URBAN UBOMI

1 RF LIMITED

IMPACT REPORT

2024

Contents

Background to Urban Ubomi 1

Urban Ubomi 1 (RF) Limited, was listed by TUHF Limited on the 23rd of March 2021. The Bond was listed as a R2 500 000 000.00 Mortgage-Backed Securities Programme on the Johannesburg Stock Exchange. A total of R609 million mortgage-backed securities were issued under the R2,5 billion Mortgage-Backed Securitisation Loan Programme and the proceeds were used to acquire R609 million in loan agreements together with their related security.

A further tap issuance of R440 million was done under the Urban Ubomi 1 programme on the 14th of February 2022. The second tap issuance of R363 million was released on the 14th of December 2022 and a third tap issuance of R225 million was concluded on 14th May 2023.

The tap issuances were issued under the TUHF Sustainable Bond Framework November 2020, with the total proceeds allocated to support access to finance for previously disadvantaged property entrepreneurs undertaking inner-city affordable housing redevelopment projects. These projects have contributed towards SME growth, local economic development and the supply of quality affordable housing in well-located urban areas in South African major Metros.

In May 2022, TUHF Limited (TUHF) commissioned ISS ESG to provide a Second Party Opinion ("SPO") on its Sustainable Bond Framework of November 2020 by assessing three core items to determine the quality and validity of the instrument:

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

Under the first review, ISS-ESG found that TUHF's rationale for issuing green, social and sustainability bonds align with the company's sustainability strategy. ISS ESG found that the eligible projects under the Sustainable Bond Framework can support TUHF's lending to green and social impact projects. In the context of its framework, TUHF as the issuer sets clear and credible sustainability investment criteria for its investments. The funds raised were entirely allocated to more than 176 loans, 111 of which were to Small and Medium Enterprises (SMEs) and 96 of which were to previously disadvantaged individuals.

As part of the second Urban Ubomi 1 review, ISS ESG evaluated the Framework and the sustainability quality of the projects underlying the Use of Proceeds (UoP) categories. ISS ESG assessed the alignment with the Social Bond Principles as applicable at the Framework's publication date. During Urban Ubomi's second year, for the reporting period 01 April 2022 to 31 March 2023, the funds

[1] Categories as per ICMA definitions

raised were entirely allocated to 235 loans, 100% of which were to SMEs and 72% of which were to previously disadvantaged individuals (PDIs[2]).

Subsequently, the TUHF Sustainable Bond Framework was reviewed and updated as the TUHF Sustainable Finance Framework (SFF) during Q2 2024. The Sustainable Finance Framework was subject to external review by IBIS Consulting who provided both a management report and an SPO on the Framework. A copy of the Sustainable Finance Framework, the management report and the SPO are available on www.TUHF.co.za for reference.

In line with the SFF, IBIS have completed a Post Issuance Assurance Statement and a Post Issuance Management Report on Urban Ubomi's Impact Report, a summary of their opinion is as follows:

We believe that the information provided by TUHF, and the work 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, nothing has come to our attention that causes us to believe that the selected post-issuance disclosures set out in the assurance scope are not fairly represented in all material respects for the Urban Ubomi 1 Social Bond, thereby aligning with the requirements of the Social Bond Principles (June 2023).
IBIS also confirms that this aligns with the requirements of section 6.80 of the JSE Debt Listing Requirements.

The Opinion issued by IBIS on the Urban Ubomi Impact Report will be made available on the TUHF's website at the following link: www.tuhf.co.za/Investors

Sustainable Finance Asset Categories have been identified by TUHF as key instruments that can be used to advance and increase the positive impacts on the SMEs, communities and urban areas in which TUHF invests. The Sustainable Finance Framework allows for a specific range of categories (see Table 1 below for categories included in the SFF's Asset Portfolio).

The purpose of this document is to provide full transparency with regards to the allocation of funds and the impact of the projects (Urban Urbomi 1 portfolio) funded within the third year of issuance, also referred to as the reporting period from 1st April 2023 to 31st March 2024, as specified in the "TUHF Sustainable Finance Framework May 2024".

Introduction to TUHF

TUHF is a specialised commercial property finance company which focuses exclusively on supporting property SMEs with affordable housing outcomes in urban areas.

