

SECOND PARTY OPINION (SPO)

Verification of the Sustainable Bond Framework and the Sustainability Quality of the Issuer

TUHF Limited
25 November 2020

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	• Green, Social and Sustainability Bonds
Relevant standards	• ICMA Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs)
Scope of verification	• TUHF Sustainable Bond Framework (as of November 2020)
Lifecycle	• Pre-issuance verification
Validity	• As long as TUHF Sustainable Bond Framework remains unchanged

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SCOPE OF WORK

TUHF Limited (“TUHF”) has commissioned ISS ESG to provide a Second Party Opinion (“SPO”) on its Sustainable Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. TUHF’s Sustainable Bond Framework (November 2020 version)– benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines.
2. The eligible categories’ assessment against the UN Sustainable Development Goals.
3. TUHF’s indicative ESG performance¹, based on and considering ISS ESG Research methodology.

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
Part 1: Alignment with GBPs, SBPs, SBGs	The issuer has defined a formal concept for its green, social and sustainability bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs, SBPs and SBGs.	Aligned
Part 2: Sustainability quality of the eligible categories	Under the Sustainable Bond Framework, the issuer will (re-)finance eligible project categories which include affordable housing, financial inclusion, improved access to funding for SMEs and Micro Businesses, green buildings, renewable energy, and energy efficiency. Those use of proceed categories have a positive contribution to the following SDGs: 1 ‘No poverty’, 7 ‘Affordable and clean energy’, 8 ‘Decent work and economic growth’, 11 ‘Sustainable cities and communities’, 13 ‘Climate action’.	Positive
Part 3: Issuer’s sustainability profile³	TUHF is active in providing affordable/social housing and also assists in alleviating poverty by supporting SMME’s with the necessary finance to develop units that can house low-income individuals. A high-level controversy research did not reveal any severe ESG controversy that can be attributed to TUHF.	Moderate ESG performance, based on limited ESG disclosure

¹ Please note that TUHF is not part of the ISS ESG Corporate Rating Universe. Thus, the sustainability profile is an assessment by the analyst in charge of the financials/mortgage and public finance sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

² ISS ESG’s evaluation is based on the TUHF’s Sustainable Bond Framework (November 2020 version) and on the ISS ESG Indicative Corporate Assessment applicable at the SPO delivery date.

³ Please note that TUHF is not part of the ISS ESG Corporate Rating Universe. Thus, the sustainability profile is an assessment by the analyst in charge of the financials/mortgage and public finance sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

ISS ESG SPO ASSESSMENT

PART I: ALIGNMENT WITH THE ICMA GBPs, SBPs AND SBGs

Rationale

TUHF enables access to finance for entrepreneurs who redevelop buildings in defined areas of urban decline with the aim of supplying high quality, affordable rental housing. Areas with great positive potential within inner cities are identified through analysis of available data sources and consultation with experts like property professionals, auctioneers and attorneys that are active in these markets. TUHF then provides financing to property entrepreneurs who wish to redevelop buildings located within these areas of opportunity.

TUHF takes a holistic and sustainable view in its lending, integrating economic, social and governance principles as the basis of its business model. Consequently, all TUHF lending is based on economic viability and sustainability. TUHF's business model financially benefits each of its three key stakeholder groups: TUHF (the lender), borrowers (property developers, owners and investors) and tenants (end users).

TUHF follows a Loan Cycle Management Process which is based on commercial property finance best practice. Credit decisions take place within the context of this process. The essence of TUHF's success is its ability to balance three issues, namely: good governance in decision making; a decision-making process that is based on sound investment; and mechanisms that ensure that the speed in which decisions are made fits the business environment. All these components to some degree compete and an appropriate balance is sought. TUHF's lending promotes sustainable development as the projects TUHF finances primarily involve reusing existing building and urban infrastructure.

TUHF's Sustainable Bond Framework allows TUHF and or its associated special purpose vehicles to issue Sustainable, Green and Social bonds that support TUHF's lending to green projects and social projects.

