

EDRA SOLAR SDN BHD

- **ASEAN SUSTAINABILITY SRI SUKUK**

PROPOSED ISLAMIC MEDIUM-TERM NOTES ISSUANCE OF UP TO
RM245 MILLION IN NOMINAL VALUE

SECOND OPINION REPORT 6 September 2019

Analysts

Dinakaran Chandra
(603) 3385 2548
dina@ram.com.my

Gladys Chua
(603) 3385 2611
gladys@ram.com.my

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Edra Solar Sdn Bhd's (Edra Solar or the Issuer) Proposed ASEAN Sustainability SRI Sukuk (the Proposed Sustainability Sukuk) is **aligned with the transparency and disclosure requirements of the ASEAN Green Bond Standards (ASEAN GBS), the ASEAN Social Bond Standards (ASEAN SBS), the ASEAN Sustainability Bond Standards (ASEAN SUS) as well as the globally recognised Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG).** The Proposed Sustainability Sukuk also adheres to the transparency and disclosure requirements of Securities Commission Malaysia's (SC) Sustainable and Responsible Investment (SRI) Sukuk Framework. Edra Solar's Proposed Sustainability Sukuk Framework provides clarity on important aspects such as the intended use of the proceeds, the processes for project evaluation and selection, the processes for the management of the proceeds, and the Issuer's future reporting commitments.

Proceeds from the Proposed Sustainability Sukuk will be used to refinance shareholder loans obtained to fund the project cost of the 50 MW solar power plant at Kuala Ketil, Kedah, which includes the cost of land allocated for pineapple cultivation and other crops (agriculture project) by local farmers. Bulk of the sukuk proceeds (96% or RM235 million) will be used to refinance the cost associated with the solar plant while the remaining (4% or RM10 million) represents the land cost for the agriculture project. Solar power generation is recognised as an eligible green project under the SRI Sukuk Framework, the ASEAN GBS and the GBP. Additionally, the buffer zone surrounding the solar facility for the agriculture project by local farmers is a community project for socioeconomic advancement; it is recognised under the SRI Sukuk Framework, the ASEAN SBS and the SBP.

Malaysia has the potential to generate clean and renewable energy. Generating electricity via solar photovoltaic systems leaves a much smaller carbon footprint compared to fossil fuel-enabled power production. RAMC opines that the solar project conforms with Malaysia's renewable energy commitments and emission-reduction targets. The solar project also has the potential to stimulate the socioeconomic development of the surrounding community.

Edra Solar's power project commenced operations on 25 February 2019. It is expected to generate approximately 78,840 MWh per year. Sustainable project management requires the assessment of issues and challenges within the local context. While the regulations did not require an Environmental Impact Assessment (EIA), the Issuer has prepared an Environmental Management Plan to systematically identify key environmental risks and mitigating action plans pertaining to the construction, operation and maintenance of the solar project. A designated safety, health and environment (SHE) officer has been appointed to supervise the adequacy of its environmental monitoring programme, the implementation of mitigation measures and the effectiveness of SHE training and awareness programmes.

RAMC notes that the ultimate parent company of Edra Solar, China General Nuclear Power Corporation (CGN), had also issued green bonds and green loans in the past. Therefore, this Proposed Sustainability Sukuk is aligned with the strategic aspirations of CGN.

SUMMARY OF SECOND OPINION ON EDRA SOLAR'S PROPOSED ASEAN SUSTAINABILITY SRI SUKUK

RAMC's Environmental Benefit assessment tiers projects and solutions based on their overall contributions to 2 Degree Scenario (2DS). Top-tiered projects comprise technologies that decarbonise the energy system. **RAMC has assigned a Tier-1 Environmental Benefit** to the solar project financed by Edra Solar's Proposed Sustainability Sukuk.



Edra Solar's agriculture project will be managed by Pertubuhan Peladang Kawasan Kuala Ketil (PPKKK), together with local farmers. PPKKK, also known as the Farmers Organisation Authority, is a Malaysian government agency under the Ministry of Agriculture and Agro-based Industry. This project has the potential to raise the income of agro-entrepreneurs in the district and provide employment opportunities to local communities. Edra Solar had via a letter dated 20 August 2019 to RAMC and OCBC Al-Amin Bank Berhad signified its commitment to the social agricultural development project over the life of the Proposed Sustainability Sukuk.

RAMC's Social Benefit assessment tiers projects and solutions based on their overall contribution to society. As Edra Solar's agriculture project is a long-term but relatively small social scheme at a district level, **RAMC has assigned a Tier-3 Social Benefit** to this project under the Issuer's Proposed Sustainability Sukuk. The Proposed Edra Solar ASEAN Sustainability SRI Sukuk also carry a credit rating from RAM Rating Services Berhad¹.