TUHF specialises in financing inner city, in-city and former Township affordable rental housing projects owned and operated by small to medium sized property entrepreneurs (SMEs). These SMEs construct, refurbish and / or repurpose buildings into affordable rental housing in urban areas which contribute positively to the transformation of the affordable housing sector in several ways, such as minimising

[2] Previously disadvantaged individuals in this report, as in the Framework, refers to loans issued to those from the race groups 'Black, Coloured and Asian'.

the environmental impacts of greenfield construction, using existing infrastructure and providing affordable housing opportunities in well located urban areas with access to amenity and economic opportunity.

Through a business model that is anchored in urban regeneration and densification, inclusive economic growth and entrepreneurial support for SMEs, TUHF delivers socio-economic impact. This impact is aligned to our support for the Sustainable Development Goals 1 (No Poverty), 7 (Affordable and Clean Energy), 8 (Decent Work and Economic Growth), 9 (Industry, Innovation, and Infrastructure), 10 (Reduced Inequalities), 11 (Sustainable Cities) and number 13 (Climate Action).

Since its inception in 2003, TUHF has played an important role as an impact investor and financier, offering mortgage finance, equity funding and bridging finance to entrepreneurs and SMEs operating in the South African affordable residential property sector. TUHF has grown its loan book from ZAR 2.5 million in 2004 to just under ZAR 4 billion in 2024, its long-term vision aimed at achieving impact through scale with a ZAR 10 billion loan book. TUHF's track record is testament to the sustainable and commercially viable nature of its business model. Since its inception 21 years ago, TUHF has succeeded in generating increasing profits and delivering consistent returns to its shareholders.

TUHF is primarily a character-based financier and operates in a niche market that has historically been overlooked by commercial and retail lenders, property developers and investors. Many years of under-investment in the inner-city residential property market, combined with the influx of thousands of migrants into South Africa's cities, has resulted in considerable demand for well-priced, well managed and well located inner-city housing units. Using its unique business model, TUHF has succeeded in tapping into this market potential. TUHF's competitive edge arises from the supportive working relationships it develops with property entrepreneurs and SMEs as well as its on-the-ground understanding of South Africa's inner-cities and former Townships. According to TUHF's investors, the company's strength lies in the emphasis it places on understanding the specific contexts in which it works and sharing its knowledge with property SMEs and entrepreneurs. In addition, TUHF achieves scale through the aggregation of many small, brownfield projects – an approach termed "Massive Small", which draws upon the availability and density of existing stock and is therefore particularly well suited to property development in inner-cities, former Townships and urban neighbourhood contexts.

TUHF is essentially a non-bank financial services company that borrows money from the capital markets and invests it in inner-city and/or former Township areas, extending finance to entrepreneurs who seek to grow their property businesses. TUHF's business model is directed at ordinary South African men and women who live and/or work in urban areas. Sustainability, in terms of financial, environmental, and social aspects, is a key indicator of TUHF's long-term business success.

TUHF's investments not only benefit the SMEs but also directly benefit the end-users of affordable rental housing projects who are then able to live in close proximity to their places of work and can easily access transport and available 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. TUHFs finance / investment also positively impacts local government's fiscus, as refurbished buildings create land value resulting in increased rates and utility payments to Municipalities.

Urban Ubomi 1 Characteristics

Initial Issuance[3] in ZAR

Class	Class A1	Class A2	Class B	Class C
Ratings Assigned	AAA(za)(sf)	AA+(za)(sf)	A-(za)(sf)	BBB(za)(sf)
JSE Listing Code	UU1A01	UU1A02	UU1B01	UU1B02
Rate type	Floating	Floating	Floating	Floating
Margin for Interest Rate	1,55%	2,20%	2,50%	3,80%
Margin for Coupon Step-Up Rate	2,02%	2,86%	3,25%	4,94%
Outstanding Principal Amount at Issue Date	R202 000 000	R309 000 000	R73 000 000	R25 000 000

1st Tap Issue

Class	Class A4	Class A5	Class B	Class C
Ratings Assigned	AAA(za)(sf)	AA+(za)(sf)	A-(za)(sf)	BBB(za)(sf)
JSE Listing Code	UU1A04	UU1A05	UU1B02	UU1C02
Rate type	Floating	Floating	Floating	Floating
Margin for Interest Rate	1,70%	2,35%	2,74%	4,00%
Margin for Coupon Step-Up Rate	2,21%	3,06%	3,56%	5,20%
Outstanding Principal Amount at Issue Date	R27 000 000	R283 000 000	R118 000 000	R12 000 000