Opinion: *ISS ESG considers that TUHF's rationale for issuing green, social and sustainability bonds aligns with the company sustainability strategy. ISS ESG finds that the eligible projects under this Sustainable Bond Framework can support TUHF's lending to green and social projects. In the context of its framework, the issuer sets clear and credible sustainability investment criteria for its investments under the framework.*

Use of Proceeds

The envisaged use of proceeds forms the cornerstone of classifying an instrument as green, social and/or sustainable. TUHF intends to allocate the net proceeds of the bonds issued under this framework new and/or existing eligible assets within the categories indicated below. Loans/projects may fall into one of the respective categories and do not have to satisfy all of the categories in order to be considered eligible. The eligible loans/projects are to be funded in whole or in part by an allocation of the bond proceeds. TUHF is committed to ensuring that proper due diligence is conducted to ensure compliance with internal standards on each project before allocating funding. This section must be read in conjunction with the definitions section below⁴. The eligibility criteria are summarized as follows:

⁴ See proceeds with a *

AFFORDABLE HOUSING^{*1}		
Eligibility Criteria	Green Bond Principles	Social Bond Principles
Financing or re-financing of any project that involves the construction or investment in <i>affordable housing</i> ^{*1} .		Affordable Housing
FINANCIAL INCLUSION		
Eligibility Criteria	Green Bond Principles	Social Bond Principles
Financing and refinancing of loans to previously disadvantaged individuals ⁵ based on <i>Broad-Based Black Economic Empowerment principles</i> ^{*2} for investment in rental properties.		Access to essential services Socioeconomic advancement and empowerment
IMPROVED ACCESS TO FUNDING FOR SMES AND MICRO BUSINESSES		
Eligibility Criteria	Green Bond Principles	Social Bond Principles
Financing or re-financing of any project that aims to increase access by small-scale and other enterprises, to financial services.		Employment generation including through the potential effect of SME financing and microfinance
Financing or re-financing of any project that promotes the formalization and growth of micro, small and medium-sized enterprises.		
Financing or refinancing of enterprises that have less than 10 employees, assets and annual sales of less than USD100 000 each will be considered Micro enterprises, Enterprises that have less than 50 employees, assets and annual sales of less than USD3 000 000 each will be considered Small enterprise or Enterprises that have less than 300 employees, assets and annual sales of less than USD15 000 000 each will be considered Medium enterprises ⁶ .		Socioeconomic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)
GREEN BUILDINGS^{*3}		

⁵ (South Africa, euphemistic) Belonging or relating to the previously disenfranchised population groups in South Africa, i.e. Blacks, Coloureds, and Indians. See further detail in glossary on TUHF financial inclusion definition.

⁶ Small, micro and medium- sized enterprises are defined according to the IFC's definitions of Targeted Sectors

Eligibility Criteria	Green Bond Principles	Social Bond Principles
Finance or refinance of green-certified brownfield, construction, reconstruction, retrofit, renovation or operation of buildings to make them sustainable, improve resource efficiency and adopt environmentally sound technologies. In order for a building to be considered a green-certified building, buildings must be assessed by the TUHF Rating Tool. TUHF's Rating tool assumptions and savings calculation methodology has been externally reviewed by the Council of Scientific and Industrial Research, which has concluded that these are appropriate and accurate considering the built form, building occupant profile and environments applicable to the properties. TUHF will offer two types of loans eligible under the Green Buildings category: Category A and Category B. Other certifications that would be accepted include: Leadership in Energy and Environmental Design "Silver" certification, Green Star 4 category, EWP Level 6 (or above) rating or should be EDGE certified by the International Finance Corporation's ("IFC") EDGE partners.	Green Buildings	
RENEWABLE ENERGY³		
Eligibility Criteria	Green Bond Principles	Social Bond Principles
Financing or refinancing of replacement/acquisition, development, construction and/or installation of renewable energy production units. Renewable energy and storage projects can include (but are not limited to): Solar panel installations, including those on rooftops of properties owned and/or managed by TUHF clients.	Renewable Energy	
ENERGY EFFICIENCY³		
Eligibility Criteria	Green Bond Principles	Social Bond Principles
Financing or re-financing investments and/or projects that result in an energy saving of 25% when constructing a new building or result in a 30% energy saving when renovating or retrofitting an existing building.	Energy Efficiency	

