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UiTM SOLAR POWER DUA SDN BHD
RM100 MILLION GREEN SRI SUKUK
PRE-ISSUANCE GREEN SRI SUKUK ASSESSMENT
DECEMBER 2020



GREEN SRI SUKUK ASSESSMENT

Malaysian Rating Corporation Berhad has been engaged by UiTM Solar Power Dua Sdn Bhd as an independent external reviewer for its proposed Green SRI Sukuk of up to RM100.0 million. This external review was conducted according to the analytical framework in MARC's Impact Bond Assessment (IBA) methodology that is published on its website.



MALAYSIAN RATING CORPORATION BERHAD

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SUMMARY

UiTM Solar Power Dua Sdn Bhd's (UiTM Solar 2) Green SRI is a three-part analysis consisting of an impact assessment of the project financed by the green sukuk; an assessment of the alignment of the issuer's Green SRI Sukuk Framework with SC's SRI Sukuk framework and the International Capital Market Association's Green Bond Principles (GBP); and finally, an evaluation of the issuer's sustainability implementation capacity and performance.

In assessing the sukuk's green credentials, MARC reviewed relevant public documents and non-public information provided by the issuer, held conversations with the issuer's representatives and conducted a site visit to understand the issuer's approach to environmental management and mitigation of material project environmental and social (E&S) risks, as well as the high-level roadmap for integrated sustainability.

The green SRI sukuk proceeds will be fully allocated to a completed and grid-connected 25MWac solar photovoltaic (PV) power plant in Pasir Gudang, Johor (UiTM Solar Park II or the Project). MARC understands that the Commercial Operation Date is expected to be December 2, 2020, pending certification by Suruhanjaya Tenaga. The project falls under the renewable energy category of eligible SRI projects identified by SC's SRI Sukuk framework.

UiTM Solar 2's Green SRI Sukuk Framework PTC complies with the four core components of the GBP and SC's SRI Sukuk framework corresponding to requirements for use of proceeds, process for project selection and evaluation, management of proceeds, and reporting. Green sukuk proceeds will be credited to a separately created Disbursement Account as defined and described in sukuk documentation. Unallocated proceeds will be transferred to a Revenue Account upon the closing of the Disbursement Account. UiTM Solar 2 has also committed to report on indicators applicable to the project's environmental objectives.

UiTM Solar 2 is a fully owned Special Purpose Vehicle (SPV) of UiTM Energy & Facilities Sdn Bhd (UEFSB) which, in turn, is a wholly owned subsidiary of an investment holding company, UiTM Holdings Sdn Bhd (UHSB). UiTM Solar Park II is the second of two utility-scale solar projects under the UiTM Group. Both renewable energy projects and the issuance of this type of sukuk to fund the projects are demonstrative of a group-wide strategy to support sustainable development and climate change mitigation. During the project's construction and operation phases, UiTM Solar 2's ability to identify and manage the project's environmental and social risks is supported by the implementation of environmental health and safety management systems that extend beyond maintaining regulatory compliance, either by the turnkey contractor or the operation and maintenance (O&M) operator.

Based on our review of the relevant documentation and assessment per our IBA methodology, UiTM Solar 2's green SRI sukuk has been assigned a "Gold" IBA.