2nd Tap Issue

Class	Class A7	Class A8	Class A9	Class C
Ratings Assigned	AAA(za)(sf)	AA+(za)(sf)	A+(za)(sf)	BBB(za)(sf)
JSE Listing Code	UU1A07	UU1A08	UU1A09	UU1C03
Rate type	Floating	Floating	Fixed	Floating
Margin for Interest Rate	1,50%	2,50%	2,205%	3,70%

[3] The rating for the notes issued were rated by Global Credit (Pty) Limited (GRC). These Ratings are publicly available on the GCR website https://gcrratings.com

Margin for Coupon Step-Up Rate	1,95%	3,25%	3,56%	4,81%
Outstanding Principal Amount at Issue Date	R150 000 000	R135 000 000	R60 000 000	R18 000 000

3rd Tap Issue

Class	Class A7	Class A8	Class A9*	Class C	Class C	Class C	Class C
Ratings Assigned on Issue Date	AAA(za)(sf)	AA+(za)sf	AA+(za)sf	BBB(za)sf	BBB(za)sf	BBB(za)sf	BBB(za)sf
Ratings Assigned	N/A**	AAA (za)(sf)	AAA (za)(sf)	BBB (za)(sf)	BBB (za)(sf)	BBB (za)(sf)	BBB (za)(sf)
JSE Listing Code	UU1A07	UU1A08	UU1A09	UU1C01	UU1C02	UU1C04	UU1C03
Rate type	Floating	Floating	Fixed	Floating	Floating	Floating	Floating
Margin for Interest Rate	1,50%	2,50%	N/A	3,80%	4,00%	3,70%	3,70%
Margin for Coupon Step-Up Rate	1,95%	3,25%	3,25%	4,94%	5,20%	4,81%	4,81%
Outstanding Principal Amount at Issue Date (000s)	150 000	135 000	60 000	25 000	12 000	10 000	18 000

*(Fixed rate note with interest rate of 10.235%)

** (Note holders have been repaid)

Eligibility Criteria

TUHF's "Sustainable Finance Framework" ("SFF"), contains methodology 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.

According to ICMA 2024, GSS bonds are any type of bond instrument where the proceeds will be exclusively applied to eligible environmental and social projects or a combination of both:

Green Bonds[4] are any type of bond instrument where the proceeds- or an amount equal to the net proceeds- will be exclusively applied to finance or re-finance projects with clear environmental benefits and which are aligned with the Core Components of the GBP. Eligible Green Project categories include (but are not limited to): renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity conservation, clean transportation, sustainable water and wastewater management, climate change adaptation, circular economy and/or eco-efficient projects, and green buildings.

Social Bonds[5] are any type of bond instrument where the proceeds- or an amount equal to the net proceeds- will be exclusively applied to finance projects that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes, especially but not exclusively for a target population[6](s) and are aligned with the Core Components of the SBP. Social Project categories include (but are not limited to): providing and/or promoting, affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security, and socioeconomic advancement and empowerment.

Sustainability Bonds[7] are any type of bond instrument where the proceeds- or an amount equal to the net proceeds- will be exclusively applied to finance or re-finance a combination of Green and Social Projects and which are aligned with the Core Components of the GBP and SBP.

TUHF's Sustainable Finance Framework allows TUHF and or associated SPVs to execute GSS instruments, either in bond or loan, securitisation instruments or a hybrid format. This can occur publicly or privately to finance or refinance 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 which include, but are not limited to, principles published by the International Capital Market Association ("ICMA") and the Loan Market Association ("LMA"). The SFF has been updated in accordance with the 2023 ICMA and LMA Principal updates.

In accordance with the criteria established within the Framework and in compliance with the GSS Principles issued by ICMA, TUHF has allocated the net proceeds of the bonds issued under this framework to new and/or existing eligible assets within the categories indicated below. The eligible loans/projects are funded in whole or in part by an allocation of the bond proceeds.

