



# CENERGI SEA BERHAD

## ■ GREEN SUKUK

SUKUK WAKALAH PROGRAMME OF UP TO RM1.5 BILLION IN  
NOMINAL VALUE

## SECOND OPINION REPORT 5 November 2021

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## ABOUT RAM SUSTAINABILITY

RAM Sustainability Sdn Bhd (RAM Sustainability) is a provider of sustainability services and environment, social and governance (ESG) analytics. Incorporated on 31 May 2000, RAM Sustainability is a wholly owned subsidiary of RAM Holdings Berhad (RAM Group). RAM Sustainability is the first ASEAN-based provider of sustainability ratings and second opinions, and has the distinction of being the first Registered Observer of the International Capital Market Associations' (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines in ASEAN. It is a member of ICMA's Advisory Council to the GBP and SBP Executive Committee for two consecutive terms. On 12 August 2020, RAM Sustainability became an Approved Verifier for the certification of climate bonds under the Climate Bonds Standard & Certification Scheme after having been awarded the status by the Climate Bonds Standards Board. For further details, please refer to <https://www.ram.com.my/sustainability>.

### About the RAM Group

The RAM Group is a leading provider of independent credit ratings, research, training, risk analysis and bond pricing. Formerly known as Rating Agency Malaysia Berhad, the RAM Group was established in November 1990 as a catalyst for the domestic debt capital market and as the nation's first credit rating agency. On 1 July 2007, its rating operations were novated to RAM Rating Services Berhad (RAM Ratings). RAM Ratings is a wholly owned subsidiary of the RAM Group.

RAM Ratings is the leading and largest credit rating agency in both Malaysia and ASEAN. Established in 1990 by the central bank of Malaysia as part of the "institutional infrastructure" to support the development of Malaysia's bond market, RAM Ratings has rated over USD455 billion of bonds issued by over 700 entities. Its rating portfolio encompasses corporates, sovereign nations, financial institutions, insurance companies, project finance and structured finance obligations.

RAM Ratings is also the world's leading rating agency for securities issued under Islamic principles, or sukuk. RAM Ratings' experience in and contributions to the fast-growing sukuk market has won numerous awards, including Best Rating Agency (South-East Asia 2017) from CPI Financial and Best Islamic Rating Agency in 2016 from Islamic Finance News. Accredited by the Tokyo Stock Exchange for listings on the Japanese Pro-Bond Market, RAM Ratings also offers ratings on the ASEAN and global rating scales, in addition to the Malaysian national scale. On 26 May 2016, RAM Ratings joined the line-up of pioneer credit rating agency signatories to the United Nations-supported Principles for Responsible Investment's Statement on ESG in Credit Ratings. The Statement on ESG in Credit Ratings is a way for RAM Ratings to communicate its commitment to a more systematic and transparent incorporation of ESG into credit ratings and analysis.

The latest addition to the RAM Group, RAM Solutions Sdn Bhd, was founded in 2016 and provides independent credit opinions on ventures listed on a multi-bank, web-based platform known as the Investment Account Platform. As a subsidiary of RAM Holdings, Bond Pricing Agency Malaysia Sdn Bhd is the sole provider of bond-pricing and valuation data on the Malaysian bond market. For further details, please refer to <https://www.ram.com.my>.






## SUMMARY OF SECOND OPINION ON CENERGI'S GREEN SUKUK





Cenergi SEA Berhad's (Cenergi or the Issuer) Green Sukuk Framework (the Framework) is **aligned with the transparency and disclosure requirements of Securities Commission Malaysia's (SC) Sustainable & Responsible Investment (SRI) Sukuk Framework, the ASEAN Green Bond Standards (ASEAN GBS) and the globally recognised Green Bond Principles (GBP)**. The Framework outlines important aspects such as the intended use of proceeds, project evaluation and selection, management of proceeds and reporting commitments.

A subsidiary of Khazanah Nasional Berhad, Cenergi is a project development and investment company specialising in renewable energy (RE) and energy efficiency (EE) projects. Cenergi's Green Sukuk will be issued to finance and/or refinance eligible green projects. The Framework facilitates financing for projects and solutions that are crucial for a sustainable future. Issuance proceeds will be used **to fund green and sustainable energy projects such as biogas, solar, other RE and EE projects as well as the production of sustainable biomass fuel**. As 58% of total global greenhouse gas (GHG) emissions come from the energy supply sector, agricultural sector and building energy use<sup>1</sup>, it is vital that proceeds are channelled to projects that help reduce GHG emissions to mitigate climate change.


RAM Sustainability's Environmental Benefit (EB) assessment tiers projects and solutions based on the significance of their overall contributions to a 2-Degree Scenario (2DS) and broader environmental benefits. We have assigned the following EB ratings to Cenergi's eligible project categories:

No.	SRI Sukuk Framework, ASEAN GBS, and GBP Eligible Project Category	Cenergi's Eligible Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
1	Pollution Prevention and Control  Circular Economy Adapted Products, Production Technologies and Processes  Renewable Energy	Biogas		<p>In 2016, methane emission from palm oil mill effluent (POME) alone contributed a considerable 4% (13,789 Gg carbon dioxide (CO<sub>2</sub>)-equivalent) of Malaysia's total GHG emissions, while emission from solid waste made up 3%. Biogas projects have significant potential to remove methane emission, whose global warming potential is 28 times higher than CO<sub>2</sub>.</p> <p>Cenergi's biogas energy projects are used to assist plantation companies to capture and convert methane from agricultural waste products, such as POME and cassava wastewater, into biogas to generate power that will be supplied to the national grid. Biogas-to-energy (BTE) projects using covered lagoon biodigesters to treat POME – as typically practised by Cenergi – generate power while substantially removing methane from the ecosystem. BTE projects are, therefore, considered important components for the agricultural and waste sector's transition and alignment with the goals of a low-carbon future.</p>

<sup>1</sup> IPCC (2014) – *Climate Change 2014: Mitigation of Climate Change*.

No.	SRI Sukuk Framework, ASEAN GBS, and GBP Eligible Project Category	Cenergi's Eligible Project Category		RAM Sustainability EB Rating	Rationale for EB Rating
					To minimise the environmental impact from its supply chain, the Issuer also requires feedstock for its projects using palm-oil by products to be sourced from palm oil mills that are Malaysian Sustainable Palm Oil (MSPO)-certified. Cenergi prefers certification from the Roundtable on Sustainable Palm Oil (RSPO).
2	Renewable Energy	Solar			The deployment of solar energy solutions displaces the use of fossil fuels and decarbonises the energy system. Therefore, this eligible project category is aligned with the goals of a low-carbon future and has clear and demonstrable environmental benefits.
3	Renewable Energy	Other Renewable Energy	Wind, Mini-Hydro		Wind and water are renewable sources of low-carbon energy. However, these RE projects can be of scale and may have negative environmental impact. The Issuer will accordingly assess and manage the impact of its projects, including that arising from direct land use, during the project evaluation and selection process. Cenergi has specified that it will finance only run-of-river hydropower projects with a capacity of under 30MW, which are smaller in size and have a lower environmental impact.
			Biomass		Biomass power projects produce between 15 to 650 tonnes of CO <sub>2</sub> equivalent (tCO <sub>2</sub> e) lifecycle GHG emissions per MWh of energy produced, depending on the type of feedstock. As such, generation of certain types of biomass power is as carbon-intensive as oil or natural gas power generation, and should be avoided. While the Issuer has identified the potential use of oil palm empty fruit bunch (EFB) pellets in biomass power generation, the extent of environmental benefits from its projects depends on type of feedstock used and actual emissions reduction relative to the fossil fuel counterfactual.
4	Energy Efficiency	Energy Efficiency			EE projects reduce energy use and indirect GHG emissions. According to the International Energy Agency (IEA), energy renovations must reduce energy intensity by 30% to 50% to achieve a 2DS <sup>2</sup> . Based on Cenergi's current building EE portfolio, its EE projects generally achieve average energy savings of less than 30%.

