

INDEPENDENT SECOND PARTY OPINION TO THE MANAGEMENT OF TUHF ON THE ALIGNMENT OF ITS SUSTAINABLE FINANCE FRAMEWORK WITH THE REQUIREMENTS OF THE ICMA SOCIAL BOND PRINCIPLES, GREEN BOND PRINCIPLES, LMA SOCIAL LOAN PRINCIPLES AND GREEN LOAN PRINCIPLES

Introduction

IBIS ESG Consulting Africa (Pty) Ltd (“IBIS”) has been engaged by TUHF Limited (“TUHF”) (“the Issuer or Borrower”) to perform a pre-issuance Second Party Opinion (“SPO”) assurance engagement to determine the alignment of the TUHF Sustainable Finance Framework dated April 2024 (referred to as the Framework) with:

- The International Capital Markets Association (“ICMA”) Social Bond Principles of June 2023¹ (the “Social Bond Principles” or “SBPs”),
- The ICMA Green Bond Principles of June 2021² (the “Green Bond Principles” or “GBPs”),
- The Loan Market Association’s (“LMA”) Social Loan Principles of February 2023³ (the “Social Loan Principles” or “SLPs”),
- The Loan Market Association’s (“LMA”) Green Loan Principles of February 2023⁴ (the “Green Loan Principles” or “GLPs”), and
- ICMA's Sustainability Bond Guidelines (SBG) 2021⁵.

This report is produced in accordance with the signed proposal dated 07 March 2024.

TUHF was founded with the 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 (SME) property entrepreneurs (Borrowers). TUHF is a mortgage financier and 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.

¹ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

² <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

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

⁴ <https://www.lsta.org/content/green-loan-principles/>

⁵ <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

IBIS Independence and Quality Control

IBIS is an independent provider of non-financial assurance services. This engagement was conducted by a multidisciplinary team of non-financial assurance specialists led by Petrus Gildenhuis, who has more than 25 years of experience in non-financial performance measurement involving both advisory and independent assurance work and supported by assurance consultants, Uche Nwachukwu and Chelsea Markowitz. IBIS conducted the engagement based on the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information*, issued by the International Auditing and Assurance Standards Board, which Standard inter alia requires that the assurance practitioner follows due process and comply with ethical requirements.

Scope and Objectives

The objective of this assurance engagement is to express an opinion on the Sustainable Finance Framework's alignment with the SBPs, GBPs, SLPs and GLPs core component requirements in terms of:

- Use of Proceeds,
- Process for the Project Evaluation and Selection,
- Management of Proceeds, and
- Reporting.

IBIS' responsibilities do not extend to any other disclosures or assertions.

TUHF's and IBIS' Responsibilities

The management of TUHF is responsible for generating and maintaining accurate and reliable information provided to IBIS for this assessment. IBIS shall not be held liable if any of the information provided by TUHF management were not accurate or complete.

IBIS' responsibilities are to conduct a Limited Assurance engagement and to issue a SPO to the Directors of TUHF in accordance with the assurance procedures followed.

Inherent Limitations

The evidence-gathering procedures performed in a Limited Assurance engagement vary in nature, form, and are less in extent, than for a Reasonable Assurance engagement. As a result, the level of assurance obtained in a Limited Assurance engagement is lower than the assurance that would have been obtained had we performed a Reasonable Assurance engagement. No limitations to information access were experienced by the assurance team.

Restriction of Liability

Our work has been undertaken to enable us to express a conclusion on the specified scope and objectives of the engagement to the Directors of TUHF in accordance with the terms of our engagement, which include the publication of this assurance statement, and for no other purpose. We

do not accept or assume responsibility to any third parties i.e., other than to the Directors of TUHF, for our work or for this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

Summary of Work Performed

TUHF provided IBIS with the Sustainable Finance Framework document and other supplementary information to support the assessment process. IBIS's Limited Assurance procedures were based on our professional judgement and consisted of:

- Management enquiry, and
- Evaluation of the components of the Sustainable Finance Framework against the SBP, GBP, SLP and GLP requirements related to the:
 - Use of Proceeds,
 - Process for the Project Evaluation and Selection,
 - Management of Proceeds, and
 - Reporting.