[4] ICMA Guidance Handbook June 2024, https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/The-Principles-Guidance-Handbook-June-2024.pdf
[5] ICMA Guidance Handbook June 2024, https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/The-Principles-Guidance-Handbook-June-2024.pdf
[6] ICMA acknowledges that the definition of target population can vary depending on local contexts and that, in some cases, such target population(s) may also be served by addressing the general public.
[7] ICMA Guidance Handbook June 2024, https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/The-Principles-Guidance-Handbook-June-2024.pdf

TUHF's SFF eligibility criteria are summarised as follows:

Table 1: Categories & Eligibility Criteria

Social Categories		
Eligibility Criteria	*Social Bond/Loan category*	*Target Population*
Financing or re-financing of any project that involves the construction or investment in affordable housing[i].	Affordable Housing	Target Population: ▪ 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.
Eligibility Criteria	*Social Bond / Loan category*	*Limitations and Target Population*
Financing and refinancing of loans to previously disadvantaged individuals[8] based on Broad-Based Black Economic Empowerment principles[ii] 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 formalization[4] and growth of small and medium-sized enterprises.	*Employment Generation, And Programs Designed To Prevent And/or Alleviate Unemployment Stemming From Socioeconomic 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.[9]
Eligibility Criteria	*Social Bond / Loan Category*	*Limitations and Target Population*

[8] (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.
[9] Small and medium-sized enterprises are defined according to the IFC's definitions of Targeted Sectors.

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		
Eligibility Criteria	*Green Bond / Loan Category*	*Limitations*
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	Green Buildings	Limitations: ▪ TUHF will offer two types of loans eligible under the green building criteria: Category A and Category B[iii].

above) rating or should be EDGE certified by the International Finance Corporation's ("IFC") EDGE partners.		
Eligibility Criteria	*Green Bond / Loan Category*	*Not Applicable*
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	
Eligibility Criteria	*Green Bond / Loan Category*	*Limitations and 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[10].

Exclusions

TUHF's exclusion list is aligned to the IFC's exclusions. Through internal stress testing, credit vetting and cyclical processes, TUHF ensures that all borrowers / clients and assets meet stringent credit and ethical standards. TUHF does not enter into relationships with entities which fail to meet TUHF's credit guidelines in terms of the exclusion list or who derive their principal source of revenue or

[10] 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.

income from illegal sources such as illegal gambling, prostitution, or drug-related activities. Implementing thorough portfolio management, TUHF ensures that it is not in relationship with slumlords, defined as landlords who extract abnormal profits by not complying with bylaws, allowing over-crowding, providing poor customer service and whose buildings are not up to code or are sub-standard.

Allocation of Funds

The proceeds from the issuance have been used to finance new loans to SMEs who provide affordable housing or to refinance existing loans with social impact. 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 loans are those which have reached financial close one year or more before the issuance.

During the reporting period, 1 April 2023 to 31 March 2024, the Urban Ubomi 1 (RF) Bond achieved the full allocation of proceeds.

All loans/projects financed by TUHF are appraised through an internal credit approval process, managed by the TUHF Credit Committee, LoanCo[11], and ManCo[12] to ensure that finance is consistently granted to the people and businesses that have the capacity to repay them and at the same time deliver on the intended impact and outcomes. Before approval, all Projects' financial projections must pass two of TUHF's financial 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).

TUHF provides up to 80% of the project development cost with entrepreneurs providing the remainder as equity. The first review of TUHF's Social Bond for the 2021/22 financial year, reported that Urban Ubomi raised R1 097 000 000 of rated and unrated notes and allocated all net proceeds to finance 176 loans over 176 buildings with a weighted average loan to value ratio of 58.49%. 24% of the projects were refinanced projects and 76% were new projects. The second review focused on the financial year 1st April 2022 to 31st March 2023, reported that Urban Ubomi raised a further R363 million increasing the number of loans financed to 235 loans over 235 buildings. The weighted average loan to value ratio of the loan portfolio for that reporting period was 56.02%

During the current reporting period, 1st April 2023 to 31st March 2024, Urban Ubomi has raised R225 million increasing the number of loans financed to 268 loans over 262 buildings[13]. The average current loan to value ratio of the loan portfolio for this reporting period is 59%. 39.7% of the value of

[11] A board subcommittee which consists primarily of non-executive directors and is chaired by a chairman appointed by the Board from time to time. Any credit application that falls with the approval mandate of LoanCo can only be submitted to LoanCo with the support and recommendation from ManCo.
[12] This committee convenes on a weekly basis (unless no applications are submitted for consideration in that week). The chair of ManCo is the CEO.
[13] The loans exceed the projects (buildings) by six, as there are two loans linked to 6 of the projects (Indigo Apartments, Linridge Court, McWilliams & Elliot, Rivoli Court, Seven Oaks and Walco Mansions)

loans are made up of refinance and 60.3% of the value of the loans are new. The total value of loans is R1 508 102 290,15.