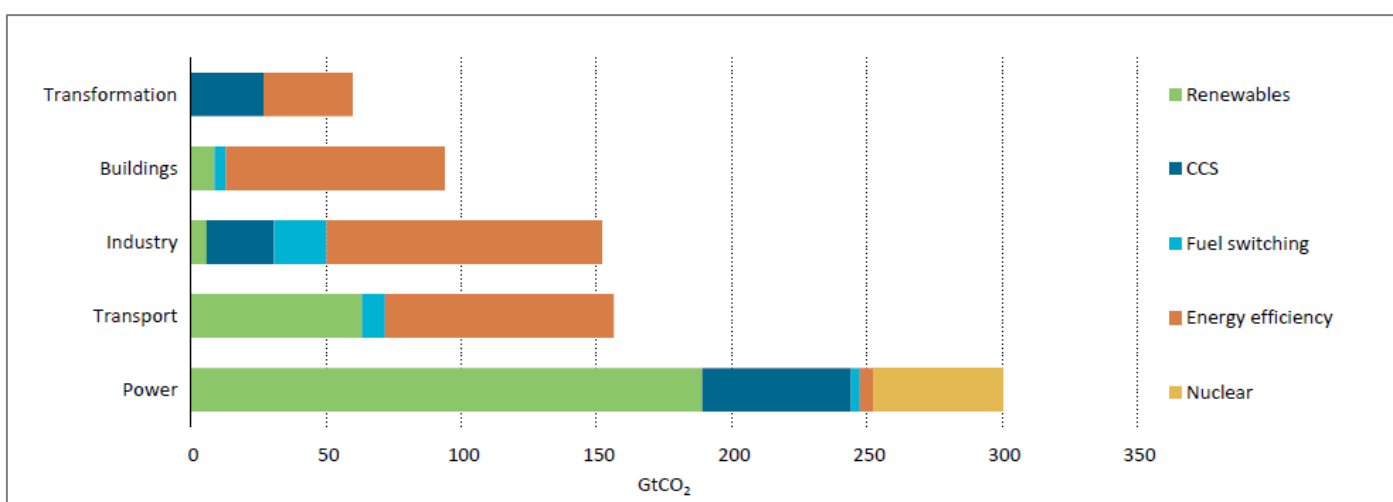
<sup>2</sup> IEA (2020) – *Building Envelopes – Analysis*.

No.	SRI Sukuk Framework, ASEAN GBS, and GBP Eligible Project Category	Cenergi's Eligible Project Category	RAM Sustainability EB Rating	Rationale for EB Rating
5	Pollution Prevention and Control  Circular Economy-Adapted Products, Production Technologies and Processes	Sustainable Biomass Fuel		<p>Producing biomass pellets from EFB fibres improves resource efficiency and avoids the release of methane. That said, drying EFB feedstock for pelletising is energy-intensive and can lead to significant indirect GHG emissions if the processing plant is reliant on electricity from a coal-powered grid. While the Issuer envisages connecting its EFB pellet plant to a biogas power plant, the pellet plant may initially be reliant on grid-connected electricity and biomass fuel for the drying process.</p>

## RAM SUSTAINABILITY'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION

Posing a fundamental threat to the planet and society, climate change is transforming life on Earth. The effects of climate change are wide ranging and can be observed everywhere in our biosphere. The twenty-first session of the Conference of the Parties (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. In addition, these countries have committed to the United Nations 17 Sustainable Development Goals (SDGs) that could transform the world by addressing areas of critical importance to the planet and society. The IEA has identified industries for which reductions in carbon emissions should be targeted for achievement by 2050. A portfolio of low-carbon technologies is needed to reach a 2DS – some solutions will be broadly applicable while others will need to target specific sectors.

**Figure 1: Cumulative CO<sub>2</sub> reduction by sector and technology in 2DS, up to 2050**



Source: Energy Technology Perspectives 2017, International Energy Agency

CCS = Carbon capture and storage

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. RAM Sustainability's green bonds/sukuk evaluation is a qualitative and quantitative assessment of the contributions of a project or financing facility to a low-carbon, sustainable future. The transparency and disclosure strength of the green bonds/sukuk is also a key consideration. RAM Sustainability's EB assessment can be categorised as follows:

### RAM Environmental Benefit Tier-1

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

### RAM Environmental Benefit Tier-2

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

### RAM Environmental Benefit Tier-3








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

Projects/financing facilities that do not conform with the long-term vision of a 2DS reaffirmed under COP21 will not be assigned any Environmental Benefit rating.



## RAM SUSTAINABILITY'S ENVIRONMENTAL BENEFIT ASSESSMENT AND DEFINITION

RAM Sustainability has assigned several EB ratings to eligible green project categories. While the eligible project categories below are classified green, RAM Sustainability will examine each project on its own merits and apply relevant criteria to arrive at the appropriate EB rating. Two projects in a particular category, for example, may not result in the same EB rating. The table below shows typical EB ratings assigned to eligible project categories based on RAM Sustainability's published second opinion reports to date (see <https://www.ram.com.my/sustainability>):

No.	Eligible Project Category	RAM Sustainability EB Rating
1	Renewable Energy	 Environmental Benefit <b>Tier-1</b>
2	Energy Efficiency	 Environmental Benefit <b>Tier-1</b>
3	Sustainable Water and Wastewater Management	 Environmental Benefit <b>Tier-2</b>
4	Low-Carbon and Low-Emission Transportation	 Environmental Benefit <b>Tier-2</b>
5	Environmentally Sustainable Management of Living Natural Resources & Land Use	 Environmental Benefit <b>Tier-2</b>
6	Terrestrial and Aquatic Biodiversity Conservation	 Environmental Benefit <b>Tier-2</b>
7	Green Buildings	 Environmental Benefit <b>Tier-3</b>

## 1. SCOPE AND OBJECTIVES

RAM Sustainability has been appointed to provide a second opinion on Cenergi's Green Sukuk Framework. This covers an assessment of the Framework against disclosure requirements of the following guidelines and standards:

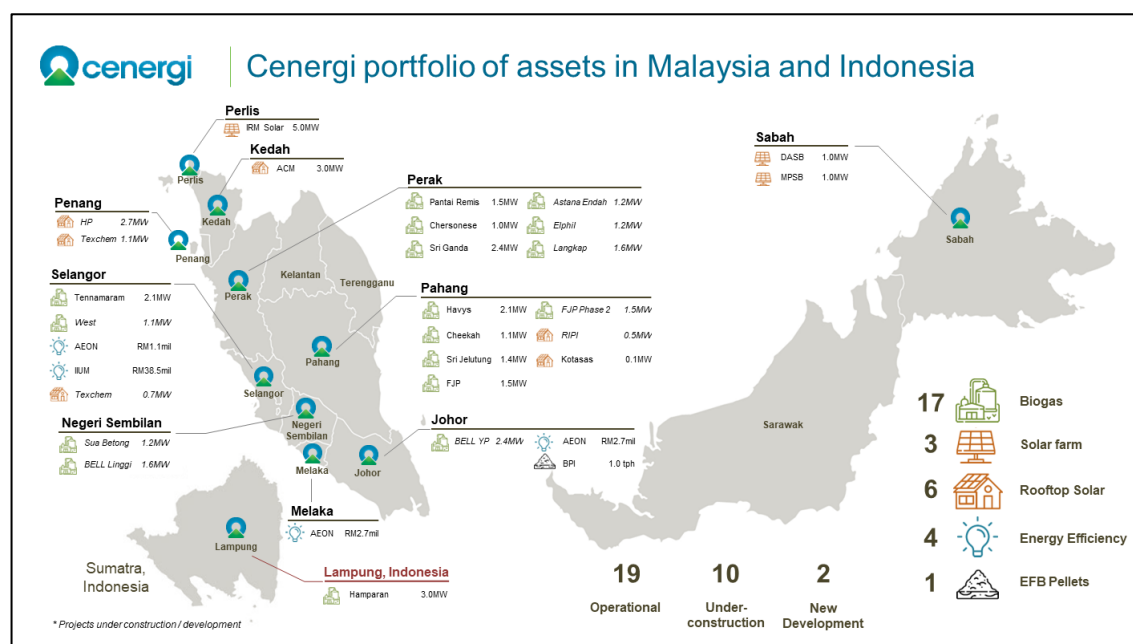
- The SC's **SRI Sukuk Framework**<sup>3</sup>
- The ASEAN Capital Market Forum's (ACMF) **ASEAN GBS**<sup>4</sup>
- The International Capital Market Association's (ICMA) **GBP**<sup>5</sup>