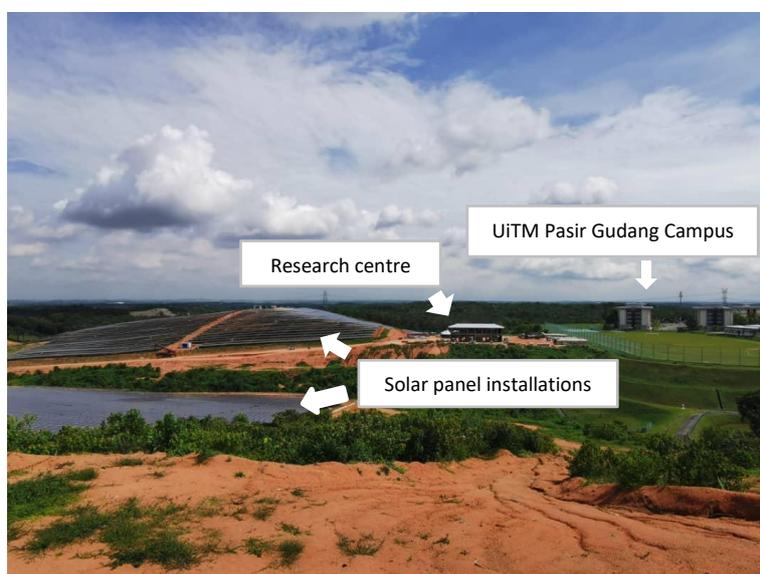
Introduction

Incorporated as a private limited company under the name of UiTM Johor Services Sdn Bhd on 22 April 2004, the issuer was taken over by its present shareholder, UiTM Energy & Facilities Sdn Bhd (UEFSB). On January 2, 2018, the principal activity of the company was changed to the development and operation of solar photovoltaic power plant from retail and general trading. On 11 January 2018, the company's name was changed to its present name of UiTM Solar Power Dua Sdn Bhd (UiTM Solar 2).

UiTM Solar 2, a fully owned Special Purpose Vehicle (SPV) of UiTM Energy & Facilities Sdn Bhd (UEFSB), holds a 21-year power purchase concession with Tenaga Nasional Berhad (TNB). Under the Power Purchase Agreement (PPA) signed with TNB in March 2018, the national utility commits to purchase from the UiTM Solar 2 all the electricity generated from a 25MWac solar photovoltaic (PV) power plant in Pasir Gudang, Johor (UiTM Solar Park II or the Project) for a term of 21 years. In April 2018, the issuer obtained a Letter of Award from Energy Commission (Suruhanjaya Tenaga) for the development of the plant. In March 2020, the issuer was granted a generation license by Energy Commission (EC) in relation to the plant.

UiTM Solar 2's solar PV plant is the second of such projects that UEFSB is involved in, the first being a 50MWac solar photovoltaic power plant (UiTM Solar Park I) in Gambang, Pahang. UEFSB is a majority shareholder in UiTM Solar Power Sdn Bhd (USPSB), the operator of UiTM Solar Park I and issuer of the group's first Green SRI Sukuk. UEFSB 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).

The Project



UiTM Solar Park II, September 11, 2020. Photo credit: KY Chia

UiTM Solar Park II is sited on 112 acres of land within the UiTM Pasir Gudang campus, Daerah Johor Bahru, Johor. The project site was selected based on environmental criteria, which include solar radiation intensity, local physical terrain, environment, and climate, as well as its proximity to the grid connection point. The site is sub-leased from UiTM. Also mitigating the risk in project siting is an initial site assessment performed early in the project planning process to determine the project's potential environmental impacts and the significance of such impacts. An Environmental Management Plan

(EMP) has also been drawn up by AMR Environmental Sdn Bhd, the issuer's environmental consultant to manage environmental compliance and risk.

Providing a sound basis for project implementation and key underlying arrangements such as the Engineering, Procurement and Construction (EPC) and Operation and Maintenance (O&M) contracts, and the project site sub-lease is the long-term take and pay, energy only PPA. The energy price is fixed at 37.88 sen per kWh throughout the 'build-own-operate' concession. In December 2018, UiTM Solar 2 appointed SPIC Energy Malaysia Berhad (SPIC Malaysia) as EPC contractor for the design, engineering, procurement, construction and installation, testing and commissioning of the plant. SPIC Malaysia was also the EPC contractor for Malaysia's first utility-scale solar project in Sabah, a 50MW plant. SPIC Malaysia's ultimate holding company is China's State Power Investment Corporation Limited, one of the largest state-owned electricity generators in China. Post-commissioning, the plant will be operated and maintained by UEFSB.

