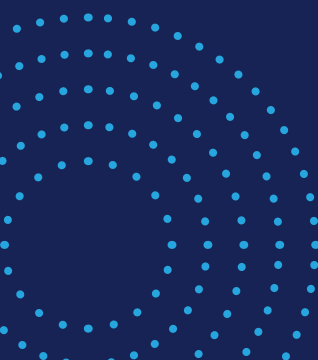




TUHF

Sustainable Finance Framework

May 2024



1. INTRODUCTION

1.1. COMMITMENT

This document, the "Sustainable Finance Framework" ("SFF"), contains methodology, together with related policies and procedures to facilitate the raising of finance in the form of sustainable financing instruments, including Green/ Social/ Sustainable ("GSS") bonds or loans (including hybrid instruments) and securitisation instruments. These may be issued by TUHF or associated special purpose vehicles ("SPVs") established for the purpose of funding loans which have been originated by TUHF and meet the respective Eligibility Criteria.

The SFF describes the process to select, evaluate, report, track and verify eligible assets / projects, based on:

1. Definition and use of proceeds,
2. Process for selection and evaluation of assets / projects ("eligible assets / projects"),
3. Management of proceeds,
4. Reporting and verification of eligible assets / projects which are consistent with international best practice and guidance by the International Capital Market Association ("ICMA") and the Loan Market Association ("LMA") in respect of:
 - Green Bond / Loan Principles ("GBP" or "GLP");
 - Social Bond / Loan Principles ("SBP" or "SLP"); and
 - Sustainable Bond / Loan Guidelines.

1.2. TUHF SUSTAINABILITY STRATEGY

TUHF started with the overarching objective to provide access to finance for property entrepreneurs for inner-city redevelopment projects with affordable housing outcomes and to contribute to urban regeneration and SME development in South Africa. TUHF is an impact-focused lender with a track record of successfully financing inner-city residential buildings developed, owned, and operated by small to medium (SMME) property entrepreneurs (Borrowers). TUHF is a mortgage financier. Technically, TUHF is a non-bank financial services company that borrows money from the loan and capital markets and invests it in inner-city and in-city areas, extending finance to entrepreneurs to grow their businesses. In particular, TUHF targets property entrepreneurs in the affordable housing market who repurpose and densify existing buildings in inner-city, in-city and Township areas. Within these contexts, TUHF's business model is directed at ordinary South African men and women who live and/or work in urban areas.

TUHF aims to align its sustainability strategy with the United Nation's Sustainable Development Goals (SDGs) and the IRIS+ Catalog of Metrics and provide reporting on TUHF specific metrics, where possible.

Over the years, sustainability in all three dimensions – financial, environmental, and social has emerged as a key determinant of TUHF's long-term business success and are important measures of this success considering the long-term horizon of property finance. Green Buildings are environmentally sustainable and operate at lower lifecycle costs, deliver superior accommodation quality, and mitigate unpredictable and above inflation utility tariff hikes which substantially undermine the affordability of residential rental housing.

TUHF's key intended social impact is to improve livelihoods, generate income for SMEs and participants along the housing value chain and contribution to local economic development, through the following activities:

- Delivery of quality affordable housing stock in well-located urban areas;
- Sustainable construction and property-based job creation, both direct and indirect due to the impact of local economic multipliers along the housing value chain. This includes job creation for PDI owned SMEs and female-owned SMEs and entrepreneurs amongst others.

^a TUHF defines 'Inner City' as: the area closest to and surrounding the centre of the old or previous Central Business District (CBD) of the city, most commonly characterised by high density mixed use development, populated by largely marginalised sectors of the population and undergoing urban decay or degeneration. TUHF defines 'In-City' as urban economic nodes and the immediate neighbourhoods outside of but related to the Inner City. For example, The Inner City / CBD of Johannesburg (as Inner City) and Midrand, Randburg, Roodepoort etc (as In-City).

TUHF's key intended green impact is to reduce GHG emissions and enable more sustainable use of resources, through the following activities:

- Increasing the number of EDGE certified buildings;
- Increasing the number of buildings re-used and repurposed;
- Increasing the number of buildings with energy and / or water efficiency.

TUHF's loan investments benefit end-users of the affordable housing projects who are able to live in close proximity to their places of work and can access transport and other amenities. End-users are also able to sustainably contribute to local economic development as they consume a wide range of services close to where they live.