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

Incorporated on 19 March 2008, Cenergi is a subsidiary of Khazanah Nasional Berhad through Payar Investments Limited. The Issuer provides sustainable energy solutions, focusing on developing and investing in RE and EE projects. Its portfolio as at August 2021 includes 25.9MW of installed RE capacity – biogas and solar – and a total investment of RM45 million in EE projects (**Figure 2**). Cenergi is one of the largest grid-connected POME biogas outsourcing service providers in Malaysia. It recently identified sustainable biofuel production from EFB pellets as a potential area of growth for its business.

Figure 2: Cenergi's portfolio as at August 2021



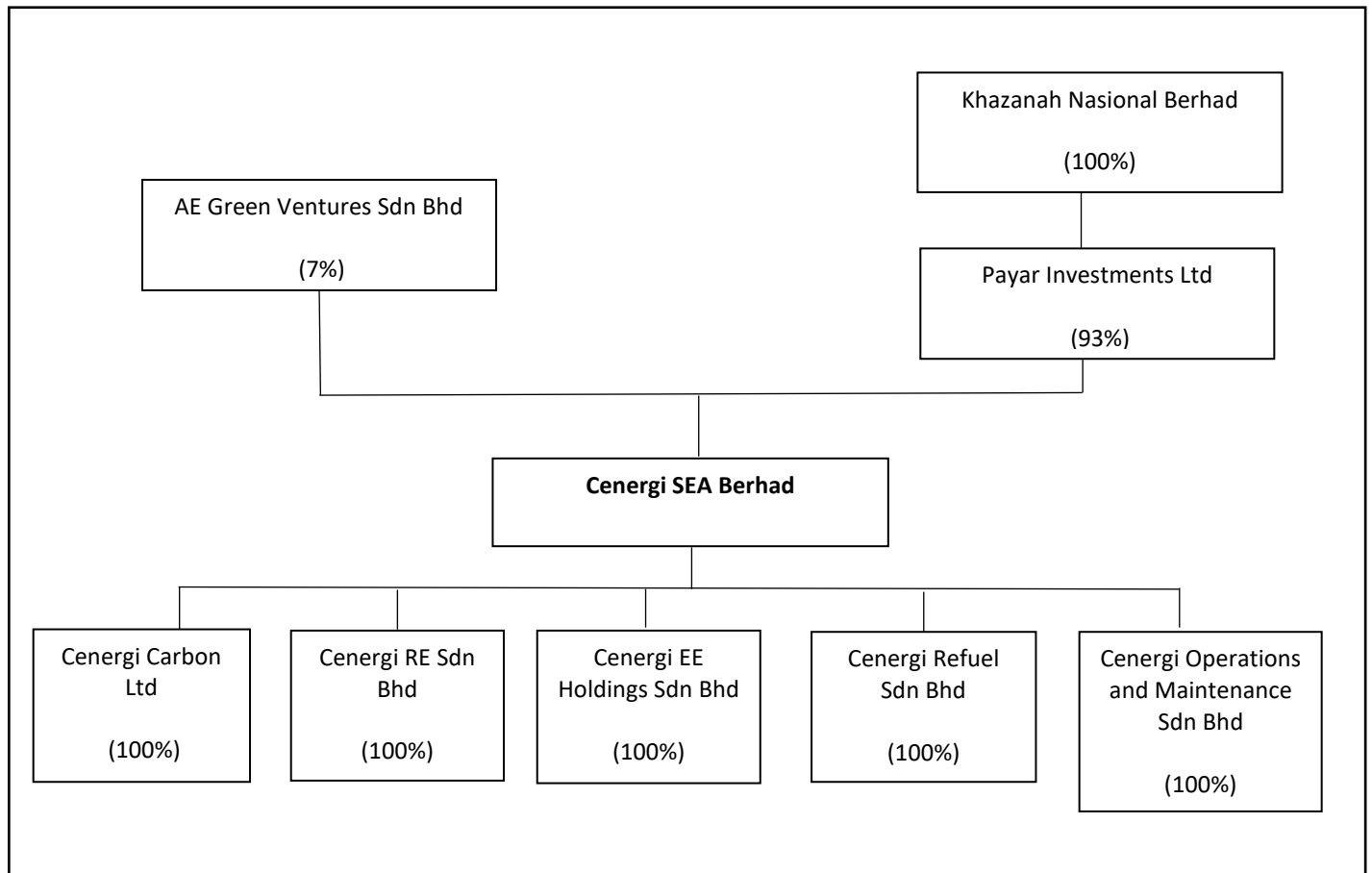
Source: Cenergi

<sup>3</sup> Chapter 7 of Part 3 of Section B of the *Guidelines on Unlisted Capital Market Products* 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. The SRI Sukuk Framework was updated on 26 November 2019.

<sup>4</sup> The ASEAN GBS, developed by the ACMF, are standards established to enhance the transparency, consistency and uniformity of ASEAN Green Bonds. The ASEAN GBS, developed based on the ICMA's GBP, were issued in November 2017. The document was subsequently updated in October 2018. The ASEAN GBS are meant for issuers intending to issue green bonds within the ASEAN region.

<sup>5</sup> The GBP, developed by the ICMA, are voluntary process guidelines that recommend transparency and disclosure measures for issuers. Initially issued in January 2014, the guidelines were updated in June 2021. The GBP are meant for broad use by a variety of green bond market participants, to facilitate the flow of financing to climate-friendly solutions.

**Figure 3: Cenergi's corporate structure – key entities**



*Note: The shares held by AE Green Ventures Sdn Bhd are ordinary shares.*

*Source: Cenergi*

### 3. REVIEW OF CENERGI'S GREEN SUKUK FRAMEWORK

The focus areas reviewed are grouped under the four principles embedded in the following applicable standards and guidelines – **the SRI Sukuk Framework, the ASEAN GBS, and the GBP.**

**Table 1: Four core components**

Item	Focus Area
3.1	Utilisation of proceeds
3.2	Project evaluation & selection
3.3	Management of proceeds
3.4	Reporting commitments

For detailed comparisons, please refer to **Appendix 1** for the SRI Sukuk Framework Checklist, **Appendix 2** for the ASEAN GBS Checklist, and **Appendix 3** for the GBP External Review Form.

#### 3.1. Utilisation of Proceeds

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 projects that help deliver clear environmental benefits.

Proceeds from Cenergi's Green Sukuk will be used to finance and/or refinance new or existing projects<sup>6</sup> that fulfil the eligibility criteria set out in the Issuer's Green Sukuk Framework. The Framework outlines eligible green projects such as biogas, solar, other RE and EE projects as well as sustainable biomass fuel production. In our view, Cenergi's eligible project categories are consistent with applicable green standards.

**Table 2** below highlights the alignment of Cenergi's eligible project categories with applicable green standards, along with a brief description of the eligible projects.

