



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Tanga Urban Water Supply and Sanitation Authority
09 October 2023

VERIFICATION PARAMETERS

| | |
|-------------------------------------|---|
| Type(s) of instruments contemplated | <ul style="list-style-type: none">Green Bond |
| Relevant standards | <ul style="list-style-type: none">Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1) |
| Scope of verification | <ul style="list-style-type: none">Tanga UWASA Green Bond Framework (as of September 14, 2023)Tanga UWASA Selection Criteria (as of September 14, 2023) |
| Lifecycle | <ul style="list-style-type: none">Pre-issuance verification |
| Validity | <ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged |

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SCOPE OF WORK

Tanga Urban Water Supply and Sanitation Authority (“the Issuer”, “the Company”, or “Tanga UWASA”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Bond by assessing three core elements to determine the sustainability quality of the instruments:



1. Tanga UWASA’s Green Bond Framework (as of September 14, 2023) – benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP).
2. The Selection Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs) and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. Linking the transaction(s) to Tanga UWASA’s overall Environmental, Social, and Governance (ESG) profile – drawing on the issuance-specific Use of Proceeds (UoP) categories.

TANGA UWASA BUSINESS OVERVIEW

Tanga Urban Water Supply and Sanitation Authority (here after referred as ‘the Authority’) provides water and sewerage services. The Authority operates in Tanga’s region, covering Tanga city, Muheza and Pangani townships. Based on publicly available information, the Authority serves 98 % of the population with clean water. The Authority serves a total of 50,340 customers with water, i.e., 93.4% are domestic customers and the rest are commercial, institutions, industrial, and kiosks. Additionally, the Authority also provides sewerage services to 17 % of the urban population. As of 30th June 2022, the group had an estimated annual turnover of TZS 16.7 billion.

Tanga UWASA is classified in the Water and Waste Utilities industry, as per ISS ESG’s sector classification.

ASSESSMENT SUMMARY

| SPO SECTION | SUMMARY | EVALUATION ¹ |
|--|--|---|
| Part 1: Alignment with GBP | The Issuer has defined a formal concept for its Green Bond regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles. | Aligned |
| Part 2: Sustainability quality of the Selection Criteria | <p>The Green Bond will (re)finance eligible asset categories which include:</p> <p>Green categories: Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency, Climate Change Adaptation.</p> <p>Product and/or service-related use of proceeds categories² individually contribute to one or more of the following SDGs:</p>  <p>Process-related use of proceeds categories³ individually improve (i) the Issuer's operational impacts and (ii) mitigate potential negative externalities of the Issuer's sector on one or more of the following SDGs:</p>  <p>The environmental and social risks associated with those use of proceeds categories are partially managed.</p> | Moderate |
| Part 3: Linking the transaction(s) to Tanga UWASA's ESG profile | <p>The key sustainability objectives and the rationale for issuing Green Bond are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, Issuer is not exposed to any severe controversies that have been identified.</p> | Consistent with Issuer's sustainability strategy |

¹ The evaluation is based on the Tanga UWASA's Green Bond Framework (as of September 14, 2023), and on the Indicative Corporate Rating and applicable at the SPO delivery date.

² Sustainable Water and Wastewater Management, Climate Change Adaptation

³ Sustainable Water and Wastewater Management, Renewable Energy, Energy Efficiency

SPO ASSESSMENT

PART I: ALIGNMENT WITH GREEN BOND PRINCIPLES

This section evaluates the alignment of the Tanga UWASA’s Green Bond Framework (as of September 14, 2023) with the Green Bond Principles.

| GREEN BOND PRINCIPLES | ALIGNMENT | OPINION |
|---|-----------|--|
| 1. Use of Proceeds | ✓ | <p>The Use of Proceeds description provided by Tanga UWASA’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer’s green categories align with the project categories as proposed by the Green Bond Principles, criteria are defined in a clear and transparent manner. Disclosure of distribution of proceeds by project category is provided and environmental benefits are described.</p> <p>The Issuer defines a look-back period of 36 months and exclusion criteria for harmful projects categories, in line with best market practice.</p> |
| 2. Process for Project Evaluation and Selection | ✓ | <p>The Process for Project Evaluation and Selection description provided by Tanga UWASA’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The project selection process is defined. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in this process and references in their Green Bond framework the Climate Bond Initiative specific sector criteria, in line with best market practice.</p> |
| 3. Management of Proceeds | ✓ | <p>The Management of Proceeds provided by Tanga UWASA’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are credited to a sub account and attested in a formal internal process. The net proceeds are managed per bond (bond-by-bond approach). Moreover, the Issuer</p> |