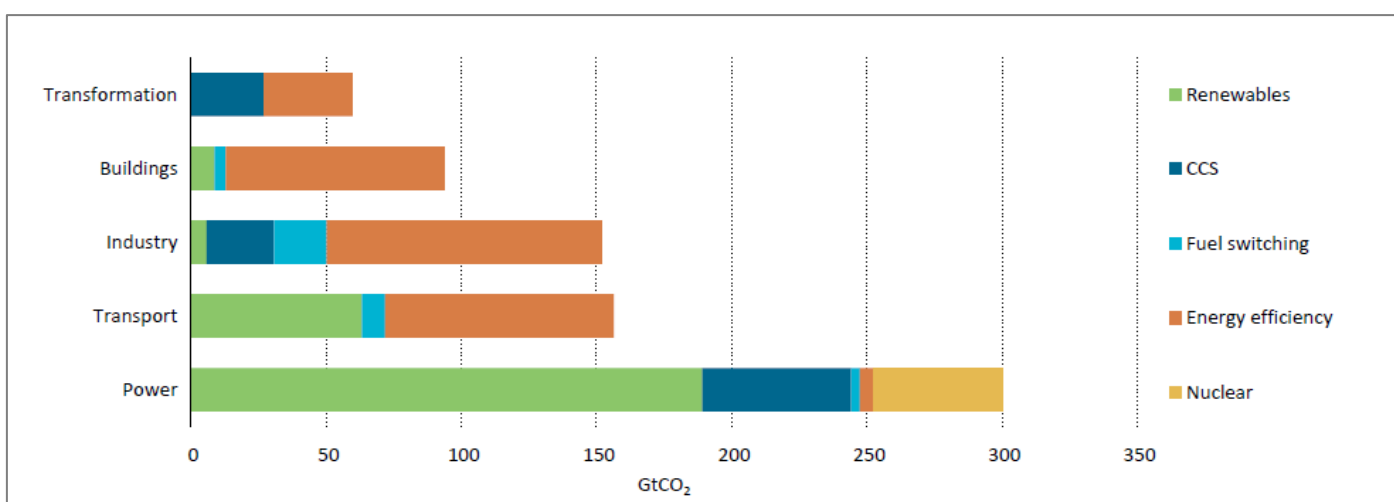


¹ For more details, please refer to the credit rating rationale on www.ram.com.my

RAMC'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION

Climate change represents a fundamental threat to the planet and society, and is transforming life on Earth. The effects of climate change are wide-ranging and can be observed everywhere in our biosphere. The COP21 sets a global action plan for the 197 participating governments, including the Government of Malaysia (GoM), to limit global warming to well below 2°C above pre-industrial levels (2 Degree Scenario or 2DS). In addition, these countries have committed to the United Nations' 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance to the planet and society. The International Energy Agency has identified the industries for which reductions in carbon emissions should be targeted for achievement by 2050. A portfolio of low-carbon technologies is needed to reach 2DS; some solutions will be broadly applicable while others will need to target specific sectors.

Figure 1: Cumulative CO₂ reduction by sector and technology in 2DS, up to 2050



Source: Energy Technology Perspectives 2017, International Energy Agency

The ultimate objective of green bonds/sukuk is to facilitate the financing of environmentally friendly solutions that can help mitigate the effects of climate change and/or create value for the surrounding ecosystem. RAMC's green bond/sukuk assessment incorporates a subjective evaluation of a project's contributions to a low-carbon, sustainable future. The transparency and disclosure strength of the green bond/sukuk is also a key consideration. RAMC's Environmental Benefit assessment can be categorised as follows:

RAM Environmental Benefit Tier-1

- The project is an important component of a low-carbon future and has clear, demonstrable environmental benefits.
- The project directly contributes towards substantial and sustainable reductions of greenhouse gas emissions.

RAM Environmental Benefit Tier-2

- The project is aligned with the goals of a low-carbon future and has some demonstrable environmental benefits.
- The project directly contributes towards improvement in greenhouse gas emissions.

RAM Environmental Benefit Tier-3

- The project has minimal contribution to a low-carbon future and has minimal demonstrable environmental benefits.
- The project indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

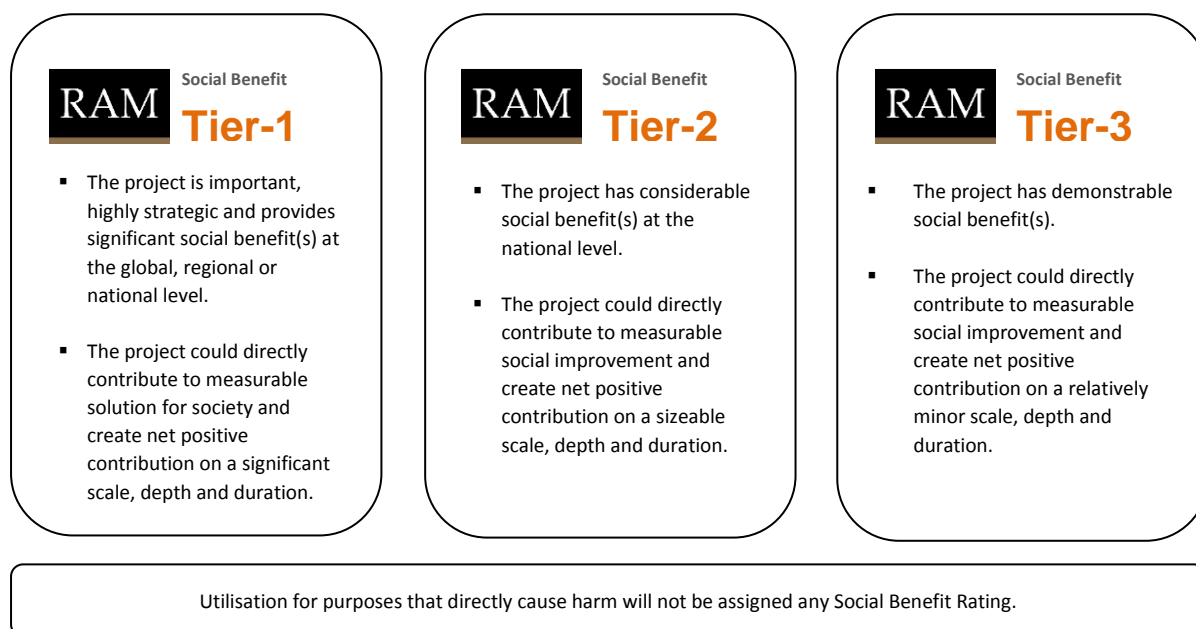
Projects that do not conform with the long-term vision of the 2 Degrees Scenario reaffirmed under COP21 will not be assigned any Environmental Benefit Rating.

RAMC'S SOCIAL BENEFIT ASSESSMENT AND DEFINITION

Besides seeking solutions to concerns about climate change and the environment, an important facet of sustainability includes addressing social well-being in an increasingly complex and diverse environment. Social well-being can typically be linked to inclusive economies that reduce poverty levels, coupled with the availability of health, education, clean water, sanitation and energy services, affordable housing, and other social improvements, including equality. A social bond/sukuk is an instrument that can finance such social agenda.