Definitions:

Affordable housing

Affordable housing is defined as a residential building together with its related commercial space where the average monthly rental for the residential units is below the affordable housing rental threshold. The affordable housing rental threshold for 2020 is R 9 000 or less. The threshold will be adjusted by CPI on a yearly basis.

Through the widening gap in housing supply versus demand for inner-city affordable rental accommodation TUHF saw an opportunity to support emerging entrepreneurs, mainly PDI's, to play a developmental and sustainable contribution to the supply of quality affordable rental housing.

Financial Inclusion- Empowerment Transformation and Inclusive Economic Growth

Broad Based Black Economic Empowerment (BBBEE) is an important objective. As a mechanism for urban land and economic reform, TUHF considers the real estate sector as both an ideal arena to promote broad based and sustainable BBBEE and an important initiative to transfer land and a business opportunity into the hands of previously disadvantaged individuals (PDI's.) PDI are defined as belonging or relating to the previously disenfranchised population groups in South Africa, i.e. Blacks, Coloureds, and Indians.

Green Buildings, Energy Efficiency and Renewable Resources

Eligible Green Assets refer to residential buildings located in cities in South Africa which meet the minimum energy, water and carbon emission savings hurdle rates, as per the projections of the TUHF technical eligibility tool, defined below;

ITEM	% SAVINGS (CAT. A: NEW BUILDINGS/CONVERSION)	% SAVINGS (CAT. B: EXISTING BUILDINGS/UPGRADES)
Energy	25%	30%
Water	30%	30%
Carbon	25%	30%

Category A buildings undergo building work subject to national building regulation SANS 10400. Examples are new builds and refurbishments. In these cases, developers are required to comply with Part XA which specifies minimum energy efficiency levels to be adhered to.

Category B buildings refer to existing buildings and building conversions which are not subject to these regulations. Examples of the latter are superficial building upgrades.

Where historical operating data is readily available for a building (for example, in the case of retrofits to existing buildings), an actual baseline is calculated through TUHF analysis of the past 12 months of utility bills, assuming there is no change in use or occupancy of the building after the intervention.

Where this data is not available, or changes in use or occupancy render historical data unsuitable for baselining, a theoretical baseline is calculated using the TUHF Utility Calculator. This tool uses key building parameters such as occupancy levels and floor space to estimate baseline electricity and water usage. In the case of Category A buildings, this baseline assumes minimum compliance with SANS 10400-XA (for example, incorporating low-efficiency heat pumps or solar water heaters to

achieve the water heating requirement), whilst in the case of Category B buildings, it assumes the use of conventional least-cost technology such as electric geysers.

“Eligible Projects” in terms of the Green Building criteria comprise a variety of building interventions that can be undertaken to create a stock of Eligible Green Assets, including retrofitting existing buildings with energy or water-saving technologies or incorporating these technologies in new construction and building refurbishment work.

Resource efficiency technology options currently available to TUHF Borrowers comprise the following:

ENERGY-SAVING PRODUCTS	WATER-SAVING PRODUCTS
Centralised heat pumps	Low flow showerheads
Efficient lighting including motion detection sensors	Low flow taps in kitchen sinks, washbasins
Embedded solar photovoltaic systems	Dual flush toilets
Lifts	Small-cistern toilets

An **“Eligible Loan”** is defined as a TUHF mortgage which qualifies for inclusion on technical eligibility, financial feasibility and TUHF credit criteria. TUHF will offer two types of Eligible Loans:

Green development finance:

The Eligible Loan is a new mortgage in respect of a Category A building, incorporating renewable energy wherever feasible;

Green retrofits:

Category B existing building is modified in line with the resource efficiency requirements of the TUHF technical tool, incorporating renewable energy wherever feasible. The Eligible Loan can be either: a new green mortgage raised on newly acquired buildings which require a superficial upgrade, or an existing mortgage facility on which a re-advance is made to finance a retrofit. The original mortgage facility is replaced with a new green mortgage facility refinancing the capital outstanding on the original facility and offering an increase in capital to facilitate the retrofit. In either case, the entire mortgage is considered a green loan and thus an Eligible Loan.