The Urban Ubomi 1 funds are tracked using an internal accounting system as per the framework. During this reporting period, 49 assets (valued at R 432,663,872,48.) were sold out of the structure and were replaced with 43 assets of similar quality (valued at R361,190,453,01).

All assets in the Urban Ubomi 1 portfolio meet one or more of the eligibility criteria disclosed above. A minimum of 95% of the portfolio meets the Affordable Housing Criteria. The remaining 5% (R83m) is retained as a cash portion. 89.9% (total of 241) of the loans are allocated to SMEs and 70.9% of the total value of loans (60.8% of the number of loans) are allocated to PDIs.

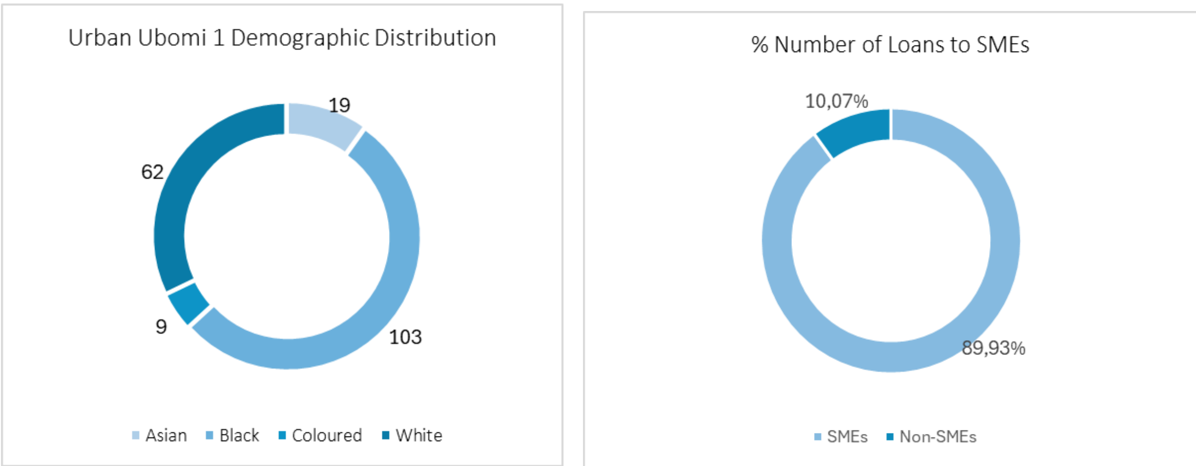
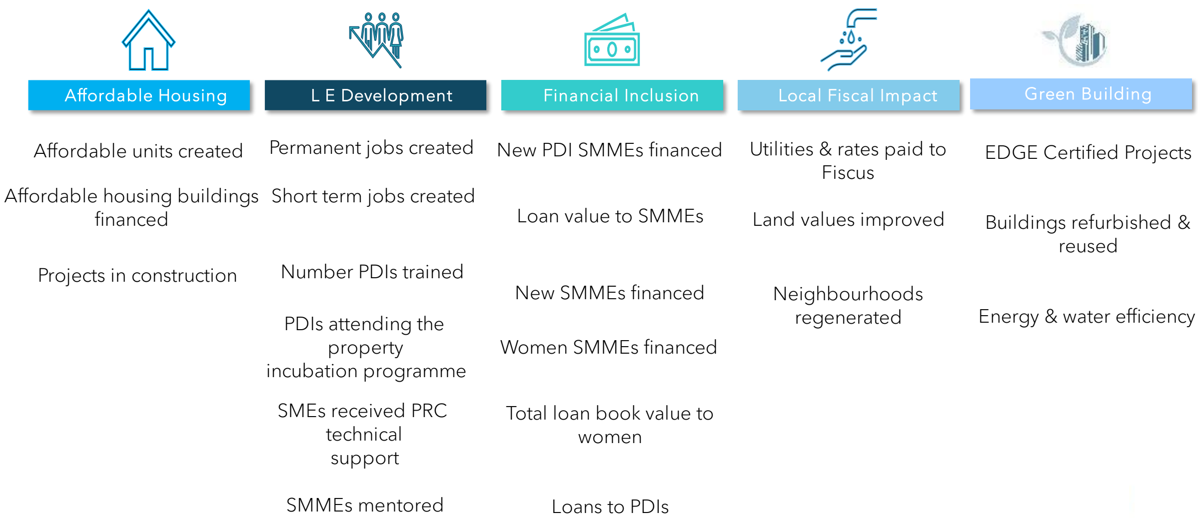


