

REPORT REVIEW

TUHF Social Bond Annual Report

Urban Ubomi 1 Social Bond Report 2023 TUHF Limited

31 July 2023

VERIFICATION PARAMETERS

Type(s) of reporting	<ul style="list-style-type: none">Allocation and Impact Reporting of Urban Ubomi 1 Social Bond Report of TUHF Limited
Relevant standard(s)	<ul style="list-style-type: none">Harmonized Framework for Impact Reporting for Social Bonds (June 2022), as administered by International Capital Market Association
Scope of verification	<ul style="list-style-type: none">TUHF's Urban Ubomi 1 Social Bond Report (as of June 8, 2023)TUHF's Sustainable Bond Framework (as of November 2020)Bond identification: ISINs ZAG000195645Maturity: May 15, 2043 (Bond issuance amount ZAR 135 million)
Lifecycle	<ul style="list-style-type: none">Post-issuance verification
Validity	<ul style="list-style-type: none">As long as no material changes are undertaken by the Issuer to its Urban Ubomi 1 Social Bond Report as of June 8, 2023

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SCOPE OF WORK

TUHF Limited (“the Issuer” or “TUHF”) commissioned ISS Corporate Solutions (ICS) to provide a Report Review¹ on its Urban Ubomi 1 Social Bond Report by assessing:

1. The alignment of the TUHF’s Urban Ubomi 1 Social Bond Report with the commitments set forth in TUHF’s Sustainable Bond Framework (as of November 2020)².
2. TUHF’s Urban Ubomi 1 Social Bond Report - benchmarked against Harmonized Framework for Impact Reporting for Social Bonds, updated June 2022, as administered by the International Capital Market Association (ICMA).
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Social Bond issued.

¹ A limited or reasonable assurance is not provided on the information presented in TUHF’s Urban Ubomi 1 Social Bond Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Harmonized Framework for Impact Reporting for Social Bonds core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

² The Framework was assessed as aligned with the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines as of November 25, 2020.

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the Issuer's commitments set forth in the Framework</p>	<p>TUHF's Urban Ubomi 1 Social Bond Report meets the Issuer's commitments set forth in the Sustainable Bond Framework published in November 2020. The proceeds have been used to (re)finance projects in the field of Affordable Housing, Financial Inclusion, and Improved Access to Funding for SMEs, and Micro Businesses in accordance with the eligible categories defined in the Framework.</p>	<p>Aligned</p>
<p>Part 2.</p> <p>Alignment with the HFIRSB</p>	<p>Urban Ubomi 1 Social Bond Report is in line with ICMA's Harmonized Framework for Impact Reporting for Social Bonds (HFIRSB). The Issuer follows core principles and where applicable key recommendations.</p> <p>The Issuer reports for the second time after two years from the Social Bond issuance on March 23, 2021. Proceeds are allocated to projects meeting the eligibility criteria set forth in the underlying Framework under the categories: Affordable Housing, Financial Inclusion, and Improved Access to Funding for SMEs.</p>	<p>Aligned</p>
<p>Part 3.</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the Social Bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the Framework³.</p> <p>TUHF has adopted an appropriate methodology to report on the impacts generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices.</p>	<p>Positive</p>

³ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN TUHF'S SUSTAINABLE BOND FRAMEWORK⁴

The following table evaluates the TUHF's Urban Ubomi 1 Social Bond Report against the commitments set forth in TUHF's Sustainable Bond Framework, which are based on the core requirements of the Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG) as well as best market practices.

GBP, SBP, SBG	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>TUHF confirms to follow the Use of Proceeds' description provided by TUHF's Sustainable Bond Framework. The report is in line with the initial commitments set in the TUHF's Sustainable Bond Framework: to (re)finance Affordable Housing, Financial Inclusion, and Improved Access to Funding for SMEs.</p> <p>The Issuer's social categories align with the project categories and are in accordance with the eligibility criteria set in TUHF's Sustainable Bond Framework. Social benefits at the project level are described and quantified.</p> <p>The Issuer provides transparency on the share of projects refinanced and financed. Exclusion criteria set forth in the Framework are confirmed to be considered.</p>	✓
2. Process for Project Evaluation and Selection	<p>TUHF confirms to follow the Process for Project Evaluation and Selection description provided by TUHF's Sustainable Bond Framework. The report is in line with the initial commitments set out in TUHF's Sustainable Bond Framework.</p> <p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the eligibility criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> <p>All loans/projects financed by TUHF are appraised through an internal credit approval process, managed by the TUHF Credit</p>	✓

⁴ TUHF's Sustainable Bond Framework was assessed as aligned with the GBP, SBP, and SBG (as of November 2020) as of November 25, 2020.