| | | |
|---------------------|---|---|
| | | discloses the temporary investment instruments for unallocated proceeds. |
| 4. Reporting | ✓ | <p>The allocation and impact reporting provided by Tanga UWASA’s Green Bond Framework is aligned with the Green Bond Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Tanga UWASA explains that the level of expected reporting will be at project category and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the bond matures.</p> <p>The Issuer is transparent on the information reported in the impact report, defines the reporting frequency of the impact reporting, and commits to get the allocation report audited by an external party, in line with best market practice.</p> |

PART II: SUSTAINABILITY QUALITY OF THE SELECTION CRITERIA

A. CONTRIBUTION OF THE GREEN BOND TO THE UN SDGs⁴

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed in by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.


1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).



The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the Green Bond's Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

| USE OF PROCEEDS (PRODUCTS/SERVICES) | CONTRIBUTION OR OBSTRUCTION | SUSTAINABLE DEVELOPMENT GOALS |
|--|-----------------------------|---|
| <p>Sustainable Water and Wastewater Management</p> <ul style="list-style-type: none"> ▪ Rehabilitation and extension of the drinking water supply network ▪ Rehabilitation and extension of the sewerage network and water treatment plant ▪ Rehabilitation and extension of wastewater collection and transport networks, wastewater treatment plants and sludge treatment facilities | Contribution |  |

⁴ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

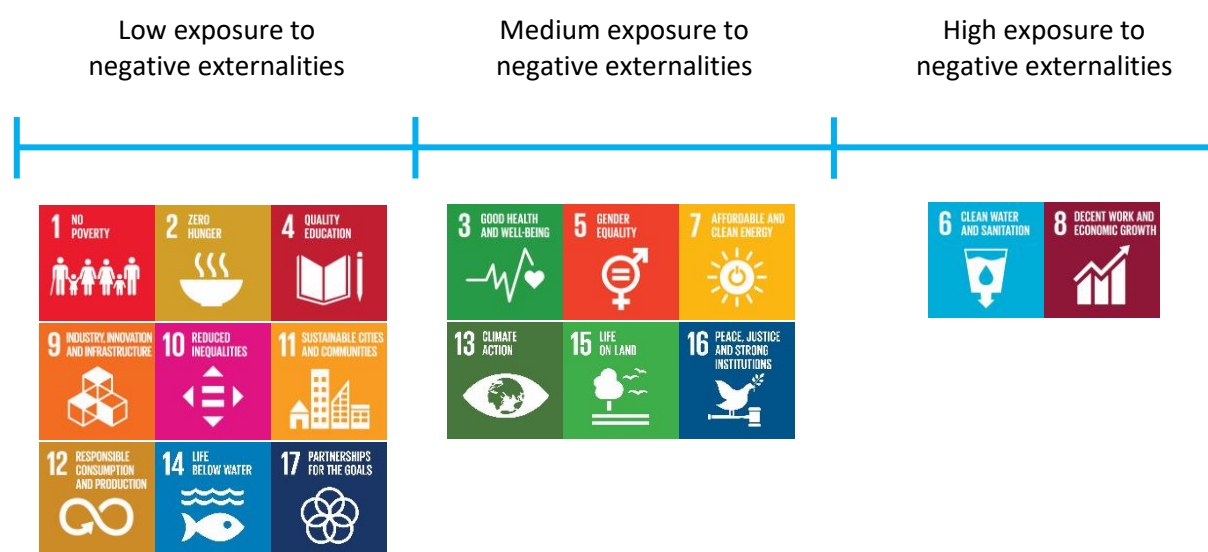
| | | |
|---|----------------------------|---|
| <p>Sustainable Water and Wastewater Management</p> <p>Construction of drinking water storage tanks and water kiosks, water connections areas where the services have not yet covered⁵</p> | <p>Contribution</p> |  |
| <p>Climate Change Adaptation</p> <ul style="list-style-type: none"> ▪ Project for Zigi River Banks protection and control of watershed ▪ Sustainable Land Management (SLM) project involving terracing for the protection of the river against siltation | <p>Contribution</p> |  |

⁵ Areas where the services have not yet been covered, including the outer zones of Marungu (population 3,612), Kirare (population 4,933), Chongoleani (population 5,882) and Mbugani (population 4,702) in Tanga City, Kimang'a (population 4,739) and Madanga (population 3,705) in Pangani Town and Mkwakwa-Mafleta (population 2,725) and Rusanga (population 4,754) in Muheza Town.