Summary of Findings

TUHF intends to issue social and green bonds/loans focused on access to essential services, employment generation, socioeconomic advancement and empowerment, affordable housing, green buildings, renewable energy and energy efficiency, while ensuring alignment with its social and green objectives. TUHF is well positioned to contribute to improved income generation, improved livelihoods and reduced GHG emissions through the provision of financial services to SMEs and affordable and green housing solutions to underserved individuals.

The following is the summary of IBIS' findings during the review of the Framework in line with the requirements of the four pillars of SBPs, GBPs, SLPs and GLPs:

Use of Proceeds: IBIS has assessed the Sustainable Finance Framework and confirms that the Use of Proceeds aligns with the requirements of the SBPs, GBPs, SLPs and GLPs. The eligibility criteria which consist of the green and social project category, target population, limitations are plainly articulated. TUHF commits to only allocate the amount equivalent to the net proceeds of the bond to projects that meet the requirements of the eligibility criteria. The project categories as defined in the Framework (employment generation, socioeconomic advancement and empowerment, affordable housing, green buildings, renewable energy and energy efficiency), and the target population as defined in the Framework aligns with the requirements of the ICMA SBPs and GBPs and LMA SLPs and GLPs. TUHF commits to allocate the net proceeds of the bonds/loans to projects that only fall within the eligibility criteria. The lookback period is also pre-defined within the Framework.

Process for Evaluation and Selection of Projects and Assets: The process for Project Evaluation and Selection is clearly articulated in the Framework. Portfolio Managers and Credit Analysts are responsible for initial screening of potentially eligible project, while the TUHF Credit Committee (LOANCO) will have final oversight of the selection and evaluation of assets/projects against the eligibility criteria as defined in the framework is adhered to during project evaluation. TUHF also commits to assessing and managing ESG risks inherent in the eligible projects through the ESMS

process and the exclusionary list detailed in the Framework. IBIS found that the TUHF Project Evaluation and Selection process aligns with the relevant requirements.

Management of Proceeds: The Management of Proceeds proposed, as presented within the Framework and as assessed by IBIS, is aligned with the requirements of the SBPs, GBPs, SLPs and GLPs. The issuer commits to appropriately tracking the allocation of the social bonds or loans net proceeds and has disclosed the intended types of temporary investment instruments for unallocated proceeds within the Framework.

Reporting: TUHF has committed in the Framework to reporting on the allocation of proceeds of the social and green bonds and loans. The Framework outlines a transparent process on the level of expected reporting in terms of allocation and impact of the net proceeds.

Conclusion

This Second Party Opinion prepared by IBIS is such an opinion as described in the guidelines on external reviews, and the appointment and preparation of the opinion was based on the referenced guidelines on external reviews. Specifically, our review was prepared with reference to the ICMA guidelines for external reviews June 2022 and the ICMA Pre-issuance checklist for Social Bonds June 2023 and ICMA Pre-issuance checklist for Green Bonds June 2023, and aligned to the ICMA SBPs of June 2021 and GBPs June 2023 and the LMA SLPs and GLPs February 2023.

We believe that the information provided by TUHF, and the assessment performed by IBIS are sufficient and appropriate to form a basis for our Limited Assurance conclusion.

In our opinion, and based on our Limited Assurance procedures conducted, nothing has come to our attention that causes us to believe that TUHF's Sustainable Finance Framework does not conform in all material respects to the ICMA SBPs of June 2023 and GBPs of June 2021 and LMA SLPs and GLPs of February 2023, with regard to:

- Use of Proceeds,
- Process for the Project Evaluation and Selection,
- Management of Proceeds, and
- Reporting.



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Johannesburg

30 April 2024



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