1.3. TUHF BUSINESS ORIGATION & ESG RISK MANAGEMENT

TUHF enables access to finance for entrepreneurs who redevelop buildings in defined urban areas with the aim of supplying high quality, affordable rental housing. Areas with positive potential within inner cities and in-city areas are identified through analysis of available data sources and consultation with property experts, auctioneers and attorneys who are active in these markets. TUHF then provides financing to property entrepreneurs who wish to redevelop buildings located within these areas of opportunity. Business origination at TUHF occurs in three ways:

- New or existing clients come directly to TUHF with a specific building in mind requiring funding;
- TUHF holds networking events and meetings with key stakeholders (landowners, property agents and potential client); or
- Portfolio Managers "walk the streets" identifying specific buildings and informing owners/caretakers of TUHF financing.

While the bulk of TUHF's business originates from the first of these, the method of identifying entrepreneurs tends to differ across Portfolio Managers. Where TUHF has only entered a geographic area more recently, it is therefore less well known, there is a greater emphasis placed on networking.

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 our three key stakeholder groups: TUHF (the lender), borrowers (property developers, owners and investors) and tenants (end users).

TUHF is committed to development impact, achieved through scale. Impact is at the heart of TUHF's mortgage financing and credit policy. Put simply, TUHF does not approve any project that does not demonstrate a social and/or green impact.

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 which ensure that the speed with 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 which TUHF finances primarily involve retrofitting existing buildings and reusing existing urban infrastructure.

2. SUSTAINABLE BOND FRAMEWORK

TUHF's Sustainable Finance Framework allows TUHF and or associated SPVs to execute GSS instruments, either in bond or loan, securitisation instrument or a hybrid format. This can occur publicly or privately to finance or re-finance GSS projects or assets. The SFF promotes TUHF's lending practices. TUHF may from time to time update its Framework in line with developments in the market and best practice international guidelines include, but are not limited to, principles published by the International Capital Market Association ("ICMA") and the Loan Market Association ("LMA"). This SFF has been updated in accordance with the 2023 ICMA and LMA Principle updates.

2.1. 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 instruments issued under this framework to new and/or existing eligible projects / 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 financing 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 below.

The eligibility criteria are summarized as follows:

Social categories		
Eligibility Criteria	Bond/Loan category	Target population / Limitations / Exclusions
Financing or re-financing of any project that involves the construction or investment in affordable housing¹. 	Affordable Housing	- Housing projects should have a well-defined target population (e.g., historically marginalised and/ or low-income groups) as per a recognised national benchmark or external standard. - See definition of Affordable Housing (1) for target population description.
Financing and refinancing of loans to previously disadvantaged individuals^b based on Broad-Based Black Economic Empowerment principles² for investment in rental properties. Financing or re-financing of any project that aims to increase access by small and medium-sized enterprises to financial services. Financing or re-financing of any project that promotes the formalization⁴ and growth of small and medium-sized enterprises. 	Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socio-economic crises, including through the potential effect of SME financing	Limitations: Financial services to individuals should, where feasible incorporate a financial advantage to the target population beyond improved access, such as skills development and training, provision of equity, assistance with construction, project and property management. Target Population: Financing or refinancing of 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.^c

^a (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.

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

Eligibility Criteria	Bond/Loan category	Target population / Limitations / Exclusions
2x Challenge financing for women criteria: 1. Direct: a) Entrepreneurship (>51% share of women ownership or founded by a woman); or b) Leadership (30% share of women in senior management or 30% of women on Board or Investment Committee); or c) Employment (30-50% share of women in the workforce and one 'quality' indicator beyond compliance, subject to sector specific thresholds in line with criteria set out in the 2X Challenge website). 	Socioeconomic Advancement and Empowerment	Limitations: - For companies, SME criteria must be met. - For Consumption: For FI transactions, to recognise full transaction value, i) product or service should disproportionately i.e., >50%, benefit women and ii) one other Direct criterion must be met. If no other Direct criteria is met, the pro-rata % of the transaction should be recognised. Target Population: Women.
Green categories		
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 as a green-certified building, buildings must be assessed green by the TUHF Rating Tool or the EDGE certification 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. Other certifications that would be accepted include: a Leadership in Energy and Environmental Design "Gold" 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	Limitations: TUHF will offer two types of loans eligible under the green building criteria: Category A and Category B .
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 PV panel installations, including those on rooftops of properties owned and/ or managed by TUHF clients. 	Renewable Energy	Not applicable

Eligibility Criteria	Bond/Loan category	Target population / Limitations / Exclusions
Financing or re-financing of the development, manufacture and / or installation of components or technologies to enable energy efficiencies e.g. Smart meters, in-line heaters, heat pumps and energy efficiency appliances. Financing or re-financing investments and/or projects that result in an energy saving of 15% or more for both new builds and / or retrofits and conversions.³ 	Energy Efficiency	Exclusions: Carbon intensive industries^d.

