



Cenergi SEA Berhad

Green Sukuk Framework

27 October 2021

1. Introduction of Cenergi SEA Berhad

1.1 Cenergi SEA Berhad

Cenergi SEA Berhad (“**Cenergi**”) is a sustainable energy solutions company specialising in reducing carbon emissions through renewable energy and energy efficiency projects. With a full-range of technical, commercial and operational capabilities, we develop projects to turn emissions into energy. The portfolio of Cenergi and its subsidiaries (“**Cenergi Group**”) currently consists of biogas, solar photovoltaic (“**Solar PV**”) and energy efficiency projects. We continue to seek and invest in pioneering technologies that promote carbon emissions reduction via our new ventures arm. Through this arm, Cenergi Group has recently identified a potential new business segment – sustainable biomass fuel.

1.2 Our Projects

1.1.1 Biogas

All of Cenergi Group’s biogas projects are grid-connected biogas-to-electricity projects and treat agricultural waste, mainly Palm Oil Mill Effluent (“**POME**”)¹, a methane-rich by-product of the palm oil production process. The methane capture system of our biogas projects avoid the release of greenhouse gases (“**GHG**”) which is 28 times more potent than carbon dioxide.

1.1.2 Solar

Cenergi Group’s solar segment operates in two types of business models: i) utility scale solar farm; and ii) behind-the-meter Solar PV projects under self-consumption scheme and net energy metering scheme.

Under the utility scale solar farm projects, the relevant company in the Cenergi Group sells electricity generated by the solar plant exclusively to the national grid in accordance with the prescribed terms under the renewable energy power purchase agreement.

Cenergi Group’s Solar PV projects are behind-the-meter solutions for commercial and industrial clients looking to decrease their utility costs and increase their sustainability, which include rooftop Solar PV projects. Through a solar power purchase agreement, commercial and industrial clients are able to reduce their utility costs by purchasing energy at a discounted rate to the prevailing utility rate whilst being able to displace a portion of their conventional electricity consumption.

1.1.3 Energy Efficiency

Cenergi Group’s energy efficiency projects are through energy savings performance agreements (“**ESPA**”) where clients are able to enjoy savings of up to 30% of their electricity consumption with zero upfront investment. All capital investment and maintenance costs are borne by the relevant company in the Cenergi Group throughout the ESPA period in return for a portion of the savings realised.

1.1.4 Biomass Pellets

Cenergi Group’s new venture, the biomass pellets segment has the potential of unlocking the value of an underutilised by-product of the palm oil production process, empty fruit bunches (“**EFB**”). Cenergi Group has invested into a technology that pre-treats the EFB to produce EFB pellets to be used a sustainable feedstock on biomass power plants whilst mitigating the release of GHG from EFB.

¹ Except for Hamparan Plant in Lampung, Indonesia which treats Cassava effluent

2. Cenergi’s Green Approach and Green Sukuk Framework

Cenergi proposes to establish an Islamic notes issuance programme of up to an aggregate amount of RM1.5 billion in nominal value (“**Sukuk Programme**”) which will allow for the issuance of senior Islamic medium term notes and/or subordinated perpetual Islamic notes (collectively, “**Sukuk Wakalah**”).

Cenergi’s Green Sukuk Framework is established to set out clear and transparent guidelines and principles for the issuances of Green Sukuk Wakalah under the Sukuk Programme. The proceeds of the Green Sukuk Wakalah (“**Proceeds**”) are intended to be used to finance projects and activities that contribute to emission reductions and have direct positive environmental impact. Such projects are intended to contribute towards the following Sustainable Development Goals:

- SDG 7: Affordable and Clean Energy
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

This Green Sukuk Framework is in line with the following guidelines, standards or frameworks, as amended from time to time:

- a) the Sustainable and Responsible Investment Sukuk Framework pursuant to the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the Securities Commission;
- b) the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum;
- c) the Green Bond Principles issued by the International Capital Market Association; and
- d) such other guidelines or frameworks or standards or such other related guidelines or frameworks or standards, whether or not having the force of law, in relation to green bonds issued from time to time.

