



KELANTAN SMALL HYDROPOWER PROJECT ASEAN GREEN SRI SUKUK WAKALAH FRAMEWORK

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1 Introduction

1.1 RP Hydro (Kelantan) Sdn. Bhd.

Since its inception, Rising Promenade Sdn. Bhd. (“**RPSB**”) has acknowledged the fast-growing field of Renewable Energy (“**RE**”) development particularly in small hydropower. RE continues to offer tremendous potential in terms of its reliability, non-polluting and inflation-proof energy source. RPSB recognises this potential and focuses its core operation on pursuing the growth and development of Small Hydropower Plant (“**SHP**”) in Malaysia. To this effect, RPSB has been exploring various potential sites to develop small hydropower project in several river basins. During the appraisal studies, RPSB has identified a few suitable sites in Kelantan River Basin for the development of Low Head SHP on a cascade arrangement.

Ergo, in April 2017, RPSB established RP Hydro (Kelantan) Sdn. Bhd. (“**RPHK** or the “**issuer**”) a wholly owned special purpose vehicle for a structured development plan of the proposed development of Kelantan Small Hydropower Project which consists of three (3) small hydropower plants in Sungai Galas, a tributary of Sungai Kelantan, the main river in the state (shall collectively be referred to as the “**the proposed Project**”).

RPHK has obtained three (3) Feed-in Approval (“**FiA**”) with 2020 Feed-in Tariff (“**FiT**”) mechanism. This FiT mechanism is administrated and managed by Sustainable Energy Development Authority (“**SEDA**”) Malaysia under the Renewable Energy Act 2011 [Act 725].

Following that RPHK has inked three (3) Renewable Energy Power Purchase Agreement (“**REPPA**”) for twenty-one (21) years with Tenaga Nasional Berhad (“**TNB**”). These FiAs and REPPAs are for the development of 30.0 MW Serasa SHP, 29.0 MW Kemubu SHP, and 25.0 MW Kuala Geris SHP along Galas River in Dabong District, Kelantan. The proposed Project will provide and injection of RE into the TNB 132kV National Grid.

RPHK’s vision is to be the leading small hydropower developer in Malaysia. Thus, the proposed Project by leveraging the full hydro potential, is in line with the Government of Malaysia (“**GOM**”) target to increase the share of RE in national power generation and to achieve net-zero greenhouse gas (“**GHG**”) emissions.

RPHK recognises the responsibilities towards Environmental and Sustainability throughout the development of the proposed Project. Thus, its missions are to achieve goals in relation to ensuring security in energy generation, reducing GHG emissions, stimulating the local economy, and supporting socio-economic development.

Hence, Kelantan Small Hydropower Project ASEAN Green SRI Sukuk Wakalah Framework (“**the Framework**”) is a betterment in restating RPHK’s vision and mission. This Framework is also headway for RPHK to sustenance and uphold the United Nations Sustainable Development Goals 2030 (“**SDGs**”).

1.2 Kelantan Small Hydropower Project

The Proposed Development of Kelantan Small Hydropower Project will be developed on a cascade arrangement of three (3) locations in Sungai Galas located within Kuala Krai and Gua Musang.

The proposed Project is in Dabong District in the central part of Kelantan State approximately 50.0 km to Jeli Town, 60.0 km to Gua Musang Town and 80.0 km to Kuala Krai Town.

All the three (3) proposed small hydropower plants will be based on the concept of a run-of-river low head type of hydropower generation on a cascade arrangement.

The proposed Project will use the water available in the natural flow of the river in the control environment.

RPHK will build, own, and operate the following Small Hydropower Projects (“SHP”):

- i. 30.0 MW Serasa SHP, Dabong, Kuala Krai, Kelantan
- ii. 29.0 MW Kemubu SHP, Dabong, Kuala Krai, Kelantan
- iii. 25.0 MW Kuala Geris SHP, Dabong, Kuala Krai, Kelantan

All three (3) SHP will be situated along Sungai Galas, each with individual 33kV transmission lines connecting to the Collector Sub-Station (CSS) in Kemubu. A 132kV transmission line will connect the CSS to the Switching Station (SS) in Sungai Sam, Dabong. The proposed Project will provide and injection of RE into the Tenaga Nasional Berhad (“TNB”) 132kV National Grid.