TUHF will assess the actual energy and water consumption performance of buildings against initial projections on an ongoing basis. The following inclusion criteria will apply for the duration of the Sustainable Bond to ensure the integrity of the programme:

Projects that fail to generate any electricity or water savings against either the historical or projected baseline over the first 12 months following the installation of the equipment will be excluded from the pool of Eligible Loans and replaced with substitutes. Data from billing-grade meters will be used to make this assessment.

In cases in which the Borrower defaults on the obligation to share meter data or maintain the equipment, meter data is known to be faulty and the Borrower or utility does not repair or replace it, or building use or occupancy changes materially, the loans will be excluded from the pool of

Eligible Loans and replaced with substitutes. In all cases, the Borrower will be provided with three months to rectify the deviation prior to this provision becoming effective.

Energy and water savings

At project inception, forecasts of energy and water savings will be generated by the TUHF Utility Calculator, considering critical drivers such as building occupancy. These will form the basis for reporting at the time of inclusion in the Green Bond.

Once 12 months has passed after installation of the resource efficiency equipment, TUHF will report on historic impact using metered data from billing grade meters. Where lifetime impact has been estimated, these estimates will be updated following the results of the analysis of metered data.

Renewable energy

Reporting on installed capacity will be informed by the manufacturer specification of system size.

Energy system generation will be calculated either through TUHF Utility Calculator forecasts, or – where billing grade meter data exists (for example in cases where the TUHF client sells solar electricity to tenants) be replaced by metered data.

Carbon abatement

The Carbon Yield methodology will be applied to estimating carbon abatement associated with the Green Bond. The methodology and its application to TUHF's eligible green loans portfolio can be summarised as follows:

A baseline is established to describe the BAU scenario, referring to either: -

The performance of buildings prior to interventions for Category B projects, as reflected in the 12-month baseline created per project, or

A theoretical baseline based on minimum compliance with building regulations for Category A projects, as reflected in the TUHF Utility Calculator. The applicable regulations would include energy efficiency regulation SANS 10400-XA.

Potential avoided emissions (PAEs) are calculated based on the deviation from baseline, based on a full year of operation of the relevant buildings (environmental impact will generally be constant over the 15-year TUHF mortgage bond period except for changes in building regulations, emissions factors, building occupancy, etc);

These would be divided by allocated proceeds, to express the result as PAEs per R1 000 per annum.

A weighted average PAE for the whole portfolio is estimated using the amount of capital disbursed to the projects (or the amount of debt issued under the framework) giving the Carbon Yield of the portfolio.

The relevant information is provided in the table below:

REQUIRED INFORMATION	TUHF PARAMETER
Project category	Energy efficiency
Project sub-category	Residential buildings

Region	South Africa
Operational lifetime	15 years
Total lifetime	15 years
Baseline scenario	Emissions associated with an existing building (pre-intervention) or theoretical newly constructed minimally compliant building
Relevant emissions factor	Scope 1 emissions (e.g. gas, renewable energy): Gas: Fossil fuel conversion factors as per Solid Green Renewable energy: Eskom grid emissions factor as described below Scope 2 emissions (electricity generated by Eskom): Grid emissions factor published in most recent Eskom annual report, currently 0.99tCO₂/MWh
Capital cost	The total development cost of underlying projects

Job Creation

Throughout the affordable housing delivery and redevelopment process, jobs are created and/or maintained. As mentioned above, to redevelop and subsequently manage the property, the entrepreneurs will first have to employ a construction company and then various property management staff such as a caretaker, cleaners, security guards and a rental agency. Property management staff are likely to be permanent jobs created/maintained, while a construction company will likely hire construction workers on short-term temporary contracts. In addition to the subcontractors, the entrepreneur him/herself will earn a return and may perhaps develop his/her property business further which would result in direct job creation/maintenance from the entrepreneur's side.