The power plant is built using ground-mounted, polycrystalline silicon PV modules at fixed tilt with string inverter topology to suit site-specific topography and geology. Shading, performance degradation, and trade-offs between increased plant investment (including the cost of long-term maintenance) and energy yield were important upfront considerations in the design of the PV plant. The PV modules are mounted on fixed-angle frames that are less complicated to install, more economical and require less maintenance. Arranged in string configuration, the inverters convert direct current (DC) electricity generated by the PV modules into AC electricity, that is stepped up to the grid connection point's required grid voltage of 33kV by step-up transformers. The final main component of the plant is the grid connection interface consisting of an intermediate renewable energy (RE) substation (in which a 33kV incoming switchgear is housed) and 33kV underground supply cables that will transmit the generated electricity to an existing TNB main distribution substation located six kilometres away from the project site. The project's Independent Technical Advisor (ITA) estimates the plant's initial year and long-term average annual electricity production at P90 to be 40,583 MWh and 37,032 MWh respectively.

MARC understands that the Commercial Operation Date is expected to be December 2, 2020, after encountering delays outside the project's control. Apart from delay caused by the permitting process, government-imposed movement control measures to mitigate the COVID-19 pandemic had resulted in a stoppage of construction work and supply chain disruptions that affected the delivery and installation of critical project components, as well as the availability of ancillary services.

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APPENDIX

ASEAN GREEN SRI SUKUK COMPLIANCE REVIEW FORM

01 IMPACT SIGNIFICANCE ANALYSIS

Our qualitative analysis of impact is conducted in the context of the United Nations Sustainable Development Goals (SDGs). As a globally accepted guidepost for transition to sustainable development, the SDGs serve as a useful framework of reference for project impact analysis. The 17 SDGs are at the heart of a global sustainability agenda covering three broad areas of economic, social and environmental development to be reached by 2030. The prominence given to SDGs in the national development agenda and the national planning framework facilitates qualitative assessment as to whether the project has a credible impact on national SDGs considered to be of the highest relevance.

Specifically, the project will also contribute towards the achievement of national priorities, notably that of enhancing environmental sustainability through green growth and the strengthening of infrastructure to support economic expansion.



UiTM Solar Park II's fixed tilt ground-mounted solar panel polycrystalline silicon PV modules retains natural topography of undulating site terrain. Photo credit: KY Chia

POSITIVE IMPACTS

The project impact is a reliable, affordable, secure, and sustainable energy supply that electricity utility Tenaga Nasional Berhad has committed to purchase under a power purchase agreement (PPA) for 21 years. This project will increase solar power generation by an average of 37,742 MWh/year (at P90 energy production levels) to meet the country's growing electricity demand and bolster renewable energy penetration in Malaysia.

SDG Impact Assessment: Primary SDGs



The project will supply cost-competitive clean energy at a fixed tariff of 37.88 sen/kWh. Increased domestic deployment of renewable energy is essential for the government to build a sustainable energy supply system, enhance national energy security and curtail fossil fuel dependency. Fuel prices are a major determinant of electricity tariffs where electricity generation from fossil fuels is concerned.

The project will have a direct positive impact on the achievement of SDG 7: target 7.2 – increase the share of renewable energy in the global energy mix by 2030. It will also contribute to Malaysia’s target of generating 20% of its electricity with renewable sources by 2025.

13 CLIMATE ACTION



According to the International Energy Agency (IEA), energy production and use is the largest source of global greenhouse-gas (GHG) emissions, driven largely by fossil fuel use. Electrification with renewable power is paramount to mitigating climate change given its significant potential for GHG emissions reduction. For solar projects, the lifecycle global warming emissions come from the manufacturing, materials transportation, installation, maintenance, and decommissioning and dismantlement stages of the project. There are no emissions associated with generating electricity from solar energy. Still, research findings suggest that the carbon footprint of solar is many times lower than coal or gas with carbon capture and storage even after accounting for indirect lifecycle emissions.