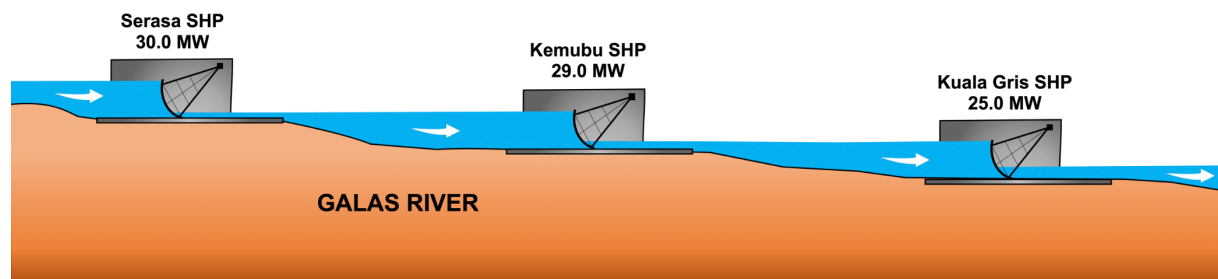


Figure 1-1: Run-of-River Low Head Small Hydropower Plants in a Cascade System

RPHK has completed a thorough feasibility study for the proposed Project which has been an essential foundation for the completion of the Environmental Impact Assessment (“EIA”) study in relation to the proposed Project. This EIA report has been approved by the Department of Environment Kelantan in November 2020.

From the approved EIA report, RPHK has formulated the Environmental and Sustainability Policy to be implemented throughout the proposed Project’s development, construction, and operation. RPHK’s main aim is to achieve the SDGs goal and to be a responsible RE developer.

2 Environmental and Sustainable Development

RPHK through the Environmental and Sustainability Policy will implement five (5) initiatives in the proposed Project. The initiatives are aligned with RPHK's vision and mission and the United Nations Sustainable Development Goals ("SDGs").

The five initiatives are:

1st Initiative	Promoting the development of renewable energy	- To utilise existing river flow for power generation
2nd Initiative	Reducing GHG emission	- The use of RE for power generation instead of conventional fossil fuels
3rd Initiative	Preserving and protecting the environment	- The implementation of the run-of-river low head concept for hydropower generation will minimise the impacts on land, forest and biodiversity
4th Initiative	Improving the quality of life of the society	- Employment
5th Initiative	Seeking to achieve positive social outcomes	- Sense of belonging

RPHK has identified, prioritized, and aligned our initiatives to specific SDGs that are immediately relevant to the proposed Project, in support of the national and global agenda.

These SDGs are:



Environmental and Sustainability Policy and Framework (ESPF) document will be established to implement all initiatives throughout the construction and operation of the proposed Project. The ESPF is a management instrument specifically designed to address the beneficial impact of the proposed Project in line with SDGs. The Environmental Management Plan (EMP) Report, internal programmes and operation standards will be the guideline in the establishment and implementation of the ESPF.

A clear roles and responsibility of each parties involved in this framework has and will be established to ensure a proper actions and effective implementation can be carried out. Performance Monitoring Committee shall be established to monitor all aspect of the environmental and sustainability including the status of regulatory compliance of the proposed Project. The ESPF will be updated regularly to address new development of each initiative.

3 Kelantan SHP ASEAN Green SRI Sukuk Wakalah Framework

Kelantan Small Hydropower Project (SHP) ASEAN Green SRI Sukuk Wakalah Framework (“**the Framework**”) was established to safeguard the integrity, transparency and publication in the issuance of the Sustainable and Responsible Investment (SRI) Sukuk known as “**ASEAN Green SRI Sukuk Wakalah**” of up to RM975.0 million in nominal value to part finance the proposed Project.