	<p>Committee, LoanCo⁵, and ManCo⁶ 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. Projects (re)financed through the Social Bond proceeds are evaluated and selected based on compliance with the investment categories and the eligibility criteria set in the Framework.</p>	
<p>3. Management of Proceeds</p>	<p>TUHF confirms to follow the Process for Management of Proceeds description provided by TUHF’s Sustainable Bond Framework. The report is in line with the initial commitments set out in TUHF’s Sustainable Bond Framework.</p> <p>The proceeds collected are equal to 100% of the amount allocated to eligible projects, with no exceptions. The proceeds are tracked in an appropriate manner and attested in a formal internal process. No divestment took place in the reporting period.</p>	<p>✓</p>
<p>4. Reporting</p>	<p>The Urban Ubomi 1 Social Bond Report is coherent with the Reporting description provided by TUHF’s Sustainable Bond Framework. The report is in line with the initial commitments set out in TUHF’s Sustainable Bond Framework.</p> <p>The sections ‘Allocation reporting’ and ‘Impact Reporting’ of the Social Bond report comply with the pre-issuance commitment expressed in the Framework. The annual Social Bond reports are publicly available on the Issuer’s website⁷.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	<p>✓</p>
<p>5. Verification</p>	<p>ICS has provided a Second Party Opinion (SPO) on TUHF’s Sustainable Bond Framework.</p>	

⁵ A board subcommittee that 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 within the approval mandate of LoanCo can only be submitted to LoanCo with the support and recommendation from ManCo.

⁶ This committee convenes on a weekly basis (unless no applications are submitted for consideration in that week). The chair of ManCo is the CEO.

⁷ TUHF Investor Relations, <https://www.tuhf.co.za/investors/>

PART II: ASSESSMENT AGAINST THE ICMA HARMONIZED FRAMEWORK OF IMPACT REPORTING FOR SOCIAL BONDS

Reporting is a core component of the SBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual report. Social bond Issuers are required to report on both the use of social bond proceeds, as well as the social impacts at least on an annual basis until full allocation. Social Bond Principles have been chosen as benchmarks for this analysis as they represent the most widely adopted standard.

The table below evaluates TUHF'S Social Bond Report against ICMA'S Harmonized Framework of Impact Reporting for Social Bonds.

CORE PRINCIPLES		
ICMA HFIRSB	URBAN UBOMI 1 SOCIAL BOND REPORT	ASSESSMENT
Reporting on an annual basis	TUHF first reported within one year from issuance and reports annually. All proceeds have been fully allocated. The report will be available on TUHF's website.	✓
Formal internal process to track proceeds	TUHF confirms project selection and management of proceeds to be in line with the criteria set forth in the underlying Framework.	✓
Allocation of the proceeds to social project categories	In accordance with the criteria established within the Framework, in compliance with the Social Bond Principles issued by the ICMA, TUHF has allocated the net proceeds of the bond issued under this Framework to new and/or existing eligible assets within the following categories: <ul style="list-style-type: none"> ▪ Affordable Housing ▪ Financial Inclusion ▪ Improved Access to Funding for SMEs 	✓
Target Population(s) identified	Where applicable the Issuer defined targeted populations for the respective project categories: <ul style="list-style-type: none"> ▪ Affordable Housing: households earning a gross income of up to R29.600 per month. ▪ Financial Inclusion: previously disadvantaged individuals (PDIs), Blacks, Coloreds, and Indians. ▪ Improved Access to Funding for SMEs: enterprises that have less than 10 employees, assets and annual sales less than USD 100.000, enterprises that have less than 50 employees, assets and sales of less than USD 3.000.000, and enterprises with less than 300 employees, assets and annual sales of less than USD 15.000.000, are considered micro, small, and medium respectively. 	✓

	The Issuer refers to definitions and thresholds for targeted populations in its financial inclusion glossary.	
Output, outcome and/or impact of projects at project or portfolio level	The Issuer referred to existing indicator lists and catalogs from Annexure III of the HFIRSB. The Issuer provides information on the output at project category level. A detailed analysis of impact indicators is available in Part III of this report.	✓
Illustrating of the social impacts	<p>The assessment and measurement of the impact generated by TUHF Social Bonds covered the following areas:</p> <ul style="list-style-type: none"> ▪ Affordable Housing – number of affordable housing units financed, number of buildings financed, number of new permanent and short-term jobs created ▪ Financial Inclusion – number of PDIs financed and trained, number of loans issued to PDIs and female PDIs ▪ Improved Access to Funding for SMEs – number of SMEs financed, value of loans issued to SMEs, and number of loans issued to female-owned SMEs. 	✓