Fiscal impact- Total contribution to local municipalities' property rates and utilities-TUHF-financed buildings will contribute to the local municipal budget through the payment of rates and taxes. This is not only a result of higher occupancy rates but also the increase in property value associated with the revitalisation of the targeted areas, which in turn, means that property rates will increase and benefit the associated municipality.

Training and development

TUHF has a comprehensive support programme to assist entrepreneurs in to grow their portfolios. TUHF Programme for Property Entrepreneurship (TPPE) is a comprehensive in-house property training programme that seeks to promote the expansion of knowledge of TUHF's clients in the property industry. Developed and delivered jointly by TUHF and the University of Cape Town (UCT), one of Africa's leading teaching and learning institution. The training programme is customised for TUHF's clients and its focus is on sharpening skills and knowledge of the industry and an interchange of ideas with fellow clients. This partnership ensures that clients are provided with a premier property education programme.

Exclusions:

TUHF will not pursue or maintain relationships with Borrowers who do not meet TUHF's stringent credit and ethical standards. TUHF will not enter into relationships with entities that fail to meet TUHF's credit guidelines or who derive their principal source of revenue or income from illegal sources such as illegal gambling, prostitution, drug-related activities. Neither will TUHF enter into relationships with slumlords, defined as landlords who extract abnormal profits by not complying with bylaws, allowing over-crowding, providing poor customer service and who's buildings are not up to code or are sub-standard.

Refinancing:

The proceeds from the green, social and or sustainable bond issuance/s can be used to finance new loans or refinance existing loans. New loans are those where disbursements have been made no more than one year before the issue of the respective bond or at any time from the date of the issuance. Existing are those which have reached financial close one year or more before the issuance.

Opinion: *ISS ESG considers the Use of Proceeds description provided by TUHF's Sustainable Bond Framework as aligned with the GBPs, SBPs and the SBGs. The issuer has defined clear and in-depth criteria for its use of proceeds. Environmental and social benefits are described and quantified. Additionally, the issuer has established some exclusion criteria ensuring that the proceeds will be used in a relevant manner and reflects best market practices.*

Process for Project Evaluation and Selection

TUHF will identify Eligible Assets and Projects, including loans and other investments and related expenditures, that meet the Eligibility Criteria defined above.

All loans/projects financed by TUHF are screened through an internal credit approval process to ensure that finance is consistently granted to the people and businesses that have the capacity to repay them. Project financial projections must pass two financial test hurdles:

Deliver positive net cash flow over the life of the Eligible Loan, as demonstrated in the TUHF Project Feasibility; and

Adhere to the standard TUHF covenants related to serviceability (i.e. minimum Debt Service Cover Ratios) and gearing (i.e. maximum Loan to Value Ratios).

All loans/projects must demonstrate economic viability and sustainability by addressing the following:

Borrowers must agree to share impact data such as jobs created, utility accounts and other data what will be used to verify impact.

Borrowers (green buildings) must agree to share billing grade meter data at building level on a monthly basis for the life of the Eligible Loan with TUHF to enable TUHF to assess of the impact of the investment in equipment.

Borrowers must agree to correctly maintain the equipment for the life of the Eligible Loan.

Green buildings must prove compliance with SANS 10400-XA (Category A buildings only).

For green assets, the TUHF Utility Calculator assumptions and savings calculation methodology has been externally reviewed by the Council of Scientific and Industrial Research, which has concluded that these are appropriate and accurate considering the built form, building occupant profile and environments applicable to the properties.

TUHF will assess the actual energy and water consumption performance of the buildings against initial projections on an ongoing basis.