The Framework was developed accordingly to the policies direction in Malaysia and globally. Starting with the National Renewable Policy and Action Plan 2008 and Nation Policy on Climate Change 2009 followed by related ministries policy and plan.

The Framework formulation was also consistent with the Green Technology Master Plan, 2017-2030, Government’s initiatives under the 12th Malaysia Plan 2021-2025, The Malaysia Renewable Energy Roadmap 2021, and the latest The National Energy Policy 2022-2040.

This Framework is aligned and in compliance with:

1. The Securities Commission Malaysia’s (SC) Sustainable and Responsible Investment (SRI) Sukuk Framework (“**SC SRI Sukuk Framework**”);
2. The ASEAN Capital Markets Forum's (ACMF) 2018 Green Bond Standards; and
3. The International Capital Market Association's (ICMA) 2022 Green Bond Principles.

The core components of this Framework are:

- a. Utilisation of Proceeds
- b. Process for Project Evaluation and Selection
- c. Management of Proceeds
- d. Reporting



4 Utilisation of Proceeds

Proceeds from the issuance of ASEAN Green SRI Sukuk Wakalah by RPHK shall be utilised to solely part finance the proposed Project.

The Framework specifies that the eligible SRI and green project is Renewable Energy.

Throughout the implementation of the proposed Project, a broad spectrum of green and social benefits can be achieved in accordance with RPHK's Environmental and Sustainability Policy.

Eligibility

SRI and Green Project	Activities	Initiatives and SDGs
Renewable Energy	<p>Proceeds from the issuance of ASEAN Green SRI Sukuk Wakalah will be mainly used to:</p> <ul style="list-style-type: none"> i) reimburse all expenses already incurred during the pre-construction stage. ii) Fund the design, construct, operating and maintenance of three (3) Small Hydropower Plant in Sungai Galas. This includes setting up of construction facilities and infrastructures, small hydropower plants, sub-stations, transmission lines and interconnection to the grid and more related works and all expenses incurred. 	<p>1st Initiative. Promoting the development of renewable energy. To utilise existing river flow for power generation.</p> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Goal and Target: 7.2 Indicator: 7.2.1</p> </div> </div> <p>2nd Initiative. Reducing GHG emission. The use of RE for power generation instead of conventional fossil fuels.</p> <div style="display: flex; align-items: center;">  <div style="margin-left: 10px;"> <p>Goal 13. Take urgent action to combat climate change and its impacts</p> <p>Goals and Target: 13.2 Indicator: 13.2.2</p> </div> </div> <p>3rd Initiative. Preserving and protecting the environment and natural resources. The implementation of the run-of-river low head concept for hydropower generation will minimise the impacts on land, forest and biodiversity.</p> <p>4th Initiative. Stimulating local economy; Employment.</p> <p>5th Initiative. Support the socio-economic development; Sense of belonging.</p>

5 Project Evaluation and Selection

The process of project evaluation and selection was carried out by the ASEAN Green SRI Sukuk Wakalah Working Committee (“**the Working Committee**”) consisting of the C-Level Management chaired by the Managing Director. The Working Committee also consists of the appointed engineering, technical, legal and finance consultant of the proposed Project.

The Working Committee refers to all comprehensive studies and reports commissioned by RPHK and has been approved by the related government agencies throughout the development stage of the proposed Project covering the following:

- i. Feasibility Study Report
- ii. Environmental Impact Assessment Report
- iii. Development Proposal Report for Planning Permission

Ultimately all activities, features and programs materialize in the ASEAN Green SRI Sukuk Wakalah have been reviewed and approved by the Working Committee.