RECOMMENDATIONS

ICMA HFIRSB	URBAN UBOMI 1 SOCIAL BOND REPORT	ASSESSMENT
Disclose the methodology and the assumptions used for the calculation of impact indicators	The Issuer reports on actual absolute output indicators and qualitative impact indicators, e.g., systemic impact and urban regeneration. The Issuer confirms regularly tracking these indicators against targets using a tool known as a results measurement plan.	✓
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	TUHF's impact report illustrates the expected social impact on a project category level as a result of the proceeds allocation. The reporting is based on actual quantitative output metrics and qualitative impact indicators (ex-post).	✓
Disclose the methodology used to determine the share of eligible project financing being applied to impact calculation	The Issuer reports on the total actual outputs. The Issuer provides up to 80% of the project development cost through the bonds' issuance with entrepreneurs providing the remainder. TUHF recognises 100% of the impact as the senior ranking lender.	✓

Collaborating with experts if reporting on the estimated lifetime impacts and/or project economic life in years	The Issuer does not report on the estimated lifetime impacts and/or project economic life in years.	-
Assumptions and ex-post verification	The Issuer reports on actuals not using assumptions or projection estimates.	-
Report Period	As part of its due diligence in monitoring projects included in its social bond program, the Issuer reports transparently on removed and added projects to the portfolio reporting on actuals for the period April 1, 2022, to 31 March 31, 2023.	✓
Disbursement reporting	The proceeds from the social bond issuance were 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 are those which have reached financial closure one year or more before the issuance.	✓
Projects with partial eligibility	All projects are 100% eligible for financing.	✓

OPINION

TUHF follows ICMA's Harmonized Framework of Impact Reporting for Social Bonds core principles and key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best market practices. A formal internal process is in place to track the proceeds ensuring the allocation to eligible project categories. TUHF uses quantitative reporting metrics to measure the actual outcome of the eligible projects financed and qualitative impact indicators as the result and ultimate objective of the outputs.

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to putting the impacts into perspective with the number of investments allocated to the respective Use of Proceeds categories.

The Use of Proceeds allocation reporting occurred within one year from the issuance, after the full allocation of the proceeds.

This is the second year of allocation reporting and proceeds have been fully allocated in the period April 1, 2022, to March 31, 2023. The Use of Proceeds allocation reporting occurred within the regular annual cycle from the issuance.

Proceeds allocated to eligible projects/assets

The proceeds allocation is broken down at the project category level. During the reporting period from April 1, 2022, to March 31, 2023, R363 million were raised, increasing the number of loans financed to 235 loans over 235 buildings.

The report has provided information about projects which were removed from the allocation register. During this reporting period, 11 loans (R99.8 million) were sold out of the structure and were replaced with 14 assets of similar quality (R102.8 million). All projects meet one or more of the eligibility criteria. The Issuer states that 95% of the total number of allocated projects meet the Affordable Housing Criteria. 100% of the total number of loans were allocated to SMEs and 62% of the number of loans (57% of the value of loans) were allocated to PDIs.

The allocation report section of the Urban Ubomi 1 Social Bond Report of TUHF aligns with best-market practices by providing information on:

- The total amount of proceeds in ZAR allocated to eligible loans/projects categories.
- The number of eligible loans/projects
- The share among different eligible project categories
- Annual impact indicators and targeted population
- Number of projects added and removed during the reporting period