RAMC's social bond/sukuk assessment is a quantitative and qualitative evaluation of a project's contribution to potential social solutions. RAMC considers the strategic importance of the project and its direct and measurable social benefits. The project's scale, depth and duration are also key considerations.

RAMC's Social Benefit assessment can be categorised as follows:



1. SCOPE AND OBJECTIVES

RAMC has been appointed to provide a second opinion on the Proposed Sustainability Sukuk. This second opinion covers an assessment of the Proposed Sustainability Sukuk against the disclosure requirements of the following guidelines and standards:

- The SC's **SRI Sukuk Framework**²
- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**³
- The ACMF's **ASEAN SBS**⁴
- The ACMF's **ASEAN SUS**⁵
- The International Capital Market Association's (ICMA) **GBP**⁶
- The ICMA's **SBP**⁷
- The ICMA's **SBG**⁸

Our assessment relies on public information and data provided by the Issuer. We have not undertaken any audit or other related activity to ascertain the validity or accuracy of the information provided.

2. CORPORATE PROFILE

Edra Solar is a wholly owned subsidiary of Edra Power Holdings Sdn Bhd (Edra). Edra Solar currently owns and operates a 50 MW large-scale solar photovoltaic plant (the solar project) at Kuala Ketil, Kedah (Malaysia). Its parent, Edra, is one of Malaysia's largest independent power producers, with a portfolio of 14 operating power plants in 5 countries including this large scale solar photovoltaic plant. Edra has a gross plant capacity of 8,740 MW and an effective capacity of 5,579 MW. This is the first renewable energy project under Edra Solar.

Edra Solar is wholly-owned by Edra which is held by CGN (63%) and China Southern Power Grid Co. Limited (37%). CGN also boasts a sizeable portfolio of renewable energy projects encompassing wind, solar and biomass power in China, Singapore, France, Australia, South Korea, the US, the UK and Namibia.

² Chapter 7 of Part 3 of Section B of the Guidelines on Unlisted Capital Market Product issued by the SC (SRI Sukuk Framework). The SRI Sukuk Guidelines were launched by the SC in August 2014, to facilitate the financing of assets and projects with sustainable benefits.

³ The ASEAN GBS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS had been developed based on the ICMA's GBP, and were issued in November 2017. The document was subsequently updated in October 2018. The ASEAN GBS are meant for issuers who intend to issue green bonds within the ASEAN region.

⁴ The ASEAN SBS, developed by the ACMF, are aimed at enhancing the transparency, consistency and uniformity of ASEAN Social Bonds. The ASEAN SBS had been developed based on the ICMA's SBP, and were issued in October 2018. The ASEAN SBS are for issuers who intend to issue social bonds within ASEAN.

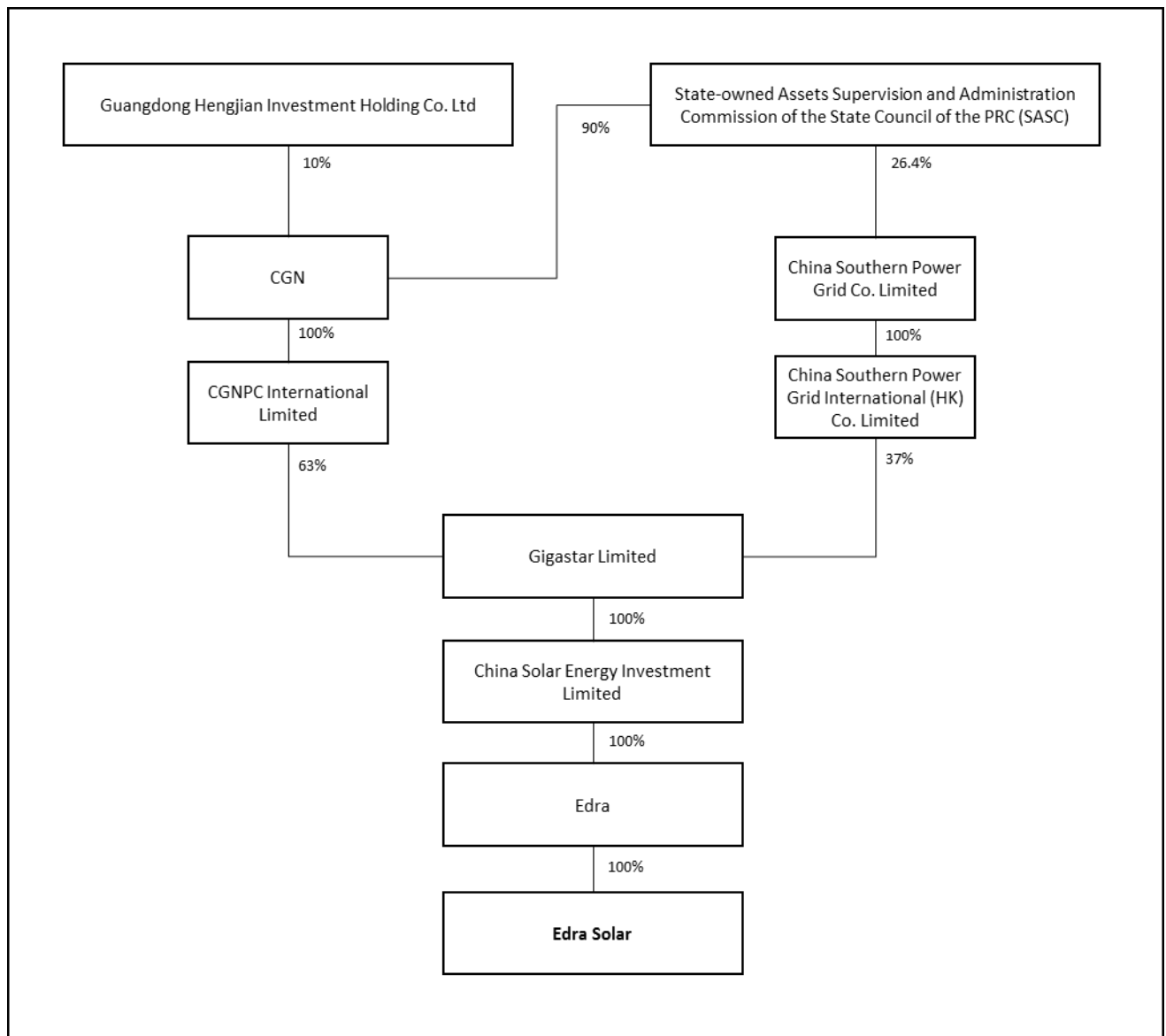
⁵ The ASEAN SUS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Sustainability Bonds. The ASEAN SUS had been developed based on the ICMA's SBG, and were issued in October 2018. The core components of the ASEAN GBS and ASEAN SBS also apply to ASEAN Sustainability Bonds.