2.1.1 General 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 or 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.

2.2. REFINANCING

The proceeds from the green, social and or sustainable instruments 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 commencement date of the financing. Existing are those which have reached financial close one year or more before. Where the proceeds are used for refinancing, we will estimate the share of financing vs refinancing and will clarify the expected look-back period (which is not to be more than 3 years).

^d Carbon Intensive industries include Fossil fuels, Steel, Aluminium, Cement, Natural Gas, Conventional shipping (including LNG ships) and its infrastructure, Airport & Aviation, Mining and extractive sectors, and blue hydrogen production.

3. PROCESS OF SELECTION AND EVALUATION

TUHF will identify Eligible Assets and Projects, including loans and other investments and related expenditures, that meet the Eligibility Criteria defined in section 2.1 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. TUHF's Portfolio Managers and Credit Analysts are the first 'filers' through which projects are scrutinised. Successful projects then progress to Credit. TUHF's Credit Committee and Loan Committee ultimately approve or decline projects. TUHF's Legal and Compliance ensure all contracting and project compliance.

Project financial projections must pass two financial test hurdles:

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

- a) Borrowers must agree to share impact data such as jobs created (including demographics of such – age, gender, minimum wage), utility accounts and rates paid to local government and other data that will be used to verify impact. In addition, borrowers are recorded in terms of gender ownership of SMEs.
- b) Borrowers (green and EDGE certified buildings) must agree to share smart meter data at building level on a monthly basis for the life of the Eligible Loan with TUHF to enable TUHF to assess the impact of the investment in green efficiencies;
- c) Borrowers must agree to correctly maintain the equipment for the life of the Eligible Loan;
- d) Green buildings must prove compliance with SANS 10400-XA (Category A buildings only).

For green assets, either EDGE certification or the TUHF Utility Calculator assumptions and savings calculation methodology will be applied. (TUHF Utility Calculator has been externally reviewed by the Council of Scientific and Industrial Research, 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 (LOANCO^o) 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 assets / 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.

TUHF is drafting an Environmental and Social Management System (ESMS), a lens to be applied to qualifying projects to assess Environmental and Social (E&S) risk. Risk is further managed by TUHF through a Risk Management and Governance Framework. E&S risk is currently incorporated in TUHF's Risk and Governance Framework, a strategic risk framework and matrix which has oversight from the Group's Head of Legal and Compliance, with periodic reporting to the TUHF Holdings and TUHF21 Boards; and to the relevant board sub-committees. Further, various Impact & ESG reporting obligations to funders and other stakeholders take place on a monthly, quarterly and annual basis as applicable, including reporting through credit and treasury processes.

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

^o 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.

4. MANAGEMENT OF PROCEEDS

TUHF intends to allocate the proceeds from the Green, Social or Sustainable GSS 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 financed by TUHF's Green, Social and Sustainable Bonds / Loans are appropriately identified. TUHF will maintain records of all Eligible Loans financed by TUHF or able to be financed by TUHF's Green, Social and Sustainable bonds / loans on the issue or commencement date and their drawn value.

TUHF will strive to achieve a level of allocation for the Eligible Loans that matches or exceeds the balance of net proceeds from the outstanding Green, Social and Sustainable Bonds / Loans governed by this framework. Eligible Loans will be added to or removed from TUHF's Eligible Loans 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.

5. ALLOCATION AND IMPACT 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 / loans issued under this framework. These reports will be made available on the investor relations page of the TUHF website. <https://www.tuhf.co.za/investors/>

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.

5.1. Allocation Reporting:

The allocation report will provide:

- the total amount of proceeds allocated to Eligible Loans
- the number of Eligible Loans
- 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 Loans 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.