**Table 2: Eligible project categories and applicable standards and guidelines**

<b>Cenergi's Eligible Project Categories</b>	<b>SRI Sukuk Framework, ASEAN GBS, and GBP</b>
<b>Biogas</b> - Acquiring, developing, operating and/or maintaining projects related to the capture and conversion of methane into biogas, including BTE projects using POME and other agricultural waste, and biogas projects using municipal solid waste or waste sludge.	<b>1) Pollution Prevention and Control</b>  <b>2) Circular Economy Adapted Products, Production Technologies and Processes</b>  <b>3) Renewable Energy</b>
<b>Solar</b> - Acquiring, developing, operating and/or maintaining solar projects including utility-scale solar farms and behind-the-meter solar photovoltaic projects.	<b>1) Renewable Energy</b>
<b>Other Renewable Energy</b> - Acquiring, developing, operating and/or maintaining projects to generate energy from other renewable sources, e.g., biomass, wind and water (run-of-river hydropower projects with a generating capacity of not more than 30MW).	<b>1) Renewable Energy</b>
<b>Energy Efficiency</b> - Acquiring, developing, operating and/or maintaining EE projects including cogeneration/combined heat and power systems and waste-heat recovery systems.	<b>1) Energy Efficiency</b>
<b>Sustainable Biomass Fuel</b> - Producing biofuel from sustainable biomass such as EFB pellets to generate RE.	<b>1) Pollution Prevention and Control</b>  <b>2) Circular Economy Adapted Products, Production Technologies and Processes</b>

**Table 3** maps out the alignment of eligible project categories under the Framework with applicable green standards and guidelines.

**Table 3: Conformity assessment of Cenergi's eligible project categories**

<b>Cenergi's Eligible Project Categories</b>	<b>National Guideline</b>	<b>Regional Guideline</b>	<b>International Guidelines</b>
	<b>SRI Sukuk Framework<sup>7</sup></b>	<b>ASEAN GBS</b>	<b>GBP</b>
Biogas	√	√	√
Solar	√	√	√
Other Renewable Energy	√	√	√
Energy Efficiency	√	√	√
Sustainable Biomass Fuel	√	√	√

<sup>6</sup> The Issuer has stated in the Framework that refinancing of existing projects will consider projects commissioned from 2016 onwards.

<sup>7</sup> As per the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework.

The utilisation of proceeds from Cenergi's Green Sukuk is deemed consistent with best practices on green finance, particularly in the following aspects:

### **Biogas – Sustainable Palm Oil**

To encourage sustainable practices across its supply chain, Cenergi requires feedstock for biogas projects using palm oil by-products to be sourced from palm oil mills that are MSPO<sup>8</sup>-certified. The Issuer prefers certification from the RSPO<sup>9</sup>. Feedstock for its current biogas projects is wholly sourced from MSPO-certified palm oil mills. Residual anaerobic sludge generated at the end of the process, however, is not managed by Cenergi but by its clients. Cenergi has informed us that the remaining waste will be used as compost.

### **RE – Mini-Hydro**

Given the sensitivity of hydropower as a RE source, detailed considerations such as the size and type of eligible hydropower financing are specified under the Framework. Cenergi classifies hydro-powered RE as energy produced by run-of-river hydropower plants with a capacity of under 30MW.

### **Ineligible Projects**

Consistent with the ASEAN GBS, Cenergi will not provide funding for projects utilising fossil fuel for power generation, as stated in the Framework.

### **Alignment of Eligible Project Categories with relevant SDGs**

In tandem with the rise of sustainable finance, SDGs have been widely adopted by financial market participants since their launch in 2015. For many institutional investors, SDGs provide a harmonised structure to align investments with key sustainability issues that affect the world today. Cenergi's eligible project categories are tied to the relevant SDGs – Goal 7: Affordable and Clean Energy; Goal 12: Responsible Consumption and Production; and Goal 13: Climate Action.

## **3.2. Project Evaluation & Selection**

The relevant business unit will evaluate and identify eligible projects that comply with the criteria set out in the Framework. The projects will be assessed by Cenergi's management before they are reviewed and approved by its Investment Committee (IC). The IC also reviews major investment proposals before escalating these to Cenergi's Board of Directors for approval.

Eligibility considerations for projects include their adherence with the Framework, relevant ESG standards and recognised best practices, as well as their financial viability, i.e., meeting the minimum internal rate of return on equity identified by Cenergi's Investment Policy. Projects selected must also demonstrate that risks, including sustainability risks, are mitigated appropriately, which may cover the following:

- Assessment of 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, noise pollution and land use, including preliminary environmental impact studies.
- Assessment of the socio-economic impact on 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.

<sup>8</sup> The MSPO is a national standard administered by the Malaysian Palm Oil Certification Council. The standard incorporates the principles and criteria of sustainable practices in the palm oil industry, including conserving high biodiversity areas, implementing best management practices on peat land, and maintaining a strict zero-burning practice in waste disposal and land clearing activities. The certification standard currently covers the palm oil industry supply chain that comprises: (i) independent and organised smallholders; (ii) plantations; and (iii) palm oil mills.

<sup>9</sup> The RSPO is a global consensus-based multi-stakeholder initiative that advocates the use of sustainable palm oil. The RSPO Principles & Criteria (P&C) are a set of stringent standards for sustainable palm oil production which RSPO members must comply with. The P&C include conserving high conservation value areas, prohibiting new planting on peat land and responsible management of peat land, and maintaining a strict zero-burning practice in land clearing activities.

If a project no longer meets the eligibility criteria, the Issuer will use its best efforts to ensure replacements with applicable projects that match the predefined eligible project categories.

The Issuer will update its project evaluation and selection process to include assessments of the project's environmental and socioeconomic risks. In our view, the process Cenergi will employ is consistent with practices observed in the green bond/sukuk market in Malaysia.

### 3.3. Management of Proceeds

Pending allocation, the net proceeds from each issuance of the Green Sukuk will be deposited in a dedicated fund that qualifies as an SRI fund under SC's Guidelines on SRI Funds<sup>10</sup>. Cenergi will maintain a ledger to track allocation, deployment and utilisation of the proceeds. The ledger will include the following information:

- 1) Details of each sukuk tranche, e.g., issuance size, maturity date, etc.
- 2) List of eligible projects, 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.

The Issuer will assign the task of overseeing the management of sukuk proceeds to its finance department, specifically the Corporate Finance and Treasury units.

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<sup>10</sup> SC's Guidelines on SRI Funds outlines the requirements to be complied with by any new or existing funds seeking to qualify as an SRI fund. An SRI fund's policy and investment strategies, including the selection, retention and realisation of its investments, must adopt one or more sustainability considerations such as the United Nations Global Compact principles, the SDGs or any other ESG factors.



### 3.4. Reporting Commitments

Transparency in reporting is crucial in the issuance of green bonds/sukuk. The ASEAN GBS and the SRI Sukuk Framework require issuers of green sukuk to establish a formal process to communicate the allocation of proceeds and the positive impact created. Cenergi is committed to publishing an annual Green Sukuk Report that provides such information. This report will be made publicly available on Cenergi's website ([www.cenergi-sea.com](http://www.cenergi-sea.com)).