⁶ The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014, before being updated in June 2018. The GBP are meant for broad use by a variety of participants in the green bond market, to facilitate the flow of financing to climate-friendly solutions.

⁷ The SBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The SBP are meant for broad use by a variety of participants in the social market, to facilitate funding for projects that address global social challenges.

⁸ The SBG, developed by the ICMA, are guidelines for the confirmation of the relevance of the GBP and SBP, as well as to improve the application of their guidance on transparency and disclosure measures for the Sustainability Bond Market. The core components of the GBP and SBP also apply to Sustainability Bonds.

Diagram 1: Edra Solar's shareholding structure (as at 29 April 2019)



Source: Edra Solar

3. REVIEW OF EDRA SOLAR'S ASEAN SUSTAINABILITY SRI SUKUK FRAMEWORK

The reviewed focus areas are grouped under four principles that are embedded in the following applicable standards and guidelines - the **SRI Sukuk Framework**, the **ASEAN GBS**, the **ASEAN SBS**, the **ASEAN SUS**, the **GBP**, the **SBP** and the **SBG**:

- (i) Utilisation of Proceeds
- (ii) Project Evaluation and Selection
- (iii) Management of Proceeds
- (iv) Reporting Commitments

For a detailed comparison, please refer to **Appendix 1** for the SRI Sukuk Framework Checklist, **Appendix 2** for the ASEAN SUS Checklist, and **Appendix 3** for the SBG External Review Form.

3.1. Utilisation of Proceeds

For Eligible Green Project

The 50 MW solar project commenced commercial operations on 25 February 2019. It had been fully funded by Edra in the form of ordinary shares and shareholder loan. The proceeds from Edra Solar's Proposed ASEAN Sustainability SRI Sukuk, representing 78% of the total project cost (RM315 million), **will be used to repay the shareholders' loan**. The project's costs composition: (i) 66% engineering, procurement and construction (EPC) and non-EPC expenses; (ii) 21% land acquisition and associated costs; (iii) 2% custom duties and taxes; and (iv) 11% other development expenditure and interest on shareholders' loan.

The SRI Sukuk Framework, the ASEAN GBS and the GBP recognise several categories of eligible green projects. Broadly defined, green projects refer to innovative, climate-friendly solutions that help deliver clear environmental benefits. Renewable energy projects are deemed green under the three guidelines and standards (refer to Table 1). Solar power as a source of renewable energy is clean and infinite. In addition, solar power has a negligible carbon footprint compared to power generated by fossil fuels.

Exclusion criteria determine specific activities that will not be considered in the bond or sukuk issuance. Under the ASEAN GBS, fossil fuel-powered energy projects are not recognised as eligible green projects. The proceeds of the sustainability sukuk are only intended to be used for the solar project and agriculture project.

Table 1: Renewable energy - eligibility under SRI Sukuk Framework, ASEAN GBS and GBP

GBP	ASEAN GBS	SRI Sukuk Framework ⁹
Use of proceeds – renewable energy (including production, transmission, appliances and products)	Item 4.1.5 (i) Use of Proceeds – renewable energy	Item 7.04 (b)(i) – new or existing renewable energy (solar, wind, hydro, biomass, geothermal and tidal)

For Eligible Social Project

The Issuer will allocate the buffer zone of the solar facility for the agriculture project by local farmers. The value of the land earmarked for the agriculture project is estimated at RM10 million. This project represents the social dimension of the Proposed Sustainability Sukuk. The inclusion of the social project under Edra Solar's Proposed Sustainability Sukuk Framework is recognised under the SRI Sukuk Framework, the ASEAN SBS and the SBP.

Table 2: Agriculture project for local farmers - eligibility under SRI Sukuk Framework, ASEAN SBS and SBP

SBP	ASEAN SBS	SRI Sukuk Framework ¹⁰
Use of proceeds – socioeconomic advancement and empowerment	Item 4.1.6 (vi) Use of Proceeds – socioeconomic advancement and empowerment	Item 7.04 (c)(iii) – community services

The solar project site spans 260 acres, of which more than 15% (40 acres) of the land will be provided for farming of pineapple and other crops. We were informed by Edra Solar that the local farmers will rotate the pineapples with a special grass to aid in soil recovery. The special grass will be cut and transported out of the farm to be used as feed for livestock before the next pineapple planting cycle begins.

⁹ As per the SC's *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*, issued on 9 March 2015 and revised on 11 October 2018 (Guidelines on LOLA Framework)

¹⁰ As per the SC's *Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework*, issued on 9 March 2015 and revised on 11 October 2018 (Guidelines on LOLA Framework)

The purchase of land for the solar project had initially been partially financed by a shareholders' loan, which will be repaid via the proceeds from Edra Solar's Proposed Sustainability Sukuk. The provision of a buffer zone enables local farmers to generate additional income from the otherwise vacant land.

The agriculture project will be managed by PPKKK and local farmers on a 70:30 basis in terms of capital, risks and rewards. PPKKK, also known as the Farmers Organisation Authority, is a Malaysian government agency under the Ministry of Agriculture and Agro-based Industry. The agency promotes the development of professionally managed farmers' organisations (such as PPKKK), to deliver effective services to commercial farmers. At present, 1,531 agriculture-based cooperatives and 119 farmers' organisations service agro-societies in rural areas.¹¹ The PPKKK counts 2,693 farmers as members/shareholders.