(collectively, the “**Green Guidelines/Frameworks**”)


“**Green Sukuk Wakalah**” are Sukuk Wakalah issued under the Green Guidelines/Frameworks.








This Green Sukuk Framework outlines four key components:


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

3. Use of Proceeds

The Proceeds will be used to finance and/or re-finance, new or existing projects of Cenergi Group that fulfil the eligibility criteria of this Green Sukuk Framework (“**Eligible Assets**”) as set out below, all of which shall be Shariah-compliant.

Category	Eligibility Criteria	Eligible Assets
Biogas 	Acquisition or development or operation or maintenance of projects related to methane capture activities which avoids the release of GHG	<ul style="list-style-type: none"> • Biogas-to-electricity projects using POME and other agricultural waste • Compressed biogas projects • Biogas projects using municipal solid waste or waste sludge • Where projects are based on palm oil by-products, feedstock should be certified from Malaysian Sustainable Palm Oil sources.

Category	Eligibility Criteria	Eligible Assets
 		<p>Certification from Roundtable of Sustainable Palm Oil is preferred</p>
<p>Solar</p> 	<p>Acquisition or development or operation or maintenance of solar projects</p>	<ul style="list-style-type: none"> • Utility-scale solar farm projects • Behind-the-meter Solar PV projects (e.g self-consumption and net energy metering)
<p>Other Renewable Energy</p>  	<p>Acquisition or development or operation or maintenance of Renewable Energy projects which contribute towards carbon emission reduction</p>	<ul style="list-style-type: none"> • Mini-hydro power plants (run of river hydroelectric projects up to 30MW per installation) • Biomass power plants • Wind power plants
<p>Energy Efficiency</p> 	<p>Acquisition or development or operation or maintenance of energy efficiency projects that reduce electricity consumption including cogeneration / combined heat and power systems, and waste-heat recovery systems</p>	<ul style="list-style-type: none"> • Retro-fitting / refurbishment of existing equipment in buildings / facilities • Installation of energy efficiency lighting, equipment and appliances • Installation of smart meters and energy storage • Cogeneration systems
<p>Sustainable Biomass Fuel</p> 	<p>Development of sustainable biomass fuel to generate renewable energy and/or reduce GHG emissions</p>	<ul style="list-style-type: none"> • EFB pellets

Category	Eligibility Criteria	Eligible Assets
		

For Proceeds to be used for that refinancing of existing projects, Cenergi Group will consider Eligible Assets commissioned from year 2016 onwards.

Projects that contribute to emission reduction but do not fulfil the Eligibility Criteria above may still be developed by Cenergi Group, but will be developed using alternative funds, rather than the Proceeds.

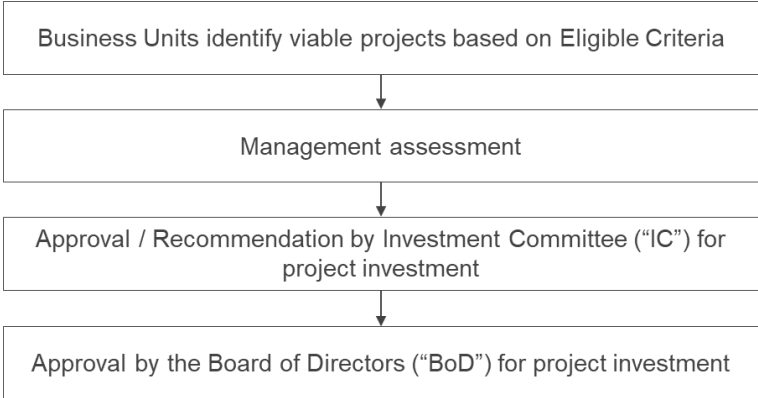
Project Exclusion:

- Fossil-fuel based power generation projects
- Large hydropower projects with capacity of more than 30MW

4. Process for Project Evaluation and Selection criteria

4.1 Process for Project Evaluation

The process to identify, evaluate and approve Eligible Assets that fulfil the Eligibility Criteria as described in item 3 above, are as follows:



The IC supports the BoD in providing oversight, advice and direction to the management of Cenergi on the investment policy, approves certain matters on behalf of the BoD (within its limits of authority) and reviews major investment proposals prior to escalation to the BoD for approval.