Figure 1: TUHF Loan Book Split. Source: TUFH data 2024

Impact Reporting

TUHF reports on several impact areas as listed below:



Guided by our Theory of Change the following impact is achieved:

Local Economic Development & SME Growth

Obtaining access to finance to upgrade buildings for affordable rental housing allows SMEs to earn a financial return on their investment and grow their businesses and portfolios. TUHF provides training, mentorship, and support to SME clients through the (UCT) accredited TUHF Programme for Property Entrepreneurship (TPPE) which is facilitated for clients in conjunction with UCT. The entrepreneurs are skilled in aspects of property finance, construction management, development aspects, financial management and property management. This facilitates personal and professional growth.

36 clients were trained during the reporting period of which 36 (100%) were PDIs. 30 clients received tailor-made one on one mentorship through TUHF's Mentorship Programme. Affordable housing projects financed during this reporting period created permanent and short term jobs leading to local economic development and economic multipliers across the broader affordable housing sector.

According to the World Bank, African Development Bank Group, 2024, a significant proportion of South African SMEs face challenges in accessing finance from formal banking institutions. It is estimated that only 30-35% of South African SMEs have financing from these formal institutions. This reflects the broader challenge across developing economies where access to credit for SMEs remains a critical issue. Many SMEs continue to rely on internal funding or informal sources, such as personal savings or loans from family and friends, due to stringent lending criteria and the high cost of borrowing from formal banks. These challenges are exacerbated by the lack of tailored financial products and limited collateral, which further hinder SMEs from securing necessary funds. According to the South African Reserve Bank (SARB) data on bank statistics, total SME credit exposure to banks was ZAR 631 billion at the end of 2020, which accounts for 25% of total business loans[14]. Urban Ubomi offers 89.93% of its finance to SMEs.

Livelihoods improved

By being able to access affordable housing in inner-cities and former Townships, with access to public transport and economic opportunity, individuals and families who could not afford alternative housing will see improvements in their living conditions, not least of which is quality housing and access to amenity such as health care and education. Proximity to public transport hubs lead to a decrease in travel costs (reflected in time and money) associated with commuting to and from the city from 'urban edge' locations. The increase in jobs because of the building construction, conversion and upgrades is likely to improve livelihoods, as is the access to amenities that comes with living in the inner-city. We estimate that an average of 2.5 people live in each unit of affordable housing currently.

Local economic development

TUHF's investment into the affordable housing market leads to increased market activity in the financial market, the property market and local economic markets. This is because of individuals' residential proximity to amenity and transport nodes, increasing property values, (affordable) rentals

[14] https://www.oecd-ilibrary.org/sites/4bada6a3-en/index.html?itemId=/content/component/4bada6a3-en

and the provision of retail space for commercial entrepreneurs, which contributes to local economic development. Throughout the affordable housing value chain, jobs are created and/or maintained. As mentioned above, to redevelop and subsequently manage the property, the entrepreneurs employ various construction and artisan teams and subsequently various property management staff such as a caretaker, cleaners, security guards and a rental agency.

Local fiscal impact

The increased market activity detailed above together with the payment of increased rates and utilities to local government results in a larger municipal budget. This growth in municipal budgets should in turn lead to increased investment in government services and amenities, and hence, result in the improved provision of services to inner-city residents.

Systemic impact

TUHF directly positively impacts the urban areas in which it invests. This investment may have broader systemic impact in that TUHF funded SMEs and clients, as well as other emerging entrepreneurs, investors and even established property developers may be attracted to invest in the inner-city, contributing to further urban regeneration and reinforcing the impacts already mentioned, creating a multiplier effect. Moreover, the urban regeneration that TUHF contributes to may lead to a reduction in the perceived risk of an area, attracting other financiers to invest in the inner-city property space.