Overall, the use of proceeds of the Proposed Sustainability Sukuk is anticipated to create both positive environmental and social effects and is consistent with United Nations Sustainable Development Goals. Additionally, Edra Solar had via a letter dated 20 August 2019 to RAMC and OCBC Al-Amin Bank Berhad signified its commitment to the social agricultural development project over the life of the Proposed Sustainability Sukuk.

3.2. Project Evaluation and Selection

The Issuer has commissioned an independent party to evaluate the feasibility of implementing a large-scale solar project. The site-selection process had included a detailed assessment of the following:

- I. Proximity to high-voltage electrical grids
- II. Topography of the terrain
- III. Accessibility of the site
- IV. Land use
- V. Seismic and flooding risks

As part of the feasibility assessment, an environmental and social evaluation had been conducted to identify the potential significant risks and effects that can manifest during project implementation. The analysis had considered the following factors:

- I. Size of the project area
- II. Value of the existing physical, natural and human environment
- III. Probability of occurrence of rare and endangered species
- IV. Impact on protected areas
- V. Need for resettlement
- VI. Significant aggregate environmental effects arising from changes in the physical environment

The Issuer's Corporate Finance and Project Team had spearheaded the project evaluation and site selection process. The Issuer had also obtained a No Objection Letter from the Department of Environment (DOE) Kedah, Malaysia on 1 January 2015. The processes employed are consistent with industry practices in terms of large-scale solar power development in Malaysia.

With respect to the pineapple cultivation project, a soil assessment had been conducted to ensure the suitability of the project site for agriculture. The following observations had been made:

- I. The soil is rich in mineral content, sediment, sand and humus.
- II. Soil has a high PH value and calcium content.
- III. Good moisture-holding ability.
- IV. Milie Dillard (MD2)/Moris pineapple is ideal to be planted on this project site.

¹¹ As per the Official Portal of the Farmer's Organisation Authority, on 15 July 2019 (website: www.lpp.gov.my)

3.3. Management of Proceeds

The net proceeds from the Proposed Sustainability Sukuk, representing 78% of the total project cost (RM315 million), **will be used to repay the shareholders' loan.**

3.4. Reporting Commitments

Transparency in reporting is an important characteristic of sustainability bonds or sukuk. Edra has committed itself to reporting the following to the sukukholders, via its corporate website (refer to **Table 3**):

Table 3: Issuer's reporting commitments

Use of Proceeds Reporting	<ul style="list-style-type: none">▪ All proceeds will be immediately used to repay the shareholders' loan▪ Edra Solar will appoint an auditor or other third party to verify the use of the proceeds
Annual Impact Reporting	<ul style="list-style-type: none">▪ Impact objectives from the solar plant, where feasible and to the extent possible▪ Installed capacity of the plant (MW)▪ Annual electricity generated by the plant (MWh)▪ Corresponding GHG emissions avoided annually (tCO₂-e)▪ Number of farmers supported▪ Number of jobs created▪ Revenue generated for the community (RM)

Given the various assumptions and calculation methods used to compute carbon emissions, the calculation of carbon emission avoidance can be supplemented by disclosing the methodology employed and the emission conversion factors used. Furthermore, disclosure of *ex-ante*¹² estimates developed during the project's design stage will allow comparison between the project's actual impact and initial projections.

¹² Based on forecasts.

4. SUSTAINABILITY ASSESSMENT

4.1. National-Level Drivers

RAMC opines that Edra Solar's Proposed Sustainability Sukuk will support national-level objectives vis-à-vis renewable energy and agriculture.

Table 4: National-level objectives and plans

Category	National-Level Objectives and Plans
Renewable energy	The Government of Malaysia (GoM) aims to raise the proportion of renewable energy in the national energy mix, from the current 2% to 20% by 2025. Enforced in 2011, the Renewable Energy Act is aimed at increasing the contribution of clean and renewable energy sources such as solar photovoltaic, biomass, biogas and hydro in Malaysia's electricity generation mix. An important driver of the renewable energy industry is the feed-in-tariff mechanism, implemented and managed by the Sustainable Energy Development Authority of Malaysia. The mechanism supports the growth of the renewable energy industry by providing guaranteed long-term contracts for power generated by renewable energy sources.
Agriculture	Agriculture is an important sector of the Malaysian economy. The GoM aims to turn Malaysia into a significant part of the global agriculture supply chain. The development of agriculture-based SMEs is an important focus area under the National Agricultural Policy. Therefore, initiatives that support the development of agro-entrepreneurs (smallholder farmers) have the potential to increase the number of jobs, elevate rural incomes and create more value-added products in the market.

4.2. Group-Level Assessment

The 50 MW solar project in Kuala Ketil represents Edra's first renewable energy venture. This project represents part of Edra's expansion into renewable energy. In addition, the project is aligned with the strategic mission of the ultimate parent company, CGN, i.e. is to develop clean energy. RAMC notes that CGN had issued long-term green bonds in the past. In June 2019, CGN secured a USD500 million green loan for its first offshore syndication in almost 30 years. Therefore, Edra Solar's Proposed Sustainability Sukuk is aligned with CGN's strong sustainability push and focus on green assets.

The Issuer adheres to the Environmental Policy established by CGN. This policy requires Edra Solar to promote environmental awareness among its employees, contractors, suppliers and business partners while implementing sound environmental controls to mitigate adverse effects. We were informed by the management that Edra Solar aims to obtain the relevant ISO certification by early 2020.

Targeted ISO Certification by Edra Solar	
14001	Environmental Management System
9001	Quality Management System
27001	Information Security Management
45001	Occupational Health and Safety

RAMC has undertaken a media scan of Edra Solar and its shareholders on the web. As at 22 August 2019, we have not observed any controversies pertaining to its ESG practices.

4.3. Sustainability Management

The project site had previously been used for oil palm cultivation. The Issuer has also received a “no objection” letter from the DOE.

