

EDRA SOLAR SDN BHD SUSTAINABILITY SUKUK FRAMEWORK

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Contents

1.	Background	3
2.	Sustainability Sukuk Framework	4
2.1	Use of Proceeds	4
2.2	Process of Project Evaluation and Selection	5
2.3	Management of Proceeds	6
2.4	Reporting Commitment	6
3.	External Assurance	7



1. Background

At Edra Group, we care about the well-being and sustainability of the communities in which we live and work. With operations across different geographies, we are committed to our Corporate Social Responsibility (“CSR”) as part of a global community.

Capital, Commitment and Continuity – the 3Cs that is the cornerstone of our CSR policy – provides the framework for our community investment programmes in which we commit our financial resources and expertise to ensure a sustainable CSR programme that brings about a positive impact on the communities.

We actively contribute to the social and economic development of the communities by supporting worthy causes that help build a better, sustainable way of life for society. Each facility within the Edra Group maintains active ties with their local communities, supporting community development programmes and working in partnerships with non-governmental organizations and/or local authorities to service various community needs.

Under Edra Solar, our newly built 50MWac large scale photovoltaic solar farm in Kuala Ketil, Kedah (“**Kuala Ketil Solar Farm**”) has at the onset during project planning stage reserved a meaningful land size of up to 40 acres, designated as buffer zone surrounding the solar farm facility, within the project land to facilitate the commercial agricultural development which may include but not limited to the cultivation of pineapples farming and/or other crops by the local community for a nominal fee.

This community partnership that is aligned with The UN Sustainable Development Goals #8 where the objective is to sustain per capita economic growth and achieve higher levels of economic productivity and promoting development oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, innovation and decouple economic growth from environmental degradation.



2. Sustainability Sukuk Framework

Edra Solar intends to issue the ASEAN Sustainability SRI Sukuk, with the aim of financing climate and environmentally friendly solar project which also contributes to the social and economic development of the communities.

Our Sustainability Sukuk Framework adopts the relevant standards under the ASEAN Green Bond Standards, the ASEAN Social Bond Standards, the ASEAN Sustainability Bond Standards, and the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines accepted by the International Capital Market Association (“**ICMA Green Bond Principles**”) as well as the transparency and disclosure requirements of Securities Commission Malaysia Sustainable and Responsible Investment Sukuk Framework, covering the following “4 Pillars” principles:

- (i) Use of proceeds;
- (ii) Process of project evaluation and selection;
- (iii) Management of proceeds; and
- (iv) Reporting commitment.

2.1 Use of Proceeds

Kuala Ketil Solar Farm had achieved commercial operation on 25 February 2019, with 100% funding provided by Edra in the form of shares and shareholders’ loan.

The proceeds from the ASEAN Sustainability SRI Sukuk will be used to re-finance up to 80% of the total project costs incurred for the development of the Kuala Ketil Solar Farm which also includes the cost of the land allocated for the cultivation of pineapples farming and/or other crops by the local community.

The development of a solar farm as well as the fruit farming surrounding the solar farm meet the objectives listed under the ASEAN Social Bond Standards and ASEAN Green Bond Standards as well as the list of eligible Social Projects categories listed under the ICMA Social Bond Principles and Green Projects categories listed under the ICMA Green Bond Principles:

Objectives / Eligible Green Projects / Eligible Social Projects	Descriptions
Renewable Energy	Production of renewable energy (solar)
Pollution prevention and control	Electricity generated from solar farm helps in reducing the overall carbon emissions from the power industry in the country.
Eco-efficient and/or circular economy adapted products, production technologies and processes	Production of premium quality pineapple and development of the socio-economic of the local community, creating new entrepreneurs through a centralized training system and strengthen the pineapple cultivation and marketing industry.
Socioeconomic advancement and empowerment	The buffer zone surrounding the solar farm is expected to stimulate the socioeconomic development of the local community, generating additional revenue to the local farmers from the otherwise vacant land.