In helping to decarbonise the national electricity grid, the project will contribute towards Malaysia’s delivery of the emissions reductions required by the Paris climate agreement to keep temperature increases resulting from heat-trapping emissions to less than 2°C. The project will also have a direct positive impact on meeting the aspirations of SDG 13: target 13.3 on building knowledge and capacity on climate change mitigation, adaptation and impact reduction.

SDG Impact Assessment: Related SDGs

3 GOOD HEALTH AND WELL-BEING



4 QUALITY EDUCATION



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



The project will foreseeably have indirect positive impacts on the achievement of other SDGs as follows:

SDG 3: target 3.9 - reduce illnesses and death from hazardous chemicals and pollution;

SDG 4: target 4.3 - ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university;

SDG 8: target 8.4 - improve resource efficiency in consumption and production to decouple economic growth from environmental degradation; and

SDG 9: target 9.4 - promote inclusive and sustainable industrialization and raise industry’s share of employment and gross domestic product (GDP).

The project will also stimulate private sector investment, new job creation and economic growth. It is expected to create around 400 jobs during plant installation as well as in operations and maintenance including eight permanent positions when completed.

The project is expected to generate lifetime revenue of RM300 million at P90 energy production levels. The resulting dividend stream for UiTM will enable higher education to make a fuller contribution to sustaining the economic, environmental and intellectual well-being of national and local communities.

NEGATIVE IMPACTS

The siting of the project on land with low environment concern and the consideration given to the existing site contour in the project’s planning has helped lay the base for an environmentally sound project. The project’s environmental management plan (EMP) has identified and evaluated potential environmental impacts of projects as per the project cycle and proposed measures to mitigate the negative impacts on local communities and the environment. An important tool in the integrating environmental management approach in the planning, construction and operating stages of the project, the EMP promotes the protection and conservation of the environment and natural resources.

Site-specific assessments are necessary to analyse the context dependent impacts of ground-mounted PV panels on local ground-level microclimate, plant–soil carbon cycling, greenhouse gas emissions and existing flora and fauna. In general, shading and changes to wind flow are anticipated which, and in principle, will likely affect temperature and rainfall distribution over the land. Validation or certification of the climate effects of the project are excluded from the scope of MARC’s external review.

Overall Impact Significance

<input checked="" type="checkbox"/>	Very Significant	This level of impact significance is assigned where underlying projects are expected to generate very visible positive ground level impact. Projects at this level support the realisation of long-term integrated visions of sustainable development that are consistent with global sustainability goals, as well as national sustainable development goals and priorities.
<input type="checkbox"/>	Significant	This level of impact significance is assigned where underlying projects are expected to generate a visible positive ground level impact. Projects at this level have the potential to facilitate adjustments towards a more sustainable development trajectory and to meaningfully advance national level sustainable development goals.
<input type="checkbox"/>	Fairly Significant	This level of impact significance is assigned where underlying projects are expected to generate a ground level impact which, although at a lower magnitude than that expected for higher assessment levels, is still considered noteworthy.
<input type="checkbox"/>	Marginal	This level of impact significance is assigned where underlying projects are expected to generate a positive but limited ground level impact.
<input type="checkbox"/>	Not Significant	This level of impact significance is assigned where underlying projects are expected to have negligible ground level impact.

The project, UiTM Solar Park II, aligns with national goals of reducing the environmental impact of energy consumption and meeting electricity demand sustainably by increasing the share of renewables in the country’s generation mix. Apart from meeting the objectives of sustainable energy development and energy security, the project’s positive impacts extend to bolstering employment growth during the construction phase and improving the wellbeing and life quality of people (through cutting air pollutant emissions). Other potential social and economic benefits of the project that could ultimately drive a much greater impact include revenue diversification for the UiTM group, as well as innovation and research in renewable energy technology.

02 ALIGNMENT WITH SRI SUKUK FRAMEWORK AND GREEN BOND PRINCIPLES



Malaysia's SRI Sukuk
Framework: Utilisation
of Proceeds
GBP: Use of Proceeds

Proceeds will be solely allocated to a nominated renewable energy project with positive environmental benefits falling into the category of eligible sustainable and responsible investment (SRI) projects under Securities Commission Malaysia's Guidelines on the Lodge and Launch (LOLA) Framework. As an eligible green (climate change mitigation) project, the sukuk falls into the category of Standard Green Use of Proceeds Bond under ICMA's Green Bond Principles.