The operational activities at a solar farm would include daily maintenance, provision of site security, periodic maintenance of vegetation as well as repair and replacement of solar equipment. Therefore, minimal environmental impact is anticipated due to low levels of activity and undemanding maintenance requirements. During the operation of the plant, electricity generation using photovoltaic modules does not emit any pollution and does not generate greenhouse gases. In addition, operational waste streams are envisaged to be insignificant. The plant’s electrical components (i.e. inverters, transformers, electrical cabling) would likely need to be replaced over the lifecycle of the solar facility. The repair and replacement of these components would result in some waste during operations. The Issuer has highlighted that the electrical and electronic waste will be disposed off according to applicable scheduled waste regulations in Malaysia.

The Issuer has prepared an Environmental Management Plan (EMP) to address key environmental and safety risks with respect to the construction phase of the project. We were informed by Edra that it will comply with the requirements of the EMP during the operational phase. The EMP also incorporates an Erosion Soil Control Plan, as required by the DOE. The EMP considers the relevant environmental-related regulations¹³ in Malaysia and environmental guidelines¹⁴ established by the DOE. Therefore, the project is expected to conform with the requisite regulations in Malaysia.

RAMC notes that the Issuer has implemented adequate health and safety measures at the project site. A designated SHE officer has been appointed to supervise the adequacy of the environmental monitoring programme, the implementation of mitigation measures, and the effectiveness of SHE training and awareness programmes.

The agriculture project will be managed by PPKKK. A technical committee has been established to execute this project with committee members from the following entities:

- I. PPKKK
- II. Jabatan Pertanian Negeri Kedah
- III. Lembaga Perindustrian Nanas Malaysia
- IV. Federal Agricultural Marketing Authority (FAMA)
- V. Pertubuhan Peladang Negeri Kedah


¹³ (i) Environmental Quality Act, 1974 and Amendments (ii) Environmental Quality (Clean Air) Regulations 2014 (iii) Environmental Quality (Environmental Noise Limits and Control) Regulations, 1997 (iv) Environmental Quality (Scheduled Waste) Regulations 2005 (v) Environmental Quality (Sewage) Regulations 2009 (vi) Occupational Health and Safety Act, 1994

¹⁴ (i) Guidelines for Erosion and Sediment Control in Malaysia (JPS, October 2010) (ii) Recommended Malaysian Air Quality Guidelines (DOE) (iii) The Planning Guidelines for Environmental Noise Limits and Control (DOE 2007) (iv) Environmental Audit Guidance Manual (DOE)

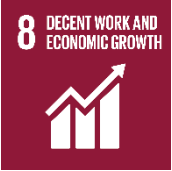
4.4. Sukuk Positive Impact Creation

RAMC anticipates on a combined basis the solar project and agricultural activities to yield measurable positive effects for the economy, the environment and society in general. **Table 6** highlights the positive effects that may be expected.

Table 6: Positive impact created and alignment with United Nations' Sustainable Development Goals & Targets

Positive Impact	Description	Alignment with United Nations' Sustainable Development Goals
Renewable energy	<p>Climate change is a serious planetary threat and may have costly repercussions on global communities and economies. Approximately two-thirds of the world's GHG emissions today can be attributed to energy production and systems. Therefore, the energy sector plays a critical role in global efforts to mitigate the effects of climate change. The transition towards low-carbon energy systems is already taking place. Renewable energy provides a means to generate electricity from clean and sustainable sources such as sunlight, wind, hydro, biomass and other renewable resources. The deployment of renewable energy solutions could significantly reduce the GHG emission intensity of the global energy system. As such, investments in renewable energy ought to be scaled up so that the world can achieve the emission reduction goals set out under the Paris Climate Accord. RAMC opines that innovative renewable energy will be a key component in the building of a low-carbon future. According to the International Renewable Energy Agency, renewable sources could account for 65% of global energy use by 2050.</p> <p>The solar facility is projected to generate approximately 79 GWh of clean energy in the first year of operations. Compared against the grid emission intensity¹⁵ for Peninsular Malaysia, this translates into potential avoidance of approximately 54,715 tonnes of carbon emissions for the year.</p>	

¹⁵ Baseline CO₂ for Peninsular Malaysia = 0.694 tCO₂ metric tonnes/MWh (2014) (source: Sustainable Energy Development Authority Malaysia)

Positive Impact	Description	Alignment with United Nations' Sustainable Development Goals
Socioeconomic advancement and empowerment	<p>The agriculture project will create employment opportunities for the local community in Kuala Ketil. The project is estimated to require 106 workers from various agronomic area such as planting, weed control, harvesting, grading, transportation and marketing.</p> <p>The project also has the potential to increase the income of agro-entrepreneurs registered under PPKKK. The estimated gross income per cycle (14 months) for the entire pineapple cultivation farm is RM684,000 (approximately 360,000 pineapples).</p> <p>Profits will be split 70:30 between the agro-entrepreneurs (estimated around 10-15) directly involved in this project and PPKKK. This group of agro-entrepreneurs directly involved in the project is expected to generate a profit of RM250,000 per cycle of pineapple cultivation for the entire farm.</p> <p>In addition, all 2,693 members/shareholders of PPKKK will benefit from the annual dividends from the organisations' business activities. Potential annual dividend contribution from this pineapple cultivation project is estimated to be RM34 per member per year.</p> <p>The dividend contribution calculation is based on assumptions noted in Proposal for Pineapple Cultivation: (i) Revenue of RM684,000 (ii) Project Expenditure of RM327,126 (iii) Profit Contribution of 30% (iv) Harvesting Period of 14 months (v) 2,693 members.</p>	

APPENDIX 1

APPENDIX 1 – SRI SUKUK FRAMEWORK CHECKLIST

Reference:

Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

Part 3: Corporate Bonds and Sukuk

Chapter 7: Sustainable and Responsible Investment (SRI) Sukuk

No.	Item	Requirement	Alignment	Comment
7.03	Eligible SRI Projects	Eligible projects prescribed under the SRI Sukuk Framework include projects that aim to: (a) preserve and protect the environment and natural resources; (b) conserve the use of energy; (c) promote the use of renewable energy; (d) reduce greenhouse gas emissions; or (e) improve the quality of life for the society.	Yes	The proposed sustainability sukuk supports a renewable energy project (solar) and an agriculture project that creates employment opportunities for the local community and potentially help agro-entrepreneurs to earn additional incomes.
7.06	Disclosure Requirements	(a) Details of the Eligible SRI project and, to the extent possible, impact objectives from the Eligible SRI project.	Yes	Details of the eligible projects can also be found in this Second Party Opinion report prepared by RAM Consultancy Services Sdn Bhd ("RAMC"). The Issuer will report to sukukholders on the impact objective of the project financed by the Proposed Sustainability Sukuk.
		(b) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI project.	Yes	The Issuer has prepared an Environmental Management Plan for the solar project. The Issuer works with relevant government agencies to ensure successful implementation of the agriculture project.