**Table 4: Cenergi's reporting commitments**

<b>Allocation Reporting</b>		<ul style="list-style-type: none"> <li>▪ Details of each sukuk tranche, e.g., issuance size, maturity date, etc.</li> <li>▪ List of eligible projects, with: <ul style="list-style-type: none"> <li>• Summary of project details.</li> <li>• Amount allocated to each project category.</li> <li>• Expenditure of each project category.</li> <li>• Remaining balance of unallocated proceeds (if any).</li> </ul> </li> </ul>
<b>Impact Reporting</b>	<b>Biogas</b>	<ul style="list-style-type: none"> <li>▪ RE capacity installed (MW).</li> <li>▪ RE produced (MWh).</li> <li>▪ GHG emissions avoided or reduced (tCO<sub>2</sub>e).</li> <li>▪ Number of jobs created.</li> </ul>
	<b>Solar</b>	<ul style="list-style-type: none"> <li>▪ RE capacity installed (MW).</li> <li>▪ RE produced (MWh).</li> <li>▪ GHG emissions avoided (tCO<sub>2</sub>e).</li> <li>▪ Number of jobs created.</li> </ul>
	<b>Other Renewable Energy</b>	<ul style="list-style-type: none"> <li>▪ RE capacity installed (MW).</li> <li>▪ RE produced (MWh).</li> <li>▪ GHG emissions avoided (tCO<sub>2</sub>e).</li> <li>▪ Number of jobs created.</li> </ul>
	<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>▪ Annual energy savings (MWh).</li> <li>▪ GHG emissions reduced (tCO<sub>2</sub>e).</li> <li>▪ Number of jobs created.</li> </ul>
	<b>Sustainable Biomass Fuel</b>	<ul style="list-style-type: none"> <li>▪ GHG emissions reduced (tCO<sub>2</sub>e).</li> <li>▪ Number of jobs created.</li> </ul>

*Note: The impact indicators listed are indicative and non-exhaustive. The Issuer may use other indicators for the project categories stated.*

Cenergi will disclose the methodology used to compute its GHG emissions reduction and avoidance data. Verified in 2019 by Control Union (Malaysia) Sdn Bhd, the methodology has been applied to all operating projects. The Issuer will further strive to improve impact reporting to include emissions reduction as a factor of investment made. It may also engage an external auditor on a two to three-year basis to verify its GHG emissions reporting.

#### Impact Reporting Indicators

Impact reporting illustrates the environmental benefits of various financed projects. The Issuer's reporting commitments are consistent with observed disclosures in the green bond/sukuk market as well as international guidelines such as the ICMA handbook – *Harmonised Framework for Impact Reporting*.

## 4. SUSTAINABILITY ASSESSMENT

### 4.1. National-Level Drivers

The Green Sukuk issued under the Framework enables the financing of a wide range of sustainable energy projects and solutions. Cenergi's Green Sukuk in our view will support the following national-level objectives and plans related to the areas defined under the eligible project categories:

**Table 5: National-level objectives and plans**

Project Category	National-Level Objectives and Plans
Biogas	<p><u>Managing national GHG emissions</u></p> <p>In 2016, methane emission from POME alone contributed a considerable 4% (13,789 Gg CO<sub>2</sub>-equivalent) of Malaysia's total GHG emissions, while emission from solid waste made up 3%<sup>11</sup>. Biogas projects have significant potential to remove methane emission, whose global warming potential is 28 times higher than CO<sub>2</sub>. Cenergi's biogas projects is expected to help plantation companies and millers to accelerate the installation of biogas entrapment facilities as mandated under the GoM's 2010 Entry Point Project on Developing Biogas Facilities at Palm Oil Mills under its Economic Transformation Programme. As at end-2017, 104 out of 454 palm oil mills have been fully equipped with biogas capture facilities<sup>12</sup>.</p>
Biogas Solar Other Renewable Energy	<p><u>Increasing RE generation</u></p> <p>The GoM targets a 31% proportion of RE by 2025. Passed in 2011, the Renewable Energy Act aims to increase the contribution of clean and renewable energy sources such as solar photovoltaic systems, biomass, biogas and hydro power in Malaysia's electricity generation mix. An important driver of the RE industry is the feed-in tariff mechanism implemented and managed by the Sustainable Energy Development Authority of Malaysia. This mechanism provides guaranteed long-term contracts for power generated by RE sources.</p>
Biogas Sustainable Biomass Fuel	<p><u>Transitioning towards a circular economy</u></p> <p>Under the 12th Malaysia Plan, Malaysia aims to accelerate its transition to a sustainable circular economy, focusing on increasing the recycling of production waste and use of recycled materials in new products. In supporting the circular economy, the GoM will promote resource recovery from water and wastewater treatment, including bio-sludge, bio-effluent and biogas; and increase its investment in the biomass industry.</p>
Energy Efficiency	<p><u>Improving EE</u></p> <p>As per the National Energy Efficiency Action Plan (NEEAP), the GoM targets cumulative electricity savings of 52.2 TWh from 2016 to 2025, corresponding to an 8% reduction in electricity demand growth by 2025. Key EE initiatives outlined in the NEEAP include:</p> <ul style="list-style-type: none"> <li>(i) Promoting cogeneration in industrial and commercial buildings.</li> <li>(ii) Facilitating energy audits and implementation of energy saving measures and energy management initiatives.</li> <li>(iii) Incorporating EE in new building designs and construction.</li> <li>(iv) Promoting 5-star energy efficient electrical appliances.</li> <li>(v) Developing minimum energy performance standards for new equipment and appliances, and promoting energy efficient lighting.</li> </ul>

<sup>11</sup> Malaysia's Third Biennial Update Report to the United Nations Framework Convention on Climate Change, December 2020.

<sup>12</sup> Malaysia's Third Biennial Update Report to the United Nations Framework Convention on Climate Change, December 2020.

## 4.2. Group-Level Assessment

### Providing Sustainable Energy Solutions

Cenergi develops, invests, builds and operates concessions in the clean energy field with a vision of reducing carbon emissions and building a sustainable future. It targets 200MW of installed RE capacity and a total investment of RM200 million in EE projects and sustainable ventures to be achieved by 2025. Through its Green Sukuk, Cenergi aims to continue providing a wide range of sustainable energy solutions, and contribute towards a low-carbon and environmentally friendly future.

### Sustainability Strategies

Cenergi aspires to be ASEAN's leading RE company focusing on carbon reduction initiatives through diversified and sustainable solutions, while being a leader in sustainability within its industry. Its approach to sustainability is driven by three pillars – *Carbon Reduction*, *Commercial Viability* and *Sustainability and Environmental Impacts*.

**Table 6: Cenergi's sustainability pillars**

Sustainability Pillar	Description
Carbon Reduction	- Promoting carbon reduction through clean energy and EE projects.
Commercial Viability	- Making green businesses commercially attractive and sustainable for Cenergi's business partners.
Sustainability and Environmental Impacts	<ul style="list-style-type: none"><li>- Ensuring sustainability and environmental impacts are priorities across Cenergi's operations and project investment decisions.</li><li>- Cenergi will not engage with partners or projects that propose to conduct illicit activities, encourage environmentally damaging activities, involve unsafe working environments, or conduct activities that negatively impact the socio-economic development of a community, among others.</li></ul>

Cenergi has committed to ensuring that these three sustainability principles are embodied in its projects, decision making and corporate culture. In line with this commitment, the Issuer has established a Sustainability Policy to integrate into its operations, with sound practices focusing on Economy, Environment, Social and Governance (EESG) aspects.

**Table 7: Cenergi's Sustainability Policy**

Key Focus Area	Description
Culture	<ul style="list-style-type: none"><li>- Commit to a professional and dependable sustainability governance structure, rooted in Cenergi's responsibilities to staff, contractors, visitors, partners and societies, the environment and future generations.</li><li>- Encourage and enhance awareness among employees and associates to ensure an environmentally sustainable culture.</li><li>- Ensure employees and partners conduct their activities in a sustainable and responsible manner.</li></ul>
Strategy	<ul style="list-style-type: none"><li>- Invest in modern, efficient, and environmentally effective technologies and solutions.</li><li>- Establish and review sustainability objectives, targets, and associated environmental indicators in Cenergi's operations and reporting structures.</li><li>- Incorporate EESG criterion into Cenergi's investment analysis and decision-making processes for both greenfield and brownfield acquisition opportunities.</li><li>- Communicate this Sustainability Policy to all employees, partners, business associates, interested parties in the public sector and stakeholders.</li></ul>
Operations	<ul style="list-style-type: none"><li>- Comply with applicable regulations and legislation in countries of operation.</li><li>- Ensure investments focus primarily on projects which are based on sound assessments that balance the environmental and economic impacts.</li><li>- Ensure responsible use of resources throughout the organisation by striving to constantly improve Cenergi's sustainability practices.</li></ul>

Eligible projects outlined under the Framework are in line with Cenergi's sustainability pillars, particularly *Carbon Reduction* and the strategy elaborated in its Sustainability Policy.