The proceeds would be used for the Shariah-compliant partial funding of a utility scale solar photovoltaic power plant. Proceeds from UiTM Solar 2's Issuance will be used exclusively to:

- i. Part-finance and part-reimburse parent UEFSB a total of up to 80% of the project's development cost including costs incurred in the submission of the bid to Energy Commission 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.

Unallocated proceeds will be transferred to a revenue account upon the project achieving Commercial Operation Date (COD).



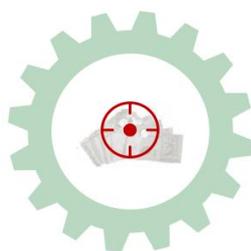
Malaysia's SRI Sukuk
Framework: Eligible SRI
Projects
GBP: Process for Project
Evaluation and Selection

UiTM Solar 2's green SRI sukuk is a single project sukuk, the proceeds of which will be fully allocated to the development of a 25 MWac solar PV plant in Pasir Gudang. The project is sited in proximity of the grid and on land previously covered with old and unproductive oil palm trees. A preliminary site assessment (Penilaian Awal Tapak or PAT) was submitted to the Johor state Department of Environment (DOE) office prior to the confirmation of the project site.

A well-defined process for project evaluation and selection has been followed in the bidding process for the country's second cycle of Large-Scale Solar (LSS2) scheme. The project has been evaluated on all the pertinent technical, economic, environmental and social dimensions to ensure its sustainability and reduce the project's technical and financial risks. The approach taken by UiTM Solar 2 to develop the PV plants is to assign turnkey responsibility to the EPC contractor. SPIC Malaysia has provided to the issuer copies of the certificates attesting to the ISO certification of parent CPI Power Engineering Co. Ltd's quality and environmental management systems for general contracting and management of electric power engineering construction. Implementation of ISO 9001:2015 and ISO14001:2015 across group units ensures that appropriate processes and procedures are in place to manage subcontractors as well as to quantify, monitor and control the ongoing environmental impact of construction operations.

Optimising the plant's design and performance helps to drive down Levelised Cost of Electricity (LCoE); during MARC's site visit, it was additionally brought to MARC's attention that the plant's design features such as the tilting angle, mounting systems, inverters and module arrangement follow the site's topography and take its soil conditions into consideration. The reduction in cut and fill earthworks is significant from an environmental as well as an economic perspective in that this could otherwise alter rain runoff patterns on the site, pose erosion problems and increase the civil engineering cost component of site development. Nothing was observed that currently presents a material environmental hazard. the plant's use of decentralized inverters requires less specialised maintenance skills and increases its reliability; in case of failure of one or more inverters, electricity production can continue without interruption.

The issuer's evaluation and selection of the nominated project is supplemented by MARC's IBA. Positive covenants featured in the green SRI sukuk include the requirement to maintain compliance with all environmental laws pertaining to the project including laws and regulations concerning occupational or public health and safety.



Principle Three:
Management of
Proceeds

Proceeds of the green SRI sukuk will be credited to a Disbursement Account (DA) and will be utilised for payments towards project cost. The DA will be closed post-completion of the project and any unutilised amount will be transferred into a Revenue Account (RA). The PTC allows for the investment of unutilised funds held in the DA in permitted investments pending utilisation. The designated accounts will be maintained and operated by the Security Trustee. The processes for management of proceeds are in line with established practices for project sukuk.