Impact Reporting Indicators

The table below presents an independent assessment of the Issuer’s report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators⁸ chosen by the Issuer for this bond are the following:</p> <ul style="list-style-type: none"> ▪ Affordable Housing – Number of affordable housing units financed, number of buildings financed, number of new permanent and short-term jobs created ▪ Financial Inclusion – number of PDIs financed and trained, number of loans issued to PDIs and female PDIs ▪ Improved Access to Funding for SMEs – number of SMEs financed, the value of loans issued to SMEs, and the number of loans issued to female-owned SMEs. <p>Indicators are quantified, qualitative, and material to the Use of Proceeds categories financed through this bond and in line with the Suggested Impact Reporting metrics by the ICMA Harmonized Framework for Impact Report for Social Bonds. This aligns with best market practices.</p>
<p>Data Sourcing and Methodologies of quantitative assessment</p>	<p>The Issuer assesses the extent to which they are achieving development impact by regularly tracking the indicators against targets using a tool known as a results measurement plan. TUHF currently uses a Customer Relationship Management (CRM) system developed by SAGE, which contains all loan details and information on each property as well as each beneficiary. Most of the data is collected during the loan application process. Beneficiaries must complete a loan application form at the outset and a drawdown application form for each drawdown of funds once the loan has been approved. The measurement plan extract, as per the TUHF Sustainable Bond Framework, outlines TUHF’s indicators; the units in which there are measured; the definition applicable to an indicator; any calculation, if applicable; and the source of data this information is derived from. Impact metrics reflected in the impact report only 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. The Issuer confirms that the data sets used for the annual impact report are sourced from the company-owned ERP and employee declarations.</p> <p>Affordable housing units are verified by external project review consultants on each project. The Issuer provides for each indicator data source and manual or automated sourcing.</p>
<p>Baseline selection</p>	<p>The Issuer does not make use of calculations using baselines.</p>

⁸ Cumulative as of March 31, 2023

<p>Scale and granularity</p>	<p>The impact data is presented at the use of proceeds category level. The Issuer does not make use of data aggregation and reports on absolute metrics for its outcome indicators.</p>
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High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Urban Ubomi 1 Social Bond Report, the impact indicator(s) adopted by TUHF for its Social Bond can be mapped to the following SDGs, according to the ICMA “A High -Level Mapping to the Sustainable Development Goals”⁹.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<p><u>Affordable Housing</u></p> <p>Number of</p> <ul style="list-style-type: none"> Affordable housing units financed Buildings financed 	
<p><u>Affordable Housing</u></p> <p>Number of</p> <ul style="list-style-type: none"> New permanent jobs created New short-term jobs created 	
<p><u>Financial Inclusion</u></p> <p>Number of</p> <ul style="list-style-type: none"> Previously disadvantaged individuals financed Loans issued to previously disadvantaged individuals 	
<p><u>Financial Inclusion</u></p> <p>Number of</p> <ul style="list-style-type: none"> Previously disadvantaged individuals (PDIs) trained 	

⁹ [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

<p><u>Financial Inclusion</u></p> <p>Number of</p> <ul style="list-style-type: none"> Loans issued to female PDIs 	
<p><u>Improved Access to Funding for SMEs</u></p> <ul style="list-style-type: none"> Number of SMEs financed Value of loans issued to SMEs 	
<p><u>Improved Access to Funding for SMEs</u></p> <ul style="list-style-type: none"> Number of loans issued to women-owned SMEs 	

OPINION

The allocation of the Social Bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in TUHF's Sustainable Bond Framework. The Issuer has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA's recommended metrics, the HFIRSB.

DISCLAIMER

1. Validity of the Report Review (“Report Review”): Valid for the bond report issued on June 8, 2023.
2. ISS Corporate Solutions, Inc. (“ICS”), a wholly-owned subsidiary of Institutional Shareholder Services Inc. (“ISS”), sells/distributes Report Reviews which are prepared and issued by ISS ESG, the responsible investment arm of ISS, on the basis of ISS ESG’s proprietary methodology. In doing so, ISS adheres to standardized procedures to ensure consistent quality of responsibility research worldwide. Information on ISS’s methodology is available upon request.
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ANNEX 1: Methodology

Review of the post-issuance Reports

The report review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, the alignment of the report is assessed with recognized market guidelines, the metrics chosen by the Issuer, and the soundness of process and methodology of reporting. The metrics are analyzed based on specific sets of indicators using proprietary methods referring to common market guidelines.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social, and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to which the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

SCOPE

TUHF commissioned ICS to compile a Report Review on its Bond Report. The Report Review process includes verifying whether the Bond Report aligns with the Issuer's Green, Social, and Sustainability Bond Framework and the respective market standards, i.e., the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

CRITERIA

Relevant Standards for this Report Review:

- ICMA Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines
- ICMA Harmonised Framework for Impact Reporting for Social Bonds
- ICMA A High-Level Mapping to the Sustainable Development Goals

ISSUER'S RESPONSIBILITY

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

- Social Bond Report
- Sustainability Bond Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS ESG'S VERIFICATION PROCESS

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

This independent Report Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with TUHF took place from May to July 2023.

ISS' BUSINESS PRACTICES

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

About this Report Review

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

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

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

For information on Report Review services, contact: SPOsales@isscorporatesolutions.com

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