2. Improvements of operational performance (processes)

The below assessment aims at qualifying the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related UN SDGs impacted. The assessment displays how the UoP categories are mitigating the exposure to the negative externalities relevant to the business model and the sector of the Issuer.

According to ISS ESG SDG Impact Rating methodology, potential impacts on the SDGs related to negative operational externalities⁶ in the Water and Waste Utilities (to which Tanga UWASA belongs) are the following:






The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

| USE OF PROCEEDS (PROCESSES) | OPERATIONAL IMPACT IMPROVEMENT ⁷ | SUSTAINABLE DEVELOPMENT GOALS |
|--|---|---|
| <p>Sustainable Water and Wastewater Management</p> <p>Works for the reduction of unbilled water (installation of individual meters, measuring and leak detection equipment)</p> | ✓ |  |
| <p>Renewable Energy</p> <ul style="list-style-type: none"> Installation of solar energy infrastructures which will substitute the use of national grid for the supply of | ✓ |   |

⁶ Please, note that the impact of the Issuer’s products and services resulting from operations and processes is displayed in section 3 of the SPO.

⁷ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

| | | |
|---|---|---|
| <p>power in order to cut cost and operate with assured energy supply amid intermittent supply from the national grid</p> <ul style="list-style-type: none"> ▪ Potential Biogas generation from waste water available in the waste water stabilization ponds and DEWATS (implemented as a Pilot Project) ▪ Potential use of sludge to produce Bio-charcoal for domestic use (implemented as a Pilot Project) | | |
| <p>Renewable Energy</p> <p>Installation of water disinfection systems that uses solar energy converted into electrical energy (solar powered chemical dosing pumps)</p> | ✓ |  |
| <p>Renewable Energy</p> <p>Renewable energy based (solar, wind) for boreholes water pumping</p> | ✓ |  |
| <p>Energy Efficiency</p> <p>Future projects to be defined related to energy conservation and efficiency in the processes – a project is considered an energy efficiency improvement project if a 20% energy efficiency improvement is achieved as compared to existing project (baseline). Efficiency is measured as energy consumed / unit produced.</p> | ✓ |  |

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

All categories

The table below evaluates the Selection Criteria against issuance-specific KPIs. All of the assets are/will be located in Tanzania.

ASSESSMENT AGAINST KPIs

Labour, health and safety

There is only limited ratification of the ILO core conventions existing in Tanzania, where assets will be financed.

- Tanga UWASA has a policy in place concerning health and safety. The policy covers the implementation of systematically managing health and safety. The management involves conducting a risk assessment of the workplaces, which can be conducted by an occupational health and safety specialist and the report must be conceived by management for actions.

Conservation and biodiversity management

- ✓ The Issuer confirms that conservation and biodiversity risk rules are respected. An Environmental and Social Impact Assessment (ESIA) is conducted by an independent specialized E&S advisor familiar with safety and environmental impacts of the technology on and social challenges of the project location. Within this assessment the Issuer has identified the significant negative environmental and social impacts and their respective mitigation measures deriving from the development of water supply and sanitation systems. An Environmental and Social Action Plan (ESAP) and a stakeholder engagement plan have been identified. The Environmental and Social Management Plan (ESMP) set up by Tanga UWASA should indicate how the environmental concerns highlighted in the Environmental Impact Assessment (EIA) would be managed. Tanga UWASA will monitor the implementation of key contractor parties and assess compliance with the provisions of the ESMP through its contractual mechanisms and management.

Energy Efficiency

ASSESSMENT AGAINST KPIs

Environmental aspects of construction (or production) and operation

- ✓ A life-cycle-assessment was conducted during the preparation of the Authority's Business Plan.
- Tanga UWASA has no practices implemented to ensure systematic take-back and recycling at the end of life under this framework. Tanga UWASA has introduced efforts to orient the organization towards an improvement by allocating funds to engage consultants in developing a system that can help to improve their practices.
- Tanga UWASA has no systematic measures/policies in place ensuring that assets financed meet high environmental standards and requirements in the supply chain. The biomass used by Tanga UWASA derives from wastewater available in the wastewater stabilization ponds and DEWATS (implemented as a Pilot Project). The Issuer has planned a pilot project on installing solar panels and biogas production. The project has not been fully designed yet and is intended for implementation in 2024. During designing the Issuer will ensure to comply with environmental standards.