An amount equal to the net proceeds of a green SRI will be allocated to the funding of the nominated project. Payments from designated accounts are to be made only to the extent permitted under the sukuk transaction documents. Unallocated proceeds can be invested in deposits and investment accounts with licensed banks and/or development financial institutions, Islamic banker acceptances, Islamic bills, Islamic money market instruments issued by licensed financial institutions with a, Islamic money market funds approved by the SC, Islamic principal guaranteed structured investments approved by Bank Negara Malaysia (BNM) and issued by licensed financial institutions with a short-term rating of MARC-1/P1 or minimum long-term rating of AA-/AA3 or its equivalent or their local or foreign equivalents; and/or Islamic treasury bills, Islamic money market instruments, and sukuk issued by BNM or the Government of Malaysia.



Principle Four:
Reporting

UiTM Solar 2 will publish on UEFSB’s website prior to or at the time of the issuance, the project’s sustainability objectives, the utilisation of the sukuk proceeds, the process for project evaluation and selection, and how the project fits into the eligible SRI projects categories. UiTM Solar 2 will provide annual reporting via UEFSB’s website of the original amounts allocated to the project, as well as the project’s sustainable impacts as follows:

Sustainability Objective	Indicator
To promote the use of renewable energy	Renewable electricity produced (MWh)
To reduce greenhouse gas emissions	CO ₂ avoided (metric tonnes)
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)

Overall Assessment

	Clarity of Issuance Process and Disclosure	Total Score
<input checked="" type="checkbox"/>	High	10- 12 points
<input type="checkbox"/>	Good	7 -9 points
<input type="checkbox"/>	Satisfactory	4 – 6 points
<input type="checkbox"/>	Low	Below 4 points

Equal weighting is given to each of the four principles in arriving at the total score which is then expressed on the above four-point descriptive scale which ranges from High to Low.

Assessment Grade	High	Good	Satisfactory	Low
	3	2	1	0

03 ANALYSIS OF SUSTAINABILITY PERFORMANCE

As UiTM Solar 2 is a newly established project company, our analysis of its sustainability performance has been primarily informed by the governance of its immediate parent entity UEFSB and ultimate holding company UiTM Holdings Sdn Bhd (UHSB) around environmental risks and opportunities. UHSB is a wholly-owned investment arm of Malaysia's largest public university, Universiti Teknologi MARA (UiTM). UEFSB is also a majority shareholder of UiTM Solar Power Sdn Bhd (USPSB) the operator of a 50MWac (MW) large scale solar PV power plant in Gambang, Pahang, which commenced operations in March 2019.

UiTM is integrating sustainability in its academic mission, as well as the university's governance and planning. In 2018, the university established a sustainability committee to support its efforts in advancing sustainable development through research, education, public engagement, and campus operations. This follows the relatively recent introduction of the concept of sustainable universities and the broad global consensus that universities are uniquely placed to lead the cross-sectoral implementation of the UN SDGs and advance the 2030 agenda. UiTM was ranked 401-600 out of 766 universities in the global higher education sector by *Times Higher Education* in its University Impact Rankings 2020. The Impact Rankings are intended to convey universities' impact on society based on their success in delivering the UN SDGs.

The UiTM Group's energy strategy and road map consists of facilitating Malaysia's transition to a low-carbon future through the development of utility scale solar PV power plants, as well as using renewable energy sources and driving energy efficiency in UiTM campuses. The group, through UEFSB, intends to grow its stable of domestic utility scale solar assets to drive business value. In addition, UiTM's involvement in solar power plant development advances its goal of promoting academic research in renewable power technology. Locating the solar PV plants near the university campuses fosters a knowledge creating community and talent pool with the requisite experience in relevant technologies. The university has established a solar research centre at its Gambang PV power plant project site as a centre of excellence for the innovation, development and commercialisation of renewable energy.

Going forward, the group's energy strategy also entails pursuing strategic partnerships to develop renewable energy projects on available unproductive land where solar resources are most favourable. Its recent participation in the bidding process for the country's fourth cycle of Large-Scale Solar (LSS4) scheme signals its continued commitment to the strategic development of renewable energy. The group's energy strategy complements its other sustainability strategies; apart from managing the environmental and climate impacts of its energy use and corresponding risks, the revenue stream generated from its portfolio of solar assets will ultimately provide dividends to the public university that will benefit its financial sustainability.