5.2. Impact Reporting

A summary of the impacts of the Eligible Loans 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.

Indicative Impact Indicators			
Affordable Housing	- Number of affordable housing units financed - Number of buildings financed³ - Minimum number of people housed - Total contribution to local municipalities' property rates and utilities⁴		
	- Number of permanent jobs created⁵ - Number of short term jobs created⁵ - Number of previously disadvantaged SMEs financed		
Socioeconomic Advancement and Empowerment	- Number of SMEs financed - Number of loans issued to PDI SMEs^f - Value of loans issued to PDI SME's - Number of loans issued to female owned SMEs^g - Value of loans issued to female owned SMEs % of loan book to female owned SMEs - Number of previously disadvantaged individuals (PDI's) trained⁶ - Number of PDI individuals mentored		
	- Number of green buildings (green assets) funded - Value of loans to green assets % of loan book to green assets - Number of new permanent jobs created - Number of new short-term jobs created - Number of green affordable housing units financed		
Green Buildings ³	Category	Description	Indicator
	Energy efficiency	Energy savings	kWh
	Water efficiency	Water savings	kL
	Renewable energy	Renewable energy generation	kWh
		Installed capacity	kWp
Renewable Energy ³	Carbon abatement	GHG emissions avoided	tCO ₂ e
	- Total installed capacity MW - Annual Generated Renewable Power (MWh/year) - Estimated annual CO₂ equivalent emission reduction (tons CO₂eq/year)		
	- Estimated annual CO₂ equivalent emissions reduction/avoidance (tons CO₂eq/year)) - Annual energy savings (MWh/year)		
Energy Efficiency ³			

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

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

6. VERIFICATION

TUHF will prepare and publish annual impact and allocation reporting 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 / Loan proceeds within the eligible loan/asset portfolio at least at a category level aligned with the portfolio approach described in the ICMA's "Handbook – Harmonised Framework for Impact Reporting (June 2023)".

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.

6.1. Second Party Opinion

TUHF's Sustainable Finance 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 Finance Framework to investors on the TUHF Investor Relations website. <https://www.tuhf.co.za/investors/>

6.2. Limited Assurance

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, for the purposes of Green, Social or Sustainable Bonds only.

DEFINITIONS

¹Affordable 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. "Where units are being developed for rental purposes, the developer will be required to certify that expected rentals are affordable to the target market (maximum of 30% repayment of gross household income of up to a maximum of R32 000) parameter to be used." (FSTC 2024).

The Department of Human Settlements defines Affordable Housing as "Affordable Housing broadly constitutes the provision of rental and social housing programmes, and instruments to provide housing finance to traditionally unserved segments of the population." (<https://www.gov.za/about-sa/humansettlements>) The Financial Sector Code's definition for 2024 for the Affordable Housing market as calculated by The Banking Association of South Africa and the Financial Sector Transformation Council, comprises households earning a gross income of up to R32 000 per month, the "Gap" Housing market as households earning a gross income of between R3 501 to R32 000 per month and the minimum loan size for the non-mortgage market as R1 800 for applicants for households within the Affordable Housing Market.

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.

²Financial Inclusion, Empowerment, Transformation and Inclusive Economic Growth

Broad Based Black Economic Empowerment (BBBEE) is an important societal objective in South Africa. 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.

³Green 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 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 in terms of green bond / loan criteria which qualifies for inclusion on technical eligibility, financial feasibility and TUHF credit criteria. TUHF will offer two types of Eligible Loans:

a) Green development finance:

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

b) Green retrofits:

A Category B existing building is modified in line with the resource efficiency requirements of the TUHF technical tool or the , incorporating renewable energy wherever feasible. The Eligible Loan can be either:

- I. a new green mortgage raised on newly acquired buildings which require a superficial upgrade, or
- II. 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:

1. 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.

2. 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:

1. A baseline is established to describe the BAU scenario, referring to either: -
 - a. The performance of buildings prior to interventions for Category B projects, as reflected in the 12-month baseline created per project, or
 - b. 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;
2. 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);
3. These would be divided by allocated proceeds, to express the result as PAEs per R1 000 per annum;
4. 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 0.99tCO ₂ /MWh
Capital cost	The total development cost of underlying projects

⁴ 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.

⁵ 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.

⁶ Training and Development

TUHF has a comprehensive support programme to assist entrepreneurs 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 institutions. 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.



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