4.2 Selection Criteria

Projects selected will have to fulfil the Eligibility Criteria as described in item 3 above, as well as meeting the minimum hurdle rates for the internal rate of return of equity identified by Cenergi's investment policy.

In evaluating the Eligible Assets, it must be shown that the risks of the Eligible Assets (including any material environment or social risks) are identified and managed appropriately, and the evaluation may include the following aspects:

- Assessment for critical inputs such as feedstock, grid capacity, solar irradiance and hydrological data

- Assessment of the effects on the physical environment (e.g. air and water quality, potential spills / leaks or contamination, noise pollution and land-use)
- Assessment of the socio-economic impact to the community
- Performance guarantees or back-to-back agreements for the performance of any specialist technology
- Long-term agreements for land lease, fuel supply, utility offtake etc with related parties
- Third-party engineering, procurement and construction and vendor contracts with appropriate liquidated damages for completion of services

Cenergi has complied and will continue to comply with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible Assets.

5. **Management of Proceeds**

The Proceeds will be allocated to the Eligible Assets as selected per the Eligibility Criteria and process set out above. Cenergi will maintain a ledger to track Proceeds allocation and utilisation / deployment, which will include (but not limited to) the following information:

- i. Details of each Green Sukuk Wakalah tranche
- ii. List of Eligible Assets, with:
 - Summary of project details;
 - Amount allocated to each project;
 - Expenditure of each project;
 - Expected environmental impact of each project;
 - Remaining balance of unallocated Proceeds.

Any unallocated amount of the Proceeds may be held in cash or cash equivalents, including temporary investment in money markets and other liquid marketable instruments, all of which shall be Shariah-compliant.

6. **Reporting**

Cenergi will prepare an annual Green Sukuk Report which will be published on www.cenergi-sea.com and the report will contain the following information:

6.1 **Allocation Reporting**

- Details of each Green Sukuk Wakalah tranche
- List of Eligible Assets with:
 - Summary of project details;
 - Amount allocated to each project category;
 - Expenditure of each project category;
 - Remaining balance of unallocated Proceeds (if any);

6.2 **Impact Reporting**

- Impact of Eligible Assets, including the key underlying methodology or assumption used to determine the impact or expected impact.
- The impact measurements by category may include (but not limited to) the following:

Category	Indicators
Biogas	<ul style="list-style-type: none"> • GHG emissions reductions or avoidance in tonnes of CO₂ equivalent • Renewable Energy installed capacity (MW) • Renewable Energy production (MWh) • Job creation

Category	Indicators
Solar	<ul style="list-style-type: none"> • Renewable Energy installed capacity (MW) • Renewable Energy production (MWh) • GHG emissions avoidance in tonnes of CO₂ equivalent • Job creation
Other Renewable Energy	<ul style="list-style-type: none"> • Renewable Energy installed capacity (MW) • Renewable Energy production (MWh) • GHG emissions avoidance in tonnes of CO₂ equivalent • Job creation
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh • GHG emissions reduction in tonnes of CO₂ equivalent • Job creation
Sustainable Biomass Fuel	<ul style="list-style-type: none"> • GHG emissions reduction in tonnes of CO₂ equivalent • Job creation

The indicators above are purely indicative and non-exhaustive and that there may be other forms of indicators used for the categories stated above.

7. External review on this Green Sukuk Framework

Cenergi has appointed RAM Sustainability Sdn. Bhd. to issue a second party opinion on the alignment of this Green Sukuk Framework with the Green Guidelines/Frameworks. The second party opinion will be published on Cenergi's website at www.cenergi-sea.com.

8. Potential evolutions

As the green Sukuk market may be subject to changing market and regulations as it evolves, Cenergi looks to enhance and improve this Green Sukuk Framework from time to time and will publish any supplementary content on Cenergi's website at www.cenergi-sea.com.

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