The TUHF credit committee (LOANCO⁷) is responsible for governing the framework to ensure consistency of approach and oversight. Projects financed and/or refinanced through the Green, Social and/or Sustainable Bond proceeds will be evaluated and selected based on compliance with the above investment categories and Eligibility Criteria. When identifying eligible projects and their non-financial impacts TUHF may also rely on external consultants and their data sources. TUHF may (where clarification is needed) require that clients sign a clarification letter confirming the use of proceeds and/or that TUHF may provide loan information to investors.

A project may have both green and social benefits, thus qualifying for more than one type of bond. TUHF will determine whether the project uses proceeds from a green bond, a social bond, or a sustainable bond. In select cases, a project may use proceeds from more than one bond, but the proceeds' split will be determined and documented to avoid double counting. Projects may not belong to more than one bond at any given time.

Opinion: ISS ESG considers the Process for Project Evaluation and Selection description provided by TUHF's Sustainable Bond Framework as aligned with the GBPs, SBPs and SBGs. Moreover, the projects selected show alignment with the sustainability strategy of the issuer.

Management of Proceeds

TUHF intends to allocate the proceeds from the Green, Social or Sustainable Bond issuance to Eligible Loans which will be selected in accordance with the use of proceeds criteria and the evaluation and selection process presented above.

TUHF will track the receipt and use of proceeds via TUHF's internal accounting systems, ensuring that eligible loans/projects financed by TUHF's Green, Social and Sustainable Bonds are appropriately identified. TUHF will maintain records of all eligible loans/projects financed by TUHF or able to be financed by TUHF's Green, Social and Sustainable bonds on the issue and their drawn value.

TUHF will strive to achieve a level of allocation for the eligible loan/project portfolio that matches or exceeds the balance of net proceeds from the outstanding Green, Social and Sustainable Bonds issued in terms of this framework. Eligible loans/projects will be added to or removed from TUHF's eligible loan/projects portfolio to the extent required. However, should TUHF be unable to fully allocate the net proceeds, TUHF will hold and/or invest those proceeds at its own discretion temporarily in a money market or equivalent cash investment account.

Opinion: ISS ESG finds that Management of Proceeds proposed by TUHF is aligned with the GBPs, SBPs and the SBGs. TUHF intends to track the proceeds in an appropriate manner. The issuer has

⁷ LOANCO is comprised by 4 members of the board of directors, one executive director and 3 non-executive directors. Current member are Paul Jackson, Robert Emslie, Cas Coovadia and Taffy Adler.

disclosed the intended types of temporary investment instruments for unallocated proceeds however, TUHF has not defined the expected allocation period.

Reporting

TUHF intends to disclose the allocation and report on the impact of funding raised through this sustainability framework on an annual basis, reflecting best market practices. TUHF will prepare and disclose annually an impact report with respect to the Green, Social and Sustainable bonds issued under this framework. These reports will be made available on the investor relations page of the TUHF website.

TUHF will disclose the division of net proceeds between funds allocated to projects and funds held as cash investments annually (at least at a category level) until the funds are fully allocated.

Additionally, TUHF intends to have an external verifier reviewing the allocation report, reflecting best market practices. An external auditor appointed by TUHF will verify, on an annual basis, that the financing of eligible loans/projects and the allocation of proceeds are in accordance with TUHF's Sustainable Bond Framework.

TUHF intends to make the TUHF Sustainable Framework publicly available on the investor relations page of the TUHF website in line with international best practice and guidance by ICMA.

Allocation Reporting

The allocation report will provide:

- the total amount of proceeds allocated to eligible loans/projects;
- the number of eligible loans/projects;
- the balance of unallocated proceeds;
- the amount or the percentage of new financing and refinancing; and
- annual impact indicators.

A summary of the impacts of the eligible loan/project portfolio may include the metrics set out below and relevant project narratives, where the data is available from clients and subject to permitted disclosure in accordance with relevant confidentiality agreements and privacy, competition or other relevant regulation.

