sup>.</p> <p>Or</p> <p>Eligible adult population is defined as those individuals 16 years of age and above who can enter into a legal financial transaction in their capacity<sup>18</sup>.</p>

<sup>13</sup>National Policy on Micro, Small and Medium Enterprises in Namibia




<sup>14</sup>Preferential rates are regulated under the Microlending Act 2018

<sup>15</sup>Namibia does not have income groupings defined. The Revised National Housing Policy 2022 (draft for consultation) was used as a mere guideline to construct the income groupings contextual for LHNL's target population. This policy bases the income groups on the [Namibia Income and Expenditure Surveys of 2009/2010 and 2015/2016](#) by the Namibia Statistics Agency. Definitions from the final policy will supersede the current definitions. Affordability is based on max. 30% of the monthly household income, according to the policy. In addition, the [Namibia Labour Force Survey 2018](#) was used as an additional guideline to substantiate the appropriate income groupings.

<sup>16</sup>Financially excluded and informally served as defined page 22

<sup>17</sup>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>18</sup>Namibia Financial Inclusion Survey, 2017

Social Objective	Social Bond Loan Principles	Eligibility Criteria	Contributing to UN SDGs	Target Population
Financial Inclusion	Access to essential service	<ul style="list-style-type: none"> <li>Financing or refinancing of financial product(s) and/or service(s) s that aims to provide access to healthcare including medical services, medical facilities and medication that expand access to healthcare.</li> </ul>		
	Access to essential service	<ul style="list-style-type: none"> <li>Financing or refinancing of financial product(s) and/or service(s) s that aims to provide access totertiary education or vocational and technical skills training, as well as access to education infrastructure<sup>19</sup>.</li> </ul>	   	
	Socioeconomic advancement and empowerment  Access to essential services	<ul style="list-style-type: none"> <li>Financing or refinancing of financial product(s) and/or service(s) provided to a MSME which qualifies as a woman-owned enterprise if it meets the criteria of the specified target population.</li> <li>Financing or refinancing of financial product(s) and/or service(s) provided to a MSME that employs 30-50% women in its workforce.</li> </ul>	 	An enterprise qualifies as a woman-owned enterprise if it meets the following criteria: (A) ≥ 51% owned by woman/women; OR (B) ≥ 20% owned by woman/women; AND (i) has ≥ 1 woman as CEO/COO/President/Vice President; AND (ii) has ≥ 30% of the board of directors composed of women, where a board exists <sup>20</sup> .

<sup>19</sup>Including but not limited to tools to facilitate education such as textbooks, stationary, technology

<sup>20</sup>Based on the IFC definition



### 5.3.1. Exclusions

LHNL has financing exclusions that are governed internally through various credit policies. In addition, any proceeds raised from the social bond/loan issuances/raises will not be allocated to activities on the exclusions list as published by the IFC<sup>21</sup>. Furthermore, even unallocated proceeds as per section 5.4 below will not be temporarily allocated to such activities.

### 5.3.2. Finance vs Refinance

The proceeds from the social bond/loan issuances/raises will be used to finance new eligible asset/projects or refinance existing eligible assets/projects, in whole or in part. Eligible assets/projects are defined as projects/assets which fulfill the criteria outlined in section 5.3

- New eligible assets/projects are those for which disbursements will be made (as per criteria outlined in section 5.3) up to 24 months after the issue/raise date of the social bond/loan; and
- Existing eligible assets/projects are those for which disbursements have been made (as per the criteria outlined in section 5.1) up to 36 months before the issue/raise date of the social bond/loan.

### 5.4. Process of selection and evaluation of eligible projects

LHNL regularly analyses the ESG impact of the business in order to better identify how it can continue to positively contribute and impact the many lives which we touch through our offerings. All of LHNL's transactions are screened through the approach noted in section 4 above to ensure a responsible approach to the provision of our products and/or services.

The Finance team is responsible for screening all potentially eligible social assets/projects against this framework's investment categories and eligibility, as per section 5.3 above.

The LHNL Sustainability Committee comprising of the Chief Financial Officer, the Head of Credit, the Head of Products and Marketing as well as the Head of Treasury. This committee is responsible for the final approval of the selection and evaluation of eligible assets/projects throughout the life of all LHNL's issuances/raises that reference this framework.

The Asset and Liability Committee is responsible for governance related to this framework to ensure consistency of approach and oversight (as necessary). In select cases, an eligible asset/project may use proceeds from more than one social bond/loan (if a partial allocation has occurred). Unless such case has occurred an eligible asset/project may not belong to more than one social loan/bond at any given time and may only be allocated once. The proceeds allocated to eligible assets/projects and the split thereof will be determined and documented by the Finance team on an ongoing basis to avoid double counting.