### **Environmental and Social Initiatives**

To reduce its environmental impact, Cenergi aims to lead by example through efficient waste management. It participates in the Recycle for Life programme – an initiative by Cenviro Sdn Bhd that provides cash rewards for recycled items. Cenergi collected a total of 544kg of recyclable materials from its offices in 2020, primarily consisting of mixed paper. It has also signed a memorandum of understanding with Yayasan Hijau Malaysia (YHM) to collaborate on activities to educate youth in areas of sustainable living practices, sustainable energy and technologies. However, the COVID-19 pandemic has put the planned in-person activities with YHM on hold. Cenergi's community engagement initiatives include hiring workers from local communities for its biogas plants. While movement control orders were in force, Cenergi donated essential supplies to students stranded at the International Islamic University Malaysia. It also contributed personal protective equipment to the Selangor State Health Department in a show of support for medical frontliners.

### **Controversy Scan**

In a scan of Cenergi undertaken by RAM Sustainability on 5 October 2021, we did not observe any controversy pertaining to the environmental, social and governance practices of the Issuer.

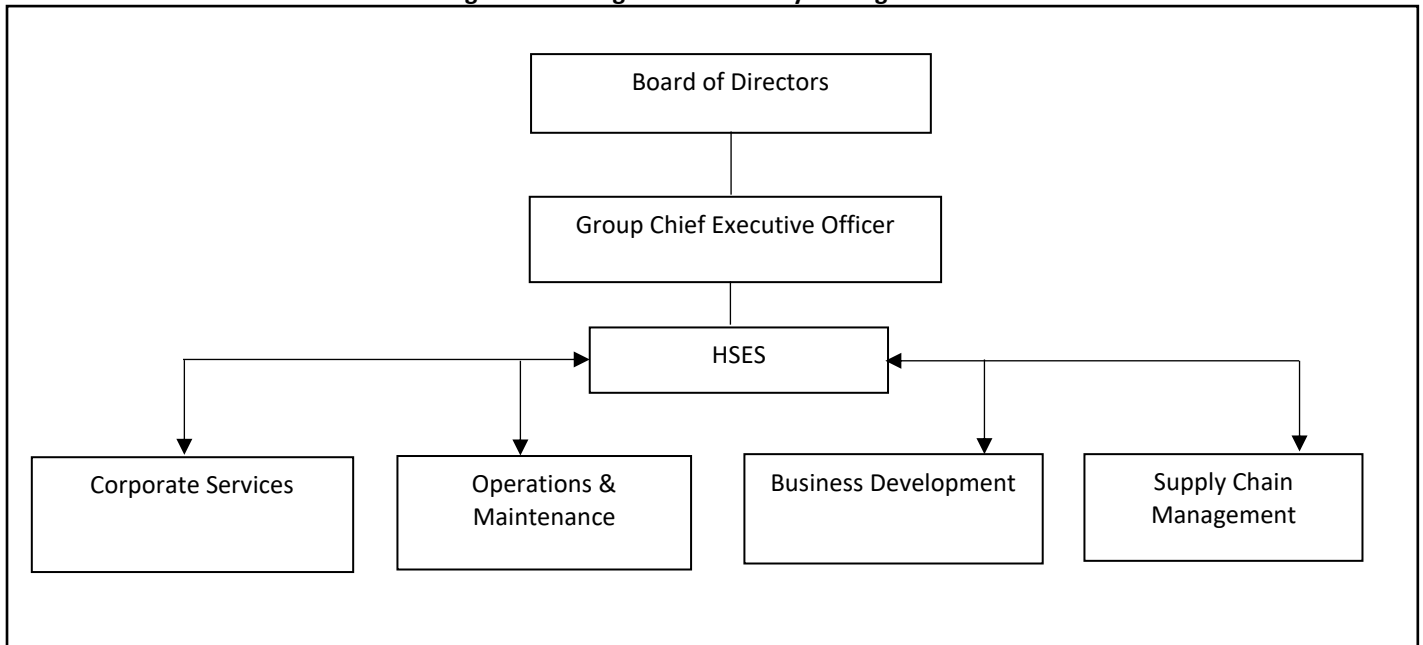
## **4.3. Sustainability Management**

This section assesses the overall management approach to integrating sustainability considerations into the Issuer's risk assessment and decision-making processes.

### **Established Risk Management**

Cenergi has control structures and processes to identify, assess and address the risks it faces. Compliance with internal controls and relevant laws and regulations is outlined in operation manuals, guidelines and directives issued to all its counterparties. The Issuer also conducts a risk assessment exercise periodically, covering operational risks, corporate and project risks, corruption risks, and environmental and sustainability risks. The results of this exercise are recorded in a risk register which includes information about the risks, their root cause and impact, internal controls and mitigation actions. Cenergi's Health, Safety, Environment and Sustainability (HSES) team works closely with key representatives across its operations to ensure that sustainability risks are addressed. The HSES team also monitors and ensures compliance with all regulatory requirements such as the Occupational Safety and Health Act 1994 and Environmental Quality Act 1974. Cenergi's senior management and board will monitor the effectiveness of its risk management activities to ensure they support its corporate values and strategic objectives.

**Figure 4: Cenergi's Sustainability Management Structure**



Source: Cenergi

### **Health, Safety & Environment**

Health, Safety and Environment (HSE) management has been identified as one of the key business dynamics that is subject to continuous risk monitoring. The Issuer has established an HSE Policy which outlines its commitment to ensuring the safety and health of employees, contractors, visitors, members of the public and related parties. The policy is periodically reviewed to ensure its relevance. In addition, Cenergi has in place an HSE system to maintain strict adherence to its safety requirements. The Issuer's Safety and Health Committee, comprised of management and department representatives, meets once every three months to review its safety performance and address any issues.



### **Alignment with ISO standards**

Cenergi plans to align its Occupational Safety and Health programmes with ISO 45001: Occupational Health and Safety Management Systems standards and its environmental management programmes with ISO 14001: Environmental Management Systems standards. The Issuer may obtain relevant ISO certifications later.

#### 4.4. Creation of Positive Impact via the Green Sukuk

We anticipate the Green Sukuk to lead to a measurable positive impact on the environment, primarily through reduced GHG emissions via RE generation and increased EE. Positive effects that can be expected based on areas defined under the eligible project categories are listed in **Table 8**.

**Table 8: Positive impact created by eligible project categories and alignment with SDGs and targets**

Eligible Project Category	Positive Impact Creation	Alignment with SDGs and Targets
Biogas  Solar  Other Renewable Energy	Climate change is an acute planetary threat which may have costly repercussions for communities and global economies. Approximately 35% 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 happening. RE provides a means to generate electricity from clean and sustainable sources such as sunlight, wind, water, biogas and biomass. The deployment of RE solutions has the potential to significantly reduce the GHG emission intensity of the global energy system. As such, investments in RE ought to be scaled up so the world can achieve the emission reduction goals set out in the Paris Climate Accord. In our view, innovative RE systems will be a key component in the building of a low-carbon future. RE systems should not however create a negative environmental or social impact. According to the International Renewable Energy Agency, renewable sources could constitute 65% of global energy use by 2050.	 <p>7.2 – By 2030, substantially increase the share of RE in the global energy mix.</p> <p>7a – By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>
Energy Efficiency	EE measures reduce the amount of energy used to provide a service. This minimises GHG emissions, either directly from fossil fuel combustion or indirectly from electricity generation. The IEA estimates that EE could provide more than 40% of the emissions reduction required by 2040 to meet targets of the Paris Climate Accord. Cenergi's Green Sukuk will facilitate the financing of wholesale EE projects, which will accelerate the transition towards a low-carbon future.	 <p>7.2 – By 2030, double the global rate of improvement in energy efficiency.</p> <p>7a – By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including RE, energy efficiency, and advanced and cleaner fossil-fuel technology, as well as promote investment in energy infrastructure and clean energy technology.</p>