Energy efficiency

- Tanga UWASA does not have mechanisms in place to optimise energy efficiency measures systematically during operations. However, the Issuer has four variable Speed Drivers installed in the main water pumping station at the main water source (Mabayani Dam), which have partially reduced the energy use of the operations of Tanga UWASA.

Water and Wastewater

ASSESSMENT AGAINST KPIS

Environmental aspects of construction (or production) and operation

- ✓ The company has taken various measures to reduce leakages from the water distribution system. On the one hand, Tanga UWASA relies on reports from the public through hotlines and messages and performs daily visual inspections. On the other hand, the Issuer carries out weekly surveillance by assessing the water that goes into the zones through measuring the bulk meter against individual consumer readings. However, not all zones have bulk meters. Furthermore, Tanga UWASA monitors on a daily basis the allowed water use. However, it should be pointed out that the measures for leakage detection are mainly based on visual identification. Apart from these measures, the Issuer has a timely leak response and investments to rehabilitate the network and research projects (e.g., on improved leak detection technologies or pipeline materials). The repairs of the water supply system are started within 6 hours after Tanga UWASA has gotten knowledge of the leakage. Tanga UWASA is planning to implement a District Metered Area establishment project. During this project, the availability of technological

gadgets and equipment for leak detection is featured. The Issuer is also adopting a Non-Revenue Water Management Program in its management strategy.

The measures in place for repairing sewerage systems such as sewerage blockage and overflows are based on reporting by the public and through manual surveillance activities conducted by the Issuer on a daily basis. During the rain season the surveillance is done twice a day. During the surveillance typical risk areas are being investigated with special attention. These surveillances are made timely under the Sewerage Management.

○ Tanga UWASA has no systematic measures in place to reduce the environmental impacts of sewage sludge disposal. Some reduction of impact can be achieved by the Issuer by using the wastewater sludge for production of biogas. The pilot project will take place in a dedicated Decentralised Wastewater System which is located in Saruji Suburb. This is estimated to be equivalent to 5% of all the collected wastewater from the city. The wastewater that does not get used will, after screening procedures, be dumped into the Indian Ocean.

○ Tanga UWASA does not provide for high standards regarding water quality. The Issuer has a Water Safety Plan (WSP) in place, however, the WSP does not contain information on removal rates for Biochemical Oxygen Demand (BOC), Chemical Oxygen Demand (COD), nitrogen, phosphorus and suspended solids. The Issuer is in part constructing and equipping a new water laboratory.

○ There is no information available on the total freshwater use broken down by source and relevant geographical level. Tanga UWASA uses a dam along the Zigi River to extract water and returns excess water to the river directly.

Inclusion

✓ Tanga UWASA has a mechanism in place to provide fairly priced and/or subsidized participation for socially disadvantaged customers. The utility has a mechanism for providing water to low-income groups, who fail to secure self-house connections, by way of water kiosk. The applicable water tariff is the lowest for this category (subsidized by other customer categories). Tanga UWASA collaborates with the local offices (wards and street administration) of the Tanga City Council to identify the residents who qualify as urban poor and register them accordingly.

The Water Supply Regulations from 2019 provides for urban poor residents to be given water for free⁸ (up to 160 litres per day). To date Tanga UWASA is serving a total of 31 urban poor families. Tanga UWASA has the target to include all families which are identified by the City Council.

Water and Wastewater, Climate Change Adaptation

The table below evaluates the Selection Criteria against issuance-specific KPIs. All of the assets are/will be located in Tanzania.

⁸ <https://www.maji.go.tz/uploads/publications/sw1552315386-NAWAP0.pdf>, section III, part 4.4.

ASSESSMENT AGAINST KPIS

Environmental aspects of construction (or production) and operation

✓ An ESIA is conducted by an independent specialized E&S advisor familiar with safety and environmental impacts of the technology on and social challenges of the project location. During the ESIA an Environmental Management Plan was developed, detailing actions and responsibilities for impacts mitigation and monitoring.