The regeneration of inner-cities

Urban regeneration is a broad impact and a function of many varied factors. TUHF indirectly contributes to regeneration of the urban areas in which it invests, through the provision of finance to SMEs for building upgrades and conversions, which in turn bring residents back into the city. This contributes to greening, creating jobs and stimulating the local economy. The combined impact of these factors contributes towards the regeneration and development of previously decayed inner-city neighbourhoods.

Indicative Impact Indicators:

Table 2: Urban Ubomi 1 Indicator Results

Affordable Housing	
Number of affordable housing units financed	8793
Number of buildings financed	262
Minimum number of people housed	21 982
Contribution to local municipalities' property rates and utilities	R470,292,631.01
Employment Generation	
Number of permanent jobs created	245
Number of short term jobs created	411
Number of previously disadvantaged SMEs financed (backed)	163

Socio Economic Advancement and Empowerment	
Number of SMEs financed (backed)	241
Number of loans issued to PDI SMEs	163
Value of loans issued to PDI SMEs	R1,069,492,318.42
Number of loans issued to women owned SMEs	31
Value of loans issued to women owned SMEs	R180,725,042.00
% of loan book to women owned SMEs	11.98%
Number of previously disadvantaged individuals trained (TPPE)	36
Number of previously disadvantaged individuals mentored	30

Methodology

TUHF regularly tracks impact indicators against internal targets, using a tool known as a 'results measurement plan.' TUHF currently uses nCino and PowerBI to store all its data and information. This system contains all loan specific details and information on each property (number of units, square metres, unit configuration, location etc) as well as information on each client. TUHF is currently implementing an Environmental and Social Management System in line with its ESMS Framework.

Data is collected during the loan application process and then tracked throughout construction, let up and the property management phases. Clients are bound to complete a loan application form at the outset and a drawdown application form for each drawdown of funds once the loan has been approved. TUHF also collects data on the number of jobs that are created across the SMEs and projects financed. This is undertaken through client declarations. These are captured into the system and checked for duplicates. Information currently required from the clients includes:

- Annual financial statements
- Rent-rolls
- Utility statements
- Building inspections and valuations
- Compliance documents
- AML information
- FICA information

The measurement plan extracts detailed below, as per the TUHF Sustainable Bond Framework, outline TUHF's indicators, the units in which these are measured, the definition applicable to an indicator, any calculation, if applicable and the source of data which this information is derived from. Impact metrics reflected in the impact report represent the value of the loans issued by TUHF for project development. The value of the client equity is not represented in the value metrics. TUHF provides up to 80% of the project development cost with entrepreneurs providing the remainder. TUHF recognises the 100% impact as the senior ranking lender.

Table 3: TUHF indicators & relevant data sources

Indicator	Unit	Definitions	Calculation	Data Source
Number of affordable housing units financed	Number			TUHF Records
Number of buildings financed	Number			TUHF Records
Number of new permanent jobs created	Number	A job reported during the reporting period with no end date		TUHF Records Signed employee declaration
Number of new short-term jobs created	Number	A job reported during the reporting period with an end date.		TUHF Records Signed employee declaration
Number of previously disadvantaged individuals financed.	Number			TUHF Records
Number of previously disadvantaged individuals (PDIs) trained[iii]	Number	Number of PDIs who have completed TPPE.		TUHF Records
Number of loans issued to previously disadvantaged individuals	Number			TUHF Records
Number of loans issued to women PDIs	Number	The entity must demonstrate majority ownership by PDI woman-owned SME to be reported in under this indicator		TUHF Records
Number of SMEs financed	Number			TUHF Records
Value of loans issued to SMEs	In ZAR value			TUHF Records
Number of loans issued to women owned SMEs	Number	The SMME must demonstrate majority-owned by women to be reported under this indicator.		TUHF Records
Number of PDIs trained & mentored	Number			TUHF Records

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[i] 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. "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.

[ii] Financial 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.

[iii] 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 EDGE tool, defined as 20% energy, 20% water, 20% embodied carbon.

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:

- Photovoltaic systems
- Centralised heat pumps
- In-line water heaters
- Efficient lighting and motion detection sensors
- Low flow water fittings
- Dual / on demand / small cistern flush 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 0.99tC02/MWh
Capital cost	The total development cost of underlying projects