Eligible Project Category	Positive Impact Creation	Alignment with SDGs and Targets
<p>Biogas</p> <p>Sustainable Biomass Fuel</p>	<p>A circular economy refers to the preservation of resources for the benefit of the environment and the economy. Existing materials are recycled and reused as inputs for other products, and waste is reduced to a minimum. Adopting a circular economy would conserve scarce natural resources, preserve healthy ecosystems and reduce GHG emissions. Through its Green Sukuk, Cenergi aims to enhance its biogas production capacity and develop biomass fuel, thereby converting waste products into energy. This in our view reflects best practice in adopting a circular economy and promoting responsible production processes.</p>	<div data-bbox="1190 197 1358 362" data-label="Image"> </div> <p>12.2 – By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.4 – By 2020, achieve the environmentally sound management of chemical and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water, and soil in order to minimize their adverse impacts on human health and the environment.</p> <p>12.5 – By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</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
7.07 & 7.08	Eligible SRI Projects	<p>An Eligible SRI project refers to a project that seeks to achieve any one or a combination of the following objectives:</p> <ul style="list-style-type: none"> <li>(a) Preserving and protecting the environment and natural resources.</li> <li>(b) Conserving the use of energy.</li> <li>(c) Promoting the use of RE.</li> <li>(d) Reducing greenhouse gas emissions.</li> <li>(e) Addressing or mitigating a specific social issue or seeking to achieve positive social outcomes, especially but not exclusively for a target population.</li> <li>(f) Improving society's quality of life.</li> </ul> <p>Eligible SRI projects may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>(a) Green projects that relate to: <ul style="list-style-type: none"> <li>(i) Renewable energy.</li> <li>(ii) Energy efficiency.</li> <li>(iii) Pollution prevention and control.</li> <li>(iv) Environmentally sustainable management of living natural resources and land use.</li> <li>(v) Terrestrial and aquatic biodiversity conservation.</li> <li>(vi) Clean transportation.</li> <li>(vii) Sustainable water and wastewater management.</li> <li>(viii) Climate change adaptation.</li> <li>(ix) Eco-efficient and/or circular economy-adapted products, production technologies and processes.</li> <li>(x) Green buildings which meet regional, national or internationally recognised standards or certifications.</li> </ul> </li> <li>(b) Social projects that relate to: <ul style="list-style-type: none"> <li>(i) Affordable basic infrastructure.</li> <li>(ii) Access to essential services.</li> <li>(iii) Affordable housing.</li> <li>(iv) Employment generation, including the potential effects of SME financing and microfinancing.</li> <li>(v) Food security.</li> <li>(vi) Socioeconomic advancement and empowerment.</li> </ul> </li> <li>(c) Projects which are the combination of green and social projects, as described in (a) and (b) above.</li> <li>(d) Waqf projects that relate to the development of waqf properties or assets.</li> </ul>	Yes	<p>Cenergi's Green Sukuk will be used to finance and/or refinance eligible project categories stated in the Framework:</p> <ul style="list-style-type: none"> <li>(i) Biogas</li> <li>(ii) Solar</li> <li>(iii) Other renewable energy</li> <li>(iv) Energy efficiency</li> <li>(v) Sustainable biomass fuel</li> </ul> <p>These categories are aligned with the Eligible SRI Project's objectives and categories, i.e., renewable energy; energy efficiency; pollution prevention and control; and circular economy-adapted products, production technologies and processes.</p>

No.	Item	Requirement	Alignment	Comment
7.10 & 7.11	Utilisation of Proceeds	An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for the purpose of funding any activities or transactions relating to the Eligible SRI projects, as described in paragraph 7.08 above.	Yes	Please refer to the above.
		In relation to the activities or transactions that involve the acquisition of a company undertaking Eligible SRI projects, an issuer must ensure that the company to be acquired does not carry on any other business or projects except the Eligible SRI projects.	Yes	The Framework allows for acquisition of eligible projects via acquisition of shares of a company. The Issuer will carve out any ineligible or non-relevant business prior to the transaction.
7.12	Process for Project Evaluation and Selection	An issuer must establish internal processes for the evaluation and selection of the Eligible SRI projects, as identified in paragraph 7.08 above.	Yes	The Issuer has outlined the measures established to identify eligible projects to be funded. The Issuer's Investment Committee will review and approve eligible projects. This committee also reviews major investment proposals before escalating these to Cenergi's Board of Directors for approval (see Section 3.2 Project Evaluation & Selection).
7.13	Management of Proceeds	An issuer must ensure that the proceeds allocated to the Eligible SRI projects are deposited into a designated account or otherwise tracked in an appropriate manner.	Yes	Pending allocation, the net proceeds from each issuance of the Green Sukuk will be deposited in a dedicated SRI fund. The Issuer will maintain a ledger to track allocation, deployment and utilisation of Sukuk proceeds (see Section 3.3 Management of Proceeds).
7.14	Reporting	<p>An issuer must provide the following information to the sukukholders, annually through a designated website:</p> <ul style="list-style-type: none"> <li>(a) The original amount allocated to the Eligible SRI projects.</li> <li>(b) The amount utilised for the Eligible SRI projects.</li> <li>(c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation.</li> <li>(d) The list of Eligible SRI projects to which the SRI sukuk proceeds have been allocated, and a brief description of the said Eligible SRI projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact.</li> </ul>	Yes	<p>Cenergi has committed to disclosing the necessary information annually to sukukholders via its corporate website. For detailed information, see Section 3.4 Reporting Commitments.</p> <p>The Issuer will report to the sukukholders the impact objective of the project financed by the Green Sukuk.</p>
7.05 & 7.16	Disclosure Requirements	The information relating to the issuer and the details of the issuer's SRI Sukuk Framework must be made publicly accessible via a designated website to be accessed by the issuer. Such information on the designated website must be made available at the point of issuance and throughout the tenure of the SRI sukuk.	Yes	Cenergi has committed to disclosing its Green Sukuk Framework and necessary information to sukukholders every year (via a Green Sukuk Report) on its corporate website.

No.	Item	Requirement	Alignment	Comment
		<p>For the purpose of disclosure of the details of the issuer and the SRI Sukuk Framework under paragraph 7.05 above, the following information must be included:</p> <ul style="list-style-type: none"> <li>(a) The overall SRI objectives that the issuer intends to achieve.</li> <li>(b) The utilisation of proceeds from the issuance of the SRI sukuk. Where all or part of the proceeds are used for refinancing, an issuer must provide the amount of proceeds allocated to refinancing and which Eligible SRI projects will be refinanced.</li> <li>(c) The Eligible SRI projects to which the proceeds will be allocated.</li> <li>(d) The details of the Eligible SRI projects and, to the extent possible, the impact objectives of the Eligible SRI projects.</li> <li>(e) The processes used by the issuer to evaluate and select the Eligible SRI projects.</li> <li>(f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects.</li> <li>(g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk.</li> <li>(h) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.</li> </ul>	Yes	<p>The Issuer is committed to publishing its Green Sukuk Framework, which contains items (a) – (h), on its corporate website.</p> <p>For detailed information on disclosure requirements, see Section 3.4 Reporting Commitments.</p>
7.17	External review	If an external reviewer is appointed to assess and provide a report on the Eligible SRI projects or the issuer's compliance with the requirements under these guidelines, such external reviewer's report must be made available on the designated website.	Yes	<p>RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's alignment with the requirements of the SRI Sukuk Framework, the ASEAN GBS, and the GBP as well as the sustainability responsibilities of the Issuer. The second opinion report will be made available on Cenergi's corporate website and RAM's website (<a href="http://www.ram.com.my">www.ram.com.my</a>).</p>