Impact Reporting

INDICATIVE IMPACT INDICATORS

Affordable Housing

Number of affordable housing units financed

Number of buildings financed

	Number of new permanent jobs created			
	Number of jobs maintained and supported			
	Number of new short-term jobs created			
	Total contribution to local municipalities’ property rates and utilities			
Financial Inclusion	Number of previously disadvantaged individual financed			
	Number of affordable housing units financed			
	Number of PDIs trained			
	Number of loans issued to previously disadvantaged individuals			
	Number of loans issued to female PDIs ⁸			
Improved Access to Funding for SME’s	Number of SMMEs financed			
	Total value of loans issued to SMMEs			
	Number of loans issued to female owned SMMEs ⁹			
Green Buildings	Number of green buildings funded			
	Total m2 of green buildings funded			
	Number of mortgages provided to green-certified houses/residential projects			
	Number of new permanent jobs created			
	Number of jobs maintained and supported			
	Number of new short-term jobs created			
	Category	Description	Indicator	Timeframe
	Energy efficiency	Energy savings	kWh	Annual & lifetime
	Water efficiency	Water savings		Annual & lifetime
	Renewable energy	Renewable energy generation	kWh	Annual & lifetime

⁸ The entity must demonstrate majority owned by PDI females to be reported in under this indicator.

⁹ The SMME must demonstrate majority owned by females to be reported in under this indicator.

		Installed capacity	kWp	End of the reporting year
	Carbon abatement	GHG emissions avoided	tCO2e	Annual & lifetime
Renewable Energy	Total installed capacity MW			
	Annual Generated Renewable Power (MWh/year)			
	Estimated annual CO2 equivalent emission reduction (tons CO2eq/year)			
	Number of people with access to clean energy services			
Energy Efficiency	Estimated annual CO2 equivalent emissions reduction/avoidance (tons CO2eq/year))			
	Annual energy savings (MWh/year)			

Opinion: ISS ESG finds that the reporting proposed by TUHF is well aligned with the GBPs, SBPs and the SBGs. TUHF has established a transparent process on the level of expected reporting in term of allocation and impact. The issuer has defined and selected precise indicators for each use of proceeds category selected, reflecting best market practices.

External review

TUHF will prepare and publish annual impact and allocation reports with respect to the funding under this framework. This report will be made available on the investor relations page of TUHF's website. TUHF intends to show the allocation and impact of the Green, Social or Sustainable Bond proceeds within the eligible loan/asset portfolio at least at a category level. An appropriate external independent assurance provider will annually assure the process and that the financing of eligible assets and the allocation of proceeds are in accordance with TUHF's Sustainable Bond Framework. The TUHF Utility Calculator assumptions and savings calculation methodology has been externally reviewed by the Council of Scientific and Industrial Research, which has concluded that these are appropriate and accurate considering the built form, building occupant profile and environments applicable to the properties

Second Party Opinion

TUHF's Sustainable Bond Framework will be reviewed by an independent party with experience and a track record in issuing second-party opinions. This second party opinion will be made available along with the Sustainable Bond Framework to investors on the TUHF Investor Relations website.

Verification

TUHF will request on an annual basis, starting one year after issuance and until maturity (or full allocation), a limited assurance report of the allocation of funds raised in terms of this framework to eligible assets, to be provided by its external auditor.

PART II: SUSTAINABILITY QUALITY OF THE FRAMEWORK

CONTRIBUTION OF THE SUSTAINABLE BOND FRAMEWORK TO THE UN SDGs

Based on the assessment of the sustainability quality of the use of proceeds and using a proprietary methodology, ISS ESG assessed the contribution of the TUHF's Green, Social and/or Sustainability Bonds to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):

Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green, Social and Sustainability Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Affordable housing	Significant contribution	 
Financial inclusion ¹⁰	Significant contribution	 
Improve access to funding for SME's ¹¹	Significant contribution	
	Limited contribution	
Green buildings	Significant contribution	
Renewable energy (Rooftop solar panels)	Significant contribution	 
Energy efficiency	Limited contribution	

¹⁰ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

¹¹ This project category is assessed as having a significant contribution to SDG 8, beyond the SDGA proprietary methodology.