✓ The ESIA covers high environmental standards and requirements during the construction phase. The Environmental and Social Management Plan identified impacts during the construction phase such as soil erosion and sediment transfer; noise pollution; air pollution; vibration and sets up mitigation measures, who is responsible and the estimated annual cost for the measures.

Community Dialogue

✓ Tanga UWASA ensures that the assets feature community dialogue as an integral part of the planning process. This is integrated in their ESIA through the Environmental and Social Impact Assessment. Disruption and destruction of public utilities have been identified as a social negative impact for which inter alia the mitigation measure of consulting, engaging and informing the surrounding community on the activities to be carried out within respective area was chosen.

The Issuer also has a program in place called "UWAMAKIZI", a community-based organization, which engages communities in the project implementation especially in regard to water sources.

On site safety

○ Tanga UWASA does not have a certified health and safety management in place. However, Tanga UWASA does obey to the Occupational Health and Safety Act, 2003⁹.

⁹ <https://procedures.tic.go.tz/media/OSHA%20ACT,%202003.pdf> .

PART III: LINKING THE TRANSACTION(S) TO TANGA UWASA'S ESG PROFILE

A. CONSISTENCY OF GREEN BOND WITH TANGA UWASA'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Tanga UWASA has set the following development and sustainability targets that are in line with the UN's 2030 Agenda for Sustainable Development.

- Achieve universal supply of water for Tanga City and Townships of Muheza and Pangani by 2030;
- Extend sanitation and sewage removal service to achieve universal access for Tanga City, Muheza Town and Pangani Town by 2030;
- Protection and conservation of Zigi and Mkurumuzi rivers catchments in all 105 villages found along the catchments by 2030;

Moreover, Tanga UWASA aims at improving the livelihood and serving the population with the following social objectives:

- Job creation in areas better served with water supply and through the expansion projects;
- Community empowerment for underserved population, especially in Muheza, Pangani, Horohoro and Kasera;
- Women empowerment, reducing the daily burden of water collection that falls on women and girls, promoting women entrepreneurship and girls' attendance to schools;
- Improvement of public health and hygiene, particularly in the context of the area's strong population growth and urban extension by provision of sufficient, clean and safe water and safely and efficient removal of wastewater from residential and commercial settings;
- Serving the urban poor, including provision of free water at a rate of 160 liters per day throughout the year to ensure inclusivity, and;
- Donation to the public schools and hospitals in different forms including support in the tooling and equipping their labs and other forms of collaboration programs

Tanga UWASA's Business Plan adopts the requirements of the national adaptation directives, including the National Water Policy 2002 (NAWAPO) of Tanzania that established a comprehensive framework for sustainable development and management of Tanzania's water resources, and the prospects of the implementation of the Water Sector Development Program (WSDP) that sets out the strategy for implementation of the NAWAPO. However, there's no information available on whether the Issuer is signatory to any industry alliances or collective commitments.

Tanga UWASA collaborates with other local, national, regional and international organizations, including the Government, other bodies entrusted with the protection and security of the water sources and environmental sustainability such as Pangani Basin Water Office (PBWO) and the National Environmental Management Council (NEMC), as well as World Wildlife Fund (WWF) and the United Nations Development Program (UNDP), Government of Tanzania (GoT) through the Ministry of Water (MoW) to achieve the environmental objective to conserve and protect Zigi and Mkurumuzi Rivers' water quality.

Tanga UWASA has an EHS risk management system in place to ensure safety of projects and people involved and in compliance with National regulations. It assesses all projects prior to implementation of any project and measures to ensure all risks are mitigated, managed or eliminated from the environment, the people (including project staff and communities around) and to comply to all legal and statutory requirements pertaining to environmental protection and safety of the people involved. Moreover, Tanga UWASA observes all the requirements of the Occupational Safety and Health Act (OSHA, 2003) in part to ensure that project implementation does not bear any legal consequences and fail to obtain social acceptance among the communities involved.

Tanga UWASA states that it is governed by a Board of Directors who has the overall responsibility for the Governance and Sustainability of the utility.

Tanga UWASA discloses a forecast of total TZS 53,642,752,614 eligible expenditure items in the Green Bond Framework. It has developed the Business Plan (2023/24 – 2025/26) to identify 13 key strategic issue, as well as the relevant objectives and actions plan, that includes Universal access to clean, safe and adequate water supply for Tanga City, 95% for Muheza and 95% for Pangani townships achieved by June, 2026; Sanitation services improved to cover 70% of the service area by June 2026; and Collection efficiency maintained at above 95% by June 2026. However, the Issuer does not have any verified Science-based target, and there is no information available on whether the Issuer follows relevant ESG reporting guidelines.