2.2 Process of Project Evaluation and Selection

Solar Farm

Edra Solar conducted feasibility studies for the development and implementation of large scale photovoltaic solar farm in East Coast of West Malaysia to identify suitable regions for photovoltaic technology and solar farm. The general assessment of the following site selection criteria was performed:

- (i) Proximity to the high voltage electrical grid
- (ii) Topography of the terrain
- (iii) Transportation and accessibility to the site
- (iv) Land use
- (v) Seismic and flooding risk

Subsequently, a detailed feasibility study was conducted specifically for Kuala Ketil Solar Farm covering the following:

- (i) Technical assessment
- (ii) Environmental assessment
- (iii) Yield assessment
- (iv) Cost assessment

Edra Solar conducted an initial environmental study and the study shows no red-flag environmental issues. Edra Solar has also undertaken the erosion and sediment control plans during the construction period and endeavors to continue with such initiatives throughout the operating period including quarterly water sampling for sedimentation pond and baseline for noise and air monitoring.

Social Project

For the proposed fruit farming, The Pertubuhan Peladang Kawasan Kuala Ketil ("PPKKK") conducted studies covering the soil conditions, suitability of fruit farming as well as the social impact arising from the agriculture activities.

The study shows that the type of soil surrounding the Kuala Ketil Solar Farm is found to be very suitable for agriculture, a type of laterite soil that is rich in soil minerals, sediments, sand and humus which has a high PH value and calcium content. The laterite earth is red and needs extra organic to be easily softened and to absorb water better for the plants with its moisture-holding abilities. This type of land has a good ventilating force for movement between soil particles and plant roots.

With the suitability of the soil, drainage system, and solar system equipment, MD2 or known as Moris pineapples is identified to be suitable to be planted. The local farmers will also rotate the pineapples with a special grass to aid in soil recovery. The special grass will be cut and transported out of the farm to be used as feed for livestock before the next pineapple planting cycle begins.

In terms of the social benefits to the community, it is estimated that this CSR initiative will benefit more than 2,600 farmers and the local economic development and creating 106 direct employments to the local community.

2.3 Management of Proceeds

Solar Farm

The proceeds generated from the solar farm will be deposited into the accounts and utilized in accordance with the terms and conditions under the financing documents of the ASEAN Sustainability SRI Sukuk.

Social Project

The land allocated for the social project worth approximately RM10million. Edra Solar will enter into a tenancy agreement with PPKKK which provides the land usage to the local farmers without any charges. The pineapple farming is envisaged to commence after September 2019.

PPKKK will manage the farming together with the local farmers through a joint venture programme with a shared capital commitment of 70:30 whereby the local farmers will share 70% of profits and risks and PPKKK will share the remaining 30% of profits and risks. The pineapple farming is expected to generate gross revenue of approximately RM684,000 per cycle (one cycle of harvesting is 14 months). Therefore, the total gross revenue from the pineapple farming that would be generated throughout the 18 years tenure of the ASEAN Sustainability SRI Sukuk is expected circa of RM10.55 million. This has not considered the estimated gross revenue that could be generated from the sale of other crops.

2.4 Reporting Commitment

This Sustainability Sukuk Framework and the external review report will be made publicly available on Edra's company, including the external review report.

Edra Solar shall also provide annual reporting, via newsletters, website updates, annual report or any other communication channels on the following:

- (i) the original amount earmarked for the Eligible SRI Projects;
- (ii) the amount utilised for the Eligible SRI Projects;
- (iii) the unutilised amount and where such unutilised amount is placed or invested pending utilisation; and
- (iv) where feasible and to the extent possible, the impact objectives from the Eligible SRI Projects;
- (v) where feasible and to the extent possible, other impact reporting including the installed capacity of the plant, the annual electricity generated by the plant, the corresponding GHG emissions avoided annually, the number of farmers supported, number of jobs created and the revenue generated for the community.

Edra Group including Edra Solar will be fully committed to keep our ASEAN Sustainability SRI Sukuk investors updated with the latest development on our continuous CSR initiatives.

3. External Assurance

Pre-Issuance

Edra Solar had engaged RAM Consultancy Services Sdn Bhd as an independent party to provide the second opinion on this Sustainability Sukuk Framework prior to the issuance of the ASEAN Sustainability SRI Sukuk.

Post Issuance

Edra Solar will appoint an auditor or other third party to verify the Issuer's management and utilization of proceeds of the ASEAN Sustainability SRI Sukuk which will be fully allocated upon the issuance of the ASEAN Sustainability SRI Sukuk.

Edra Solar shall ensure that the report produced by the auditor or other third party will be made publicly available on a website designated by the Issuer.

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