No.	Item	Requirement	Alignment	Comment
7.05 & 7.07	Appointment of an independent expert	<p>The issuer may appoint an independent expert to undertake an assessment of the Eligible SRI project.</p> <p>Where the independent expert has issued a report on the Eligible SRI project and the issuer is proposing to issue a disclosure document in relation to the SRI sukuk, the issuer may, subject to the consent of the independent expert, include the report in the disclosure document.</p>	Yes	RAMC was appointed to provide a second party opinion on the Proposed Sustainability Sukuk. The review covers an assessment of the Issuer's Proposed Sustainability Sukuk Framework against the disclosure requirements of the SRI Sukuk Framework, ASEAN Green Bond Standards ¹⁶ , ASEAN Social Bond Standards ¹⁷ , ASEAN Sustainability Bond Standards ¹⁸ , Green Bond Principles ¹⁹ , Social Bond Principles ²⁰ , and Sustainability Bond Guidelines ²¹ as well as sustainability responsibilities of the Issuer.
7.08	Reporting to Investors	<p>The issuer or, where the issuer is a special purpose vehicle, the obligor must provide annual reporting, via newsletters, website updates, annual report or any other communication channels, to sukukholders on the following:</p> <ul style="list-style-type: none"> (a) The original amount earmarked for the Eligible SRI project; (b) The amount utilised for the Eligible SRI project; (c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and (d) Where feasible and to the extent possible, the impact objectives from the Eligible SRI project. 	Yes	The Issuer will disclose the necessary information annually to sukukholders via newsletters, website updates, annual report or any other communication channels. For detailed information, please refer to Section 3.4 Reporting Commitments (page 11).

¹⁶ The ASEAN Green Bond Standards ("ASEAN GBS"), developed by the ASEAN Capital Markets Forum, are standards established to enhance transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS was developed based on ICMA's GBP and was issued in November 2017. The standards were subsequently updated in October 2018. The ASEAN GBS are intended for issuers who intends to issue green bonds within the ASEAN region.

¹⁷ The ASEAN Social Bond Standards ("ASEAN SBS"), developed by the ASEAN Capital Markets Forum, are standards established to enhance transparency, consistency and uniformity of ASEAN Social Bonds. The ASEAN SBS was developed based on ICMA's SBP and was issued in October 2018. The ASEAN SBS are intended for issuers who intend to issue social bonds within the ASEAN region.

¹⁸ The ASEAN Sustainability Bond Standards ("ASEAN SUS"), developed by the ASEAN Capital Markets Forum, are standards established to enhance transparency, consistency and uniformity of ASEAN Sustainability Bonds. The ASEAN SUS was developed based on ICMA's SBG and was issued in October 2018. The core components of ASEAN GBS and ASEAN SBS also apply to ASEAN Sustainability Bonds.

¹⁹ The Green Bond Principles ("GBP"), developed by the International Capital Market Association ("ICMA"), are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014 and updated in June 2018. The GBP are intended for broad use by a variety of participants in the green bond market to facilitate the flow of financing towards climate-friendly solutions.

²⁰ The Social Bond Principles ("SBP"), developed by ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in June 2016 and updated in June 2018. The SBP are intended for broad use by a variety of participants in the social market to facilitate funding forwards projects that address global social challenges.

²¹ The Sustainability Bond Guidelines ("SBG"), developed by ICMA are guidelines published to confirm the relevance of the GBP and SBP and improve the application of their guidance on transparency and disclosure measures for the Sustainability Bond Market. The core components of the GBP and SBP also apply to Sustainability Bonds.

APPENDIX 2

APPENDIX 2 – ASEAN SUS CHECKLIST

Reference:

ASEAN Capital Markets Forum – ASEAN GBS

ASEAN Capital Markets Forum – ASEAN SBS

Item	No.	Requirement	Alignment	Comment
Eligibility of Issuers	GBS 3.1 SBS 3.1	i. Must be an ASEAN Issuer; or ii. In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.	Yes	Edra Solar Sdn Bhd is incorporated in Malaysia and is therefore an ASEAN Issuer.
	GBS 3.2 SBS 3.2	ASEAN Sustainability Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The ASEAN Sustainability SRI Sukuk will be issued by the Issuer in Malaysia and will therefore be originated from an ASEAN member country.
Ineligible Projects	GBS 4.1.6	For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.	Yes	Proceeds will be utilised for the solar project and agriculture project.
	SBS 4.1.7	For clarification, projects which involve activities that pose a negative social impact related to alcohol, gambling, tobacco and weaponry are excluded from the ASEAN SBS. Issuers are also encouraged to develop a list of additional ineligible projects for the issuance of their ASEAN Social Bonds, if applicable.	Yes	The Proposed Sustainability Sukuk does not include these ineligible projects.
Continuous Accessibility to Information	GBS 4.2.1 SBS 4.2.1	The Issuer of ASEAN Sustainability Bonds must clearly communicate to investors – i. The environmental sustainability and social objectives; ii. The process by which the Issuer determines how the projects fit within the eligible Green and Social Project categories identified above; and iii. The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green and Social Projects.	Yes	The Issuer will publish the Proposed Sustainability Sukuk Framework in the corporate website. A copy of the second opinion report will also be published at RAM's website.
	GBS 4.2.5 SBS 4.2.5	The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Sustainability Bonds: i. The process for project evaluation; ii. The use of proceeds; and	Yes	The Issuer will publish the Proposed Sustainability Sukuk Framework in the corporate website. A copy of the second opinion report will also be published at RAM's website.