The Issuer has never issued any green/ social/ sustainable/ sustainability-linked issuances or transactions before.

Rationale for issuance

Tanga UWASA's main customer base is the city of Tanga City, together with Pangani and Muheza Townships. This market translates into an estimated population of more than 451,885 people in 88,041 households. As of June 2022, the Authority was supplying water covering 96.7% of the City Population, 70% and 89% for Muheza and Pangani respectively. Tanga UWASA's main challenge ahead is the fast-growing rate of the population in the area it serves and the related urbanization, generating pressure on the supply side. To meet this growing demand, Tanga UAWASA has established a strategy for water supply expansion.

The Green Bond Framework is in line with its Strategic and Business Plans, and its Sustainability Strategy, which form the basis for future Green Bonds Issuer for the sustainable implementation of environmental management and water source conservation programs.

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

B. TANGA UWASA’S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer’s industry

The Issuer is classified in the Water and Waste Utilities, as per ISS ESG’s sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

| ESG KEY ISSUES IN THE INDUSTRY |
|---|
| Worker safety and accident prevention |
| Accessibility and reliability of water supply |
| Energy management and resource efficiency |
| Environmentally safe operation of plants and infrastructure |

ESG strengths and points of attention related to the Issuer’s disclosures

Leveraging ISS ESG’s Research, the following strengths and points of attention¹⁰ have been identified:

| STRENGTHS | POINTS OF ATTENTION |
|--|--|
| <p>The Company has disclosed information on having several components of a health and safety management system, which includes an incident management plan, a health and safety committee, and trainings for employees in emergency situations.</p> <p>The Company has reported information on sustainable water withdrawal that covers monitoring of water sources for various water quality parameters and coordination with relevant stakeholders to prevent water pollution. Additionally, the company is involved</p> | <p>The Company has disclosed some measures to ensure access to water for economically disadvantaged customers i.e., providing free access to water and differentiated tariffs for low-income groups. However, information on further measures covering economically disadvantaged and vulnerable customers is missing.</p> <p>The Company has not disclosed data on accident rate and fatalities of employees and contractors.</p> |

¹⁰ Please note that Tanga UWASA is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Water and Waste Utilities sector, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research’s methodology.

in the rehabilitation of old pipes and has implemented measures to prevent sewer flooding by raising awareness among customers to avoid sewer blockages and maintaining sewer cleaning on a regular basis.

The Company has taken measures to reduce leakages from the water distribution systems, which include conducting regular inspections and improved pressure management. Further, the company has reported data on the leakage rate of drinking water for three consecutive years.





The Company has not reported information on its greenhouse gas emission inventories.

The Company has not disclosed information on sewage sludge treatment and quality of treated wastewater.

Please note that the consistency between the issuance subject to this report and the Issuer's sustainability strategy is further detailed in Part III.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG's Sustainability Solutions Assessment methodology, the contribution of the Issuer's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed as per the table below. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer's production process.

| PRODUCT/SERVICES PORTFOLIO | ASSOCIATED PERCENTAGE OF REVENUE ¹¹ | DIRECTION OF IMPACT | UN SDGS |
|--|--|---------------------|---|
| Water and/or wastewater services for residential customers | 88.9% | CONTRIBUTION |   |
| Water and/or wastewater services for corporate customers | 6.3% | CONTRIBUTION |   |

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

¹¹ Percentage presented in this table are not cumulative

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Water and Waste Utilities industry are as follows: Anti-competitive behaviour, failure to mitigate climate change impacts, failure to prevent radioactive pollution.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the environmental added value – of the use of proceeds of Tanga UWASA’s Green Bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Tanga UWASA (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Tanga UWASA’s Green Bond contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

Tanga UWASA commissioned ICS to compile a Green Bond SPO. The Second Party Opinion process includes verifying whether the Green Bond Framework aligns with the Green Bond Principles and to assess the sustainability credentials of its Green Bond, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)

ISSUER'S RESPONSIBILITY

Tanga UWASA's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks 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 Second Party Opinion of the Green Bond to be issued by Tanga UWASA has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles.

The engagement with Tanga UWASA took place from May to September 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 SPO

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

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

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

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