# **APPENDIX 2**



## APPENDIX 2: ASEAN GREEN BOND STANDARDS (ASEAN GBS) CHECKLIST

### Reference:

ASEAN Capital Markets Forum – ASEAN Green Bond Standards (GBS)

Item	No.	Requirement	Alignment	Comment
Eligible Issuers and Issuance	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	The Issuer is an entity incorporated in Malaysia, whose primary business operations are in Malaysia.
	3.2	ASEAN Green Bonds issuances must be originated from any of the ASEAN member countries.	Yes	The Sukuk issued under the Framework originates from Malaysia.
Eligible Green Projects	4.1.5	There are several broad categories of eligibility for Green Projects which contribute to environmental objectives such as climate change mitigation, climate change adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control. The categories include renewable energy and energy efficiency.	Yes	Cenergi's Green Sukuk will be used to finance and/or refinance eligible project categories stated in the Framework:  (i) Biogas (ii) Solar (iii) Other renewable energy (iv) Energy efficiency (v) Sustainable biomass fuel  (i)-(v) are aligned with the Eligible Green Project's objectives and categories, i.e., renewable energy, energy efficiency, pollution prevention and control, and circular economy adapted products, production technologies and processes.
Ineligible Projects	4.1.6	For clarification purposes, fossil fuel power generation projects are excluded from the ASEAN GBS.	Yes	The Issuer has stipulated in the Framework that projects utilising fossil fuel for power generation are not eligible for funding.
Continuous Accessibility to Information and Reporting	4.2.1	The Issuer of ASEAN Green Bonds must clearly communicate to investors –  (i) The environmental sustainability objectives; (ii) The process by which the Issuer determines how the projects fit within the eligible Green Projects 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 Projects.	Yes	Through the Green Sukuk, the Issuer aims to optimise usage of renewable energy, increase energy efficiency and reduce greenhouse gas emissions.  The eligibility criteria for the use of proceeds and the evaluation and selection process of eligible projects are detailed in the Framework.
	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 Green Bonds:  (i) The process for project evaluation; (ii) The use of proceeds; and (iii) External review report on the process (if any).	Yes	The Issuer is committed to publishing the Framework on its corporate website ( <a href="http://www.cenergi-sea.com">www.cenergi-sea.com</a> ). The Framework includes information describing the project evaluation process, the intended use of proceeds and the requirement to obtain a second opinion to confirm the validity of the Framework. The second opinion report will be made publicly available on Cenergi's corporate website and RAM's website ( <a href="http://www.ram.com.my">www.ram.com.my</a> ).
	4.3.1	Prior to the issuance of the ASEAN Green Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the process for managing the net proceeds from the ASEAN Green Bonds.	Yes	The process by which net proceeds are managed is described in the Framework. Pending allocation, the net proceeds from each issuance of the Green Sukuk will be deposited in a dedicated SRI fund. The Issuer will maintain a ledger to track allocation, deployment and utilisation of sukuk proceeds (see Section 3.3 Management of Proceeds).

Item	No.	Requirement	Alignment	Comment
	4.3.4	The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the intended types of temporary placement for the balance of unallocated proceeds.	Yes	Cenergi will invest the balance of net proceeds in the identified SRI fund.  The process by which net proceeds are managed is described in the Framework.
	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 Green Bonds.	Yes	The Issuer is committed to publishing a Green Sukuk Report each year, consisting of allocation reporting and impact reporting, throughout the tenure of the Green Sukuk. These reports will be made publicly available on the Issuer's corporate website.
Encourage More Frequent Reporting	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 Green 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 is committed to publishing an annual Green Sukuk Report, which will provide information on the allocation and impact reporting of the Green Sukuk issued.
External Review	5.1	Issuers are recommended to appoint external review providers for their ASEAN Green Bonds issuances.	Yes	RAM Sustainability has been appointed to provide a second opinion on the Issuer's Framework. The review covers an assessment of the Issuer's Framework against disclosure requirements of the ASEAN GBS, the SRI Sukuk Framework, and the GBP as well as the sustainability responsibilities of the Issuer.
	4.2.4	It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.	Yes	The second opinion report by RAM Sustainability covers project evaluation and selection.
	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 Green Bonds proceeds.	No	This is a voluntary process. The Issuer has not stated any intention to appoint an auditor or other third party to verify the internal tracking method and allocation of issuance proceeds from the Green Sukuk.
	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.	No	This is a voluntary process. The Issuer has not stated any intention to appoint an auditor or other third party to verify the internal tracking method and allocation of issuance proceeds from the Green Sukuk.
	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.	No	This is a voluntary process. The Issuer has not stated its intention to appoint an external reviewer to confirm the accuracy of its annual reporting on the use of proceeds.

# **APPENDIX 3**



## Green Bond/ Green Bond Programme External Review Form

### Section 1. Basic Information

**Issuer name:** Cenergi SEA Berhad (Cenergi)

**Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:** Green Sukuk Framework

**Review provider's name:** RAM Sustainability Sdn Bhd

**Completion date of this form:** 5 November 2021

**Publication date of review publication:** 5 November 2021

### 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 GBP:

- |  |  |
|--|--|
| <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 (including second opinion) | <input type="checkbox"/> Certification     |
| <input type="checkbox"/> Verification                                      | <input checked="" type="checkbox"/> Rating |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                  |  |

*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 the Second Opinion Report on Cenergi's Green Sukuk Framework.

### 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):

Proceeds from the issuance of the Green Sukuk by Cenergi will be utilised to finance and refinance the following eligible projects:

- Biogas
- Solar
- Other Renewable Energy
- Energy Efficiency
- Sustainable Biomass Fuel

The eligibility criteria for each category is described in the Framework.

##### Use of proceeds categories as per GBP:

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Renewable energy  | <input checked="" type="checkbox"/> Energy efficiency  |
| <input checked="" 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 checked="" 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 GBP | <input type="checkbox"/> Other (please specify):   |

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

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

### Overall comment on section (if applicable):

The Issuer has outlined the project criteria and measures established to identify eligible projects to be funded. The Issuer's Investment Committee will review and approve eligible projects. This committee also reviews major investment proposals before escalating these to Cenergi's Board of Directors for approval.

RAM Sustainability opines that the process Cenergi will employ is consistent with practices observed in the green bond/sukuk market in Malaysia.

### Evaluation and selection

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input type="checkbox"/> Other (please specify):  |

### 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 (please specify):  |   |

## 3. MANAGEMENT OF PROCEEDS

### Overall comment on section (if applicable):

Pending allocation, the net proceeds from each issuance of the Green Sukuk will be deposited in a dedicated SRI fund. The Issuer will maintain a ledger to track allocation, deployment and utilisation of sukuk proceeds. The Issuer will assign the task of overseeing the management of sukuk proceeds to its finance department, specifically the Corporate Finance and Treasury units.

### Tracking of proceeds:

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

### 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 checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (please specify):                               |



#### 4. REPORTING

##### Overall comment on section (if applicable):

The process for reporting is in line with expected norms for green sukuk. Cenergi is committed to publishing an annual Green Sukuk Report that consists of allocation reporting and impact reporting that provides the relevant information. This report will be made publicly available via Cenergi's website ([www.cenergi-sea.com](http://www.cenergi-sea.com)).

##### Use of proceeds reporting:

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

##### Information reported:

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

##### Frequency:

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

##### Impact reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" 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):

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings  |
| <input type="checkbox"/> Decrease in water use              | <input checked="" type="checkbox"/> Other ESG indicators (please specify): <u>See Section 3.4 of the Second Opinion Report.</u> |

##### 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): <u>An annual Green Sukuk Report that includes allocation reporting and impact reporting will be published by the Issuer.</u> |
| <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.)

Corporate website of the Issuer ([www.cenergi-sea.com](http://www.cenergi-sea.com)).

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

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

**Review provider(s):**

**Date of publication:**

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

- 1) **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- 2) **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- 3) **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- 4) **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.



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