		iii. External review report on the process (if any).		
	GBS 4.3.1 SBS 4.3.1	Prior to the issuance of the ASEAN Sustainability Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the process for managing the net proceeds from the ASEAN Sustainability Bonds.	Yes	The proceeds will be used to repay the shareholders loan initially used to finance the solar project and cost of land for the agriculture project.
	GBS 4.3.4 SBS 4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Sustainability Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Not applicable	
	GBS 4.4.5 SBS 4.4.5	The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Sustainability Bonds.	Yes	The Issuer is committed to report the impacts created from the utilisation of proceeds of the Proposed Sustainability Sukuk on annual basis.
Encourage More Frequent Reporting	GBS 4.4.1 SBS 4.4.1	Issuers must report to investors at least on an annual basis and encouraged to make more frequent reporting on the use of proceeds until full allocation, and as necessary thereafter in the event of material developments. This should include a list of the projects to which the ASEAN Sustainability Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated and their expected impact.	Yes	The Issuer will ensure that this paragraph will be complied with on a website designated by the Issuer.
External Review	GBS 5.1 SBS 5.1	Issuers are recommended to appoint external review providers for their ASEAN Sustainability Bonds issuances.	Yes	RAM Consultancy Services Sdn Bhd (RAMC) was appointed to provide a second party opinion on the Issuer's Proposed Sustainability Sukuk Framework. The review covers an assessment of the Issuer's Framework against the disclosure requirements of the ASEAN GBS, ASEAN SBS, ASEAN SUS, SRI Sukuk Framework, GBP, SBP and SBG as well as sustainability responsibilities of the Issuer.
	GBS 4.2.4 SBS 4.2.4	It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.	Yes	RAM Consultancy Services Sdn Bhd (RAMC) was appointed to provide a second party opinion on the Issuer's Proposed Sustainability Sukuk Framework. The review covers an assessment of the Issuer's Framework against the disclosure requirements of the ASEAN GBS, ASEAN SBS, ASEAN SUS, SRI Sukuk Framework, GBP, SBP and SBG as well as sustainability responsibilities of the Issuer.

	GBS 4.3.5 SBS 4.3.5	It is recommended that the Issuer's management of proceeds be supplemented by the use of an auditor, or other third party to verify the internal tracking method and the allocation of funds from the ASEAN Sustainability Bonds proceeds.	Yes	The proceeds will be fully utilised upon issuance for repayment of shareholders' loan.
	GBS 4.3.6 SBS 4.3.6	Where the Issuer appoints an auditor or other third party to verify the Issuer's management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of issuance of the ASEAN Green Bonds.	Yes	The proceeds will be fully utilised upon issuance for repayment of shareholders' loan.
	GBS 4.4.4 SBS 4.4.4	It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.	Yes	Edra Solar will also provide to the SRI Investors on an annual basis, and more frequent reporting on a timely basis in the case of material developments, information on the use of the proceeds until full allocation. Such reporting on the use of proceeds shall be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.

APPENDIX 3

**Sustainability Bond / Sustainability Bond Programme
External Review Form**

Section 1. Basic Information

Issuer name: Edra Solar Sdn Bhd

Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable: Edra Solar ASEAN Sustainability SRI Sukuk

Review provider’s name: RAM Consultancy Services Sdn Bhd

Completion date of this form: 6 September 2019

Publication date of review publication: 6 September 2019

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and the SBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Second Opinion on proposed Edra Solar ASEAN Sustainability SRI Sukuk.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The proposed sustainability sukuk supports a renewable energy project (solar) and an agriculture project that creates employment opportunities for the local community and potentially help agro-entrepreneurs to earn additional incomes.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|--|---|
| <input type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the social taxonomy, if other than SBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

See item 3.2 project evaluation and selection

Evaluation and selection

- | | |
|--|--|
| <input type="checkbox"/> Credentials on the issuer's social and green objectives | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
|--|--|

- | | |
|--|---|
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

The net proceeds from the Proposed Sustainability Sukuk, which represent 78% of total project cost, will be used immediately to repay the shareholders' loan.

Tracking of proceeds:

- | |
|--|
| <input type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|--|---|
| <input type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input checked="" type="checkbox"/> Other <i>(please specify)</i> : see comment section |

4. REPORTING

Overall comment on section *(if applicable)*:

See item 3.4 Reporting Commitments

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input checked="" type="checkbox"/> Other <i>(please specify)</i> : Used immediately |

Information reported:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Sustainability Bond financed share of total investment |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Frequency:

- | | |
|--|--------------------------------------|
| <input type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input checked="" type="checkbox"/> Other <i>(please specify)</i> : Used immediately | |

Impact reporting:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Project-by-project | <input type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (please specify): |

Frequency:

- | | |
|--|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (please specify): | |

Information reported (expected or ex-post): ex-post

- | | |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Number of beneficiaries |
| <input type="checkbox"/> Target populations | <input checked="" type="checkbox"/> Other ESG indicators (please specify): See section 3.4 |

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): newsletter, annual report, website or any other communication channel |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE****Type(s) of Review provided:**

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Review provider(s):**Date of publication:**

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- (i) **Consultant Review:** An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental and social sustainability or other aspects of the issuance of a Sustainability Bond, such as the establishment/review of an issuer's Sustainability Bond framework. "Second opinions" may fall into this category.
- (ii) **Verification:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally and socially sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against external green and social assessment standards. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) **Rating:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Sustainability Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Sustainability Bond frameworks / programmes.



Sustainability Services | ESG Analytics

RAM Consultancy Services Sdn Bhd
Level 8, Mercu 2
KL Eco City
No. 3, Jalan Bangsar
59200 Kuala Lumpur

Website:
www.ram.com.my/sustainability