The Working Committee’s responsibility will continue for the following:

- i. Managing and supervising the Use of Proceeds according to the Framework
- ii. Monitoring the compliance to the initiatives and SDGs
- iii. Review all reports pertaining to the Framework requirements
- iv. To approve and publish the Annual Progress Report

The Working Committee will ensure the requirement as per SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued on 9 March 2015 (as may be amended from time to time) to be follow as below:

- 7.16 (f) – The criteria used by RPHK identify and manage material environmental or social risks associated with the proposed Project;
- 7.16 (h) – RPHK has complied with the relevant environmental, social and governance standards or recognised best practices relating to the proposed Project.

Exclusion Criteria

For the avoidance of doubt, in any case, the proceeds of the ASEAN Green SRI Sukuk Wakalah shall not be used for loans / financing / assets related to fossil fuel, nuclear, weapon, alcohol, tobacco, child labour and gambling/adult entertainment.

6 Management of Proceeds

Proceeds of the ASEAN Green SRI Sukuk Wakalah will be deposited into a collection account (“**Collection Account**”) and RPHK will also set up other Shariah-compliant accounts to facilitate the fund flows throughout the operations of the Project (together with the Collection Account, collectively known as “**Designated Accounts**”).

The Collection Account will be solely operated by the Security Trustee, Malaysian Trustees Berhad. Disbursements of the funds from the Collection Account for the proposed Project will be subject to the terms and conditions of the ASEAN Green SRI Sukuk Wakalah and supported by a relevant certification of completion progress from the technical adviser or such other acceptable professional certification or documentary evidence in form and substance acceptable to the Security Trustee.

Any unutilised proceeds in the Designated Accounts will be invested into Shariah-compliant products approved by the Shariah Advisory Council (“**SAC**”) of the SC and/or Bank Negara Malaysia’s SAC and/or other recognised Shariah authorities acceptable to the Shariah adviser from time to time subject to the terms and conditions of the ASEAN Green SRI Sukuk Wakalah (“**Permitted Investments**”).

For detailed information on the Designated Accounts related to the ASEAN Green SRI Sukuk Wakalah, please refer to the Principal Terms and Conditions of ASEAN Green SRI Sukuk Wakalah to be made publicly available on Bank Negara Malaysia’s Fully Automated System for Issuing/Tendering.

7 Reporting

RPHK is committed to publish an annual allocation report, and an impact report, until the proceeds of the ASEAN Green SRI Sukuk Wakalah have been fully allocated. These reports will be made available publicly, on RPHK's website (www.rphk.com.my).

Allocation Reporting

The allocation report will be made available approximately one year from the date of the ASEAN Green SRI Sukuk Wakalah issuance, and yearly thereafter until all funds have been utilised. The information disclose will contain the following details:

- i. A list of eligible projects financed or to be financed through the ASEAN Green SRI Sukuk Wakalah and the amounts allocated and utilised; and
- ii. The remaining balance of unallocated and/or unutilised proceeds, and where such unallocated and/or unutilised proceeds are placed or invested pending utilisation.

Impact Reporting

An annual impact report on a range of social and environmental indicators will be provided alongside the allocation report for Renewable Energy category until the maturity of the ASEAN Green SRI Sukuk Wakalah. Subject to the nature of the Project, confidentiality and availability of information, RPHK endeavours to include, but not limited to, the following:

- i. Brief description of the proposed Project
- ii. Installed renewable energy capacity (MW)
- iii. Renewable energy produced (MWh)
- iv. Greenhouse gas emissions (t/CO₂e) avoided

Additional indicators and information may be reported at the discretion of the Working Committee including the key underlying methodology or assumptions used to determine the impact or expected impact, such as the methodology employed to compute the carbon emissions avoided and emission conversion factors.

8 External Reviews

RPHK has appointed RAM Sustainability Sdn. Bhd. (“**RAM Sustainability**”) as an independent party to provide a Second Party Opinion on the Framework.

RAM Sustainability has reviewed the content of the Framework and confirmed its adherence to the SC SRI Sukuk Framework, the ACMF’s Green Bond Standards and the ICMA Green Bond Principles.

This Second Party Opinion has been made available on RPHK’s website (www.rphk.com.my).

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