



Green SRI Sukuk Framework



30 October 2020

1.0 COMPANY OVERVIEW

UiTM Energy & Facilities Sdn. Bhd. (“UEFSB”) is Malaysia-registered, private limited company with businesses in the areas of Renewable Energy, Energy Efficiency and Integrated Facilities Management. It is a wholly owned subsidiary of an investment holding company, UiTM Holdings Sdn. Bhd. (“UHSB”) which, in turn, is a wholly owned subsidiary of the largest public university in Malaysia, Universiti Teknologi MARA (“UiTM”). Therefore, UEFSB is indirectly engaged in creating sustainable value and income for the benefit of the UiTM public university system.

UEFSB is the parent company of three special purpose vehicles: UiTM Solar Power Sdn. Bhd. (“USPSB”), UiTM Solar Power Dua Sdn. Bhd. (“USPDSB”) and GO Energy Sdn. Bhd. (“GOESB”). GOESB is an energy services company implementing energy efficiency solutions in UiTM campuses throughout Peninsular Malaysia. USPSB owns a 50MW_{ac} large-scale solar photovoltaic (“LSSPV”) power plant in Gambang, Pahang, which was commissioned on 5 April 2019 and is currently operating and generating more than 240 MWh of renewable electricity daily. USPDSB owns a 25MW_{ac} LSSPV power plant in Pasir Gudang, Johor (the “Plant” or “Project”) which is under construction and will be commissioned in early-October 2020.

With regard to the Project, UEFSB (then UiTM Property Management Sdn. Bhd.) submitted to Suruhanjaya Tenaga (“ST”) in August 2017 a bid to develop the Project and this was accepted in November 2017 with a Letter of Award being issued by ST in April 2018. In March 2018, UEFSB took over the ownership of then-Uitm Johor Services Sdn. Bhd. and transformed it into a special purpose vehicle i.e. USPDSB, to carry out development of the Project. In March 2018, USPDSB signed a Power Purchase Agreements (“PPA”) with Tenaga Nasional Berhad (“TNB”) for sale and purchase of all the electricity generated from the Plant for a term of 21 years. In December 2018, USPDSB contracted SPIC Energy Malaysia Sdn. Bhd. (the “EPCC Contractor”), a subsidiary of the integrated power group from China, the State Power Investment Corporation Limited, to design, construct and commission the Plant. In March 2020, USPSB was granted a Generation License by ST in relation to the Plant. Post-commissioning, the Plant will be operated and maintained by UEFSB.

Presently, UEFSB has submitted to ST a bid to develop a 50MW_{ac} LSSPV power plant in Kedah, so as to continue to expand its renewable energy business.

2.0 COMPANY’S GREEN SRI SUKUK FRAMEWORK

In order to finance the development of the 50MW_{ac} LSSPV power plant in Gambang, Pahang, USPSB had previously issued Islamic medium term notes of up to RM240 million in nominal value based on the Shariah principle of Murabahah, via Tawarruq arrangement. In relation to this, USPSB had established its own Green Bond Framework in line with the International Capital Market Association’s (“ICMA”) Green Bond Principles (“GBP”) so as to tap into the Sustainable Capital Markets.

USPDSB has also decided to tap into the Sustainable Capital Markets and to issue Green Sustainable and Responsible Investment (“SRI”) Sukuk up to RM100.0 million in nominal

value based on the Shariah principle of Murabahah, via Tawarruq arrangement (the “Issuance”) in order to finance the Project.

In conjunction with the Issuance, UEFSB has decided to develop a Green SRI Sukuk Framework (the “Framework”) which will commit UEFSB and its subsidiaries to the principles and rules of the ICMA’s GBP 2018 and Security Commission’s (“SC”) SRI Sukuk Framework.

The Framework covers four core components:

- i. Use of Proceeds
- ii. Process for Project Evaluation and Selection
- iii. Management of Proceeds
- iv. Reporting

Each of these components will be covered in the following sub-sections.

2.1 USE OF PROCEEDS

Proceeds from USPDSB's Issuance will be used exclusively to fund the following:

- i. Part-finance and part-reimburse the parent company, UEFSB, a total of up to eighty percent of the Project's development cost incurred since bid for the Project was made to ST in August 2017;
- ii. Pay all fees and expenses in relation to the Issuance of the Green SRI Sukuk; and
- iii. Pre-fund the Green SRI Sukuk Finance Service Reserve Account.

The Project falls within the Renewable Energy category of eligible green GBP/SRI projects. It contributes towards ‘climate change mitigation’ by ‘promoting the use of renewable energy’ and ‘reducing greenhouse gas emissions’. It also contributes towards ‘pollution prevention and control’ and ‘preserves and protects the environment and natural resources’ by supplying clean and sustainable energy that would allow replacement of non-renewable and polluting carbon-based energy sources. Even when the life-cycle of LSSPV projects are considered (from manufacturing, materials transportation, installation, maintenance, and decommissioning and dismantlement), the greenhouse gas emissions are minimal; and there is a net avoidance of these emissions when power is generated from LSSPV instead of conventional, fossil-fuel power plants.

Simultaneously, the Project will contribute towards the national agenda as formalized in the Five Fuel Policy of 2001, the Renewable Energy Policy and Action Plan of 2010, the Renewable Energy Transition Roadmap 2035 and the Shared Prosperity Vision 2030, all of which emphasize the growth of the Renewable Energy sector to improve energy security and as an economic driver. The Project will also contribute towards the national commitment to reduce CO₂ emissions per unit of GDP by 45% of 2005 level by 2030.

The Project also ‘improves the quality of life for the society’ through creation of employment and creation sustainable value and income for its shareholders. Throughout the course of the Project, from design and construction to its daily operation and maintenance, over 400 job opportunities (including consultants, contractors etc.) have

been and will be created. Dividends from the Project will go towards the ultimate parent of the Issuer, UiTM, hence towards benefiting public higher education in Malaysia.