<sup>21</sup>IFC exclusions

## 5.5. Management of proceeds

LHNL will fully allocate the proceeds from any social bond/loan issuance(s)/raise(s) to eligible asset(s)/project(s) (collectively referenced as the eligible social portfolio) as soon as reasonably practicable but in any event not longer than 24 months post the applicable social bond/loan issue/raise date. The eligible social portfolio will be identified and selected in accordance with the criteria outlined in section 5.3 and 5.4 above. Eligible social assets/projects that meet the eligibility criteria in section 5.3 above will be included or excluded from the eligible social portfolio as needed.

The Finance Team in partnership with LHNL Sustainability Committee, will be responsible for the monitoring and management proceeds.

If any proceeds are unallocated at the social bond/loan issue/raise date, the LHNL's treasury team in collaboration with LHNL Sustainability Committee will track such unallocated proceeds until these have been fully allocated to new and/or existing eligible social assets/projects. LHNL will hold and/or invest any unallocated proceeds, at its own discretion, in its treasury liquidity portfolio, in cash or in other short-term and liquid instruments. The unallocated proceeds shall not be invested in any activities identified in the Letshego Group exclusionary list and as referenced in section 5.3.1 above.

## 5.6. Reporting and impact measurement

LHNL will prepare and publish an annual allocation and impact report with respect to the social bond/loan, as applicable, issued in reference to this SFF until full allocation has been achieved. This report will be published on LHNL's website.

The report will provide:

- the total amount of proceeds allocated to eligible assets/projects<sup>22</sup>;
- the number of eligible assets/projects to which proceeds have been allocated;
- the balance of any unallocated proceeds;
- the amount or the percentage of new financing and refinancing (as applicable); and
- annual impact indicators as outlined below.

A summary of the impacts of the social/bond issued/raised may include the indicative metrics set out below as well as relevant qualitative narratives (where the data is available from clients and will be subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition, or other applicable regulation). Furthermore, the impact of the social bonds/loans will be reported using the impact indicators recommended by ICMA's Harmonized Framework for Impact Reporting for Social Bonds<sup>23</sup> (where possible and relevant).

<sup>22</sup>Exposure amounts at the applicable date will be considered when reporting on allocation of proceeds

<sup>23</sup>[Harmonised-Framework-for-Impact-Reporting-Social-Bonds\\_June-2022-280622.pdf \[icmagroup.org\]](https://www.icmagroup.org/standards/impact/Harmonised-Framework-for-Impact-Reporting-Social-Bonds_June-2022-280622.pdf)

<b>Social Objective</b>	<b>Eligible Use of Proceeds</b>	<b>Indicative impact indicator</b>
<b>Financial Inclusion</b>	MSMEs	<ul style="list-style-type: none"> <li>• Number of financial products and/or services provided</li> <li>• Number of jobs created</li> <li>• Number of individuals funded vs MSMEs</li> </ul>
	Individuals Access to Finance	<ul style="list-style-type: none"> <li>• Number of financial products and/or services provided</li> <li>• Breakdown of income brackets to which such was provided</li> </ul>
	Affordable housing	<ul style="list-style-type: none"> <li>• Number of individuals to which financial products and/or services where provided</li> <li>• Breakdown of the applicable target populations,</li> <li>• Location of affordable home per region</li> </ul>
	Agribusiness	<ul style="list-style-type: none"> <li>• Number of farmers to which financial products and/or services were provided</li> <li>• Number of agribusiness to which financial products and/or services where provided</li> <li>• Breakdown of the applicable target populations</li> </ul>
	Healthcare	<ul style="list-style-type: none"> <li>• Number of individuals to which financial products and/or services were provided</li> <li>• Breakdown of the applicable target populations</li> </ul>
	Education	<ul style="list-style-type: none"> <li>• Number of individuals to which financial products and/or services were provided</li> <li>• Breakdown of the applicable target populations</li> </ul>
	Women-owned businesses	<ul style="list-style-type: none"> <li>• Number of women-owned businesses to which financial products and/or services were provided, a regional breakdown will be included where feasible</li> <li>• Number of individuals to which financial products and/or services were provided</li> <li>• Breakdown of the applicable target populations</li> <li>• Number of jobs created</li> </ul>

### **5.6.1. Pre-issuance independent verification (Second-Party Opinion)**

This framework has been reviewed by IBIS Environmental Social Governance Consulting Africa Proprietary Limited (“IBIS”), an independent party with experience and a track record in issuing second-party opinions (SPOs). IBIS confirms the framework’s alignment with the ICMA SBP (2021) and the LMA SLP (2023).

The SPO from IBIS expresses a view on sections 4 and 5 specifically.

The SPO has been made available to investors along with this framework on the LHNL’s website.

### **5.6.2. Post-issuance independent verification**

LHNL will procure annually, post any social issuance/raise until full allocation, a limited assurance report on the allocation of the applicable social bond/loan proceeds. The limited assurance report will be provided by an independent suitably qualified verifier and will be made available to investors/lenders via the LHNL website, starting at the one-year anniversary of the social bond/loan issuance/raise until full allocation has been achieved.

# Social **Financing** Framework