PART III: TUHF'S INDICATIVE SUSTAINABILITY PROFILE

Methodological note: Please note that TUHF is not part of the ISS ESG Corporate Rating Universe. Thus, the below sustainability profile is an assessment by the analyst in charge of the financials/mortgage and public finance sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

Sector classification: Financials/Mortgage and Public-Sector Finance¹²

Key Issues of the sector:

1. Sustainability impacts of lending and other financial services/products
2. Statutory ESG-standards linked to the geographical allocation of the lending portfolio
3. Customer and product responsibility
4. Employee relations and work environment

Indicative ESG risk and performance assessment:

TUHF is a commercial property financing company that focuses on properties in inner cities in South Africa. TUHF was originally established as a non-profit with a development focus, and given its general business approach, TUHF is active in providing affordable/social housing and also assists in alleviating poverty by supporting low-income individuals finance properties for their businesses. Relevant sustainability issues seem to be largely unaddressed by the company, however. Only active in South Africa, a country with a rather poor legal framework in terms of environmental and social standards, there are no indications that relevant environmental or social factors guide financing decisions. While a training programme is in place for TUHF's entrepreneurs' clients, the company does not demonstrate how it addresses topics such as responsible marketing, responsible sales practices or how it responsibly manages over-indebted clients – all highly relevant topics given the seemingly disadvantaged customer base. The company also does not demonstrate how it manages employee-related issues such as workplace-flexibility and employment security.

Indicative Product portfolio assessment:

- **Social impact of the product portfolio:** The company provides property financing in inner cities in South Africa. The company thereby finances social and affordable housing, a basic service, and alleviates poverty. For a lack of better data, it is estimated that about 30% of the company's assets serve these purposes. For the rest of the company's assets it is unclear whether those have a direct positive/negative social impact to the UN Sustainable Development Goals, according to ISS ESG methodology.
- **Environmental impact of the product portfolio:** The company provides property financing in inner cities in South Africa. The company states that it envisages offering specialized mortgage

¹² According to ISS ESG's classification methodology. TUHF is a private company active in providing property financing,

products for financing green buildings, although it remains unclear what percentage of revenue the company targets to generate with such activity.

Controversy risk assessment: Based on a review of controversies logged from 1 January 2019, the greatest risk reported against companies operating in the Financials/Mortgage and Public Sector¹³ Finance industry relate to activities that may have adverse impacts on consumers' rights. This is closely followed by the failure to prevent business malpractice. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent bribery, failure to prevent money laundering and deceptive, misleading and fraudulent practices targeting consumers. This is closely followed by the alleged failure to assess environmental impacts, failure to prevent deforestation/illegal logging and failure to mitigate climate change impacts. A high-level controversy research did not reveal any severe ESG controversy that can be attributed to TUHF¹⁴.

Analyst's comment: Assessment mainly due to lack of ESG disclosure, clearer information on recipients of financial services as well as disclosure of relevant policies could benefit the assessment.

¹³ According to ISS ESG classification methodology. TUHF is a private company active in providing property financing.

¹⁴ The Controversy assessment was conducted by the ISS ESG SPO team, based on a methodology that differs from the ISS ESG Norms Based Research methodology.

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ANNEX 1: Methodology

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which TUHF's green, social and sustainability bonds contributes to related SDGs.

ANNEX 2: Quality management processes

SCOPE

TUHF commissioned ISS ESG to compile a Framework SPO. The Second Party Opinion process includes verifying whether the Sustainable Bond Framework aligns with the GBPs, SBPs and the SBGs and to assess the contribution of the selected use of proceeds categories to the UN SDGs, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA GBPs, SBPs and SBGs

ISSUER'S RESPONSIBILITY

TUHF's responsibility was to provide information and documentation on:

- Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the framework in order to issue green, social and/or sustainability bonds by TUHF based on ISS ESG methodology and in line with the ICMA GBPs, SBPs and SBGs.

The engagement with TUHF took place in October/ November 2020.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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