2.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

Inception of the Project was when ST opened its second competitive bidding program for 360MW_{ac} of LSSPV capacity in Peninsular Malaysia in February 2017. The decision was made for UEFSB (then UiTM Property Management Sdn. Bhd.) to participate in the program. As part of project evaluation and selection, the following studies were undertaken:

- i. Power System Study;
- ii. PVsyst simulation;
- iii. Financial model;
- iv. Project risk assessment;
- v. Site survey and topographical survey.

Based on the studies above, the environmental sustainability objectives of the Project were set, and the expected outcomes are described as follows:

Objective	Expected Outcome
To Promote the Use of Renewable Energy	The Plant is expected to produce a total of 812,487 MWh of electricity, or an average of 38,690 MWh per year, over its 21 years lifespan.

To reduce Greenhouse Gas Emissions	The Plant is expected to avoid the production of a total of 405,305 mt of CO ₂ ¹ , or an average of 22,634 mt of CO ₂ per year, for the electricity generated over its 21 years lifespan.
To Improve the Quality of Life for the Society.	Eight permanent, high-technical skill and local employment positions will be created directly for Plant operations from its commissioning onwards. The Project will generate revenues totalling RM 308 million over its 21 years lifespan.



With respect to the Project site, this was evaluated and selected based on following criteria:

Criterion	Evaluation Outcome
Right of Use to land is obtainable	Site is sub-leased from UiTM
Land is unused and has no high-value utilization	Site is adjacent to UiTM campus but land was covered with mature oil palm trees
Site will be conducive towards project economics	Area has relatively good solar radiation; land is generally flat and undulating in parts; site is accessible; site is in close proximity (less than 6km) to grid connection point
Project will not result in net adverse impact on surrounding environment and community	Area is not designated (by state/federal authority) as of ecological importance; population density is not high; site has no cultural/religious significance; Environmental Management Plan ("EMP") was developed as part of the

¹ Based on the 2017 Combined Margin emission factor for Peninsular Malaysia of 0.585 mtCO₂/MWh given in the 2017 CDM Electricity Baseline for Malaysia produced by Malaysian Green Technology Corporation.

	Preliminary Site Assessment (“PAT”) to mitigate any adverse impact on the surrounding environment due to the Project; Environmental Impact Assessment (“EIA”) is not required by the Johor Department of Environment (“DOE”)
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With respect to construction of the Plant, the EPCC Contractor has presented to USPDSB their certifications of conformity with management systems relating to: quality; environmental; and occupational health and safety. The EPCC Contractor undertakes to comply with all applicable safety regulations and with all applicable environmental laws and regulations. Further, the EPCC Contractor warrants that the construction works shall be carried out in accordance with applicable laws and licenses, and that the Plant shall be handed over in a state that is in compliance with- and will be operable in compliance with applicable laws and licenses.

With respect to operations of the Plant, the Operations and Maintenance Contractor (the “O&M Contractor”, which is UEFSB) undertakes to carry out the operations and maintenance works in accordance with all applicable law and regulations and good operating practices.

Further, UEFSB is in the process of formalizing a Health Safety and Environment Policy and an Environmental Sustainability Policy.

2.3 MANAGEMENT OF PROCEEDS

USPDSB will establish Designated Accounts which will be maintained/operated by the Security Trustee in accordance with the Financing Documents. Designated Accounts include: Disbursement Account, Revenue Account, Operating Account, Finance Service Reserve Account, Takaful/Insurance and Compensation Account and Maintenance Reserve Account.

Proceeds from the Issuance will be credited into the Disbursement Account and will be utilised for payments towards Project Cost. Unallocated net proceeds may be utilized for Permitted Investments. So long as the Sukuk are outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to the Project made during a given period. Subsequent to Project Completion Date, any unutilised amount in the Disbursement Account will be transferred into the Revenue Account and thereafter the Disbursement Account will be closed.

For detailed information on the Designated Accounts and definitions of the terms used in this Sub-Section, please refer to the Principal Terms and Conditions of the Issuance, to be made publicly available on Bank Negara Malaysia’s Fully Automated System for Issuing/Tendering and the BIX website.

2.4 REPORTING

USPDSB will publish in the UEFSB website prior to or at the time of the Issuance, the Project’s environmental sustainability objectives, the utilization of the proceeds of the Issuance, the process for project evaluation and selection, and how the Project fits into the Eligible SRI Projects categories.

USPDSB will report annually to the Sukukholders via the UEFSB website, annual reports or any other communication channels, the proceeds of the Issuance, the amount utilized towards Project Cost, the amount unutilized and its placement pending utilization. USPDSB will also report annually via the UEFSB website the impact the Project has made towards its objectives. Specifically, USPDSB will report the following quantitative indicators:

Objective	Indicator
To Promote the Use of Renewable Energy	Renewable electricity produced (MWh)
To reduce Greenhouse Gas Emissions	CO ₂ avoided (mt)
To Improve the Quality of Life for the Society.	i. Permanent, local employment directly tied to Plant operations (number of positions) ii. Revenues generated (RM)

3.0 EXTERNAL REVIEW

Malaysian Rating Corporation Berhad (“MARC”) has been engaged as an independent external reviewer. The review conducted by MARC is a full review and addresses alignment/compliance with the components of the relevant standards. MARC’s external review report will be provided in UEFSB’s website.

MARC is registered with the Securities Commission of Malaysia as a credit rating agency. The scope of MARC’s external review is set out in MARC’s Impact Bond Assessment (IBA) methodology that is publicly accessible from its corporate website.

4.0 CONTACT

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