MARC considers UiTM Solar 2 and UEFSB to have maintained a proactive and informed approach to addressing the environmental and social (E&S) risks in many aspects of the overall project development process including site identification, plant design, energy yield, permits/licenses, and contractual arrangements. The environmental management plan identifies the environmental management concerns of the project and establishes practices to minimise the project's impact on the environment and to maintain compliance with environmental regulations. The issuer has appointed an independent technical advisor (ITA) to review the geotechnical and soil study, the design of the plant and main equipment warranty terms, as well as undertake an energy yield assessment.

The plant's PV modules are sourced from JA Solar while its string inverters are sourced from Huawei Technologies. JA Solar is ranked in the world's top five module manufacturers by volume shipped for the last three years while Huawei is the world's largest inverter supplier from 2015 to 2019 for the fifth consecutive year. Both companies have documented quality, environmental management and occupational health and safety management systems aligned to internationally recognized best practice.

SPIC Malaysia, as turnkey contractor, will be responsible for maintaining the project's environmental performance during the construction of the plant including the transmission cables and interconnection point to the grid. SPIC Malaysia is responsible for ensuring subcontractors and suppliers' compliance with environmental requirements, amongst others. The quality and environmental management systems of SPIC Malaysia's immediate parent entity, CPI Power Engineering Co. Ltd, are certified to ISO standards, imparting credibility to the aligned internal processes, procedures and standards of the project's turnkey contractor. Based on our high-level review of the project's environmental management plan and site visit observations, we opine that this should adequately support the identification and management of the project's environmental risks. During the project's operations phase, UEFSB, as O&M operator, will have primary responsibility for preventing or reducing potentially negative environmental impacts. UEFSB is in the process of formalising a Safety, Health and Environment (SHE) policy and an Environmental Sustainability policy which will apply to UiTM Solar 2 and USPSB, the drafts of which were provided to MARC.

Overall, MARC is of the view that UiTM Solar 2's Green SRI Sukuk Framework aligns with UiTM Group's positioning of sustainability as an intentional and aspirational strategy and its ongoing transition towards greater environmental and social responsibility in its governance approach.

Sustainability Performance Assessment

<input type="checkbox"/>	Excellent/Highest Assurance	The issuer positions itself as a sustainability leader in its industry, ranking in the "top tiers" of performance across multiple categories of engagement, ranging from supply chain management to environmental performance. Sustainability-related risks and opportunities are integrated with the business strategy. Well-defined sustainability policies and practices are augmented by strong accountability systems which allow for a benchmarking of the issuer's performance against stated objectives and the incorporation of external assurance in its sustainability reporting framework.
<input checked="" type="checkbox"/>	Very Good/High	The issuer has integrated risk-based sustainability considerations in its operations and has a robust process for assessing significant sustainability risks exposures to minimise adverse impacts on its business. The focus of the issuer's sustainability performance monitoring and evaluation is on managing risk exposures to minimise downside risk. Globally-recognised best practice reporting frameworks guide the issuer's sustainability reporting.
<input type="checkbox"/>	Good/Medium	The issuer has adopted a CSR-centric sustainability strategy that prioritises stakeholder engagement and goodwill building. Sustainability is a small part of the issuer's business strategy, nonetheless there is evidence to suggest that its sustainability performance has progressed beyond maintaining regulatory compliance. The issuer has implemented general sustainability reporting to investors.
<input type="checkbox"/>	Fair/Basic	The issuer has a policy of regulatory compliance but has yet to incorporate sustainability considerations into its business operations. At this performance level, the goal of sustainability management is to achieve and maintain compliance with health, safety, and environmental requirements mandated by government laws and regulations.
<input type="checkbox"/>	Poor/Weak	The issuer has a record of poor sustainability performance or operates in unsustainable industries.

MARC's assessment of the issuer's sustainability implementation capabilities and performance is expressed on a five-level descriptive scale that runs from "Excellent" to "Poor" which corresponds to five levels of assurance (Highest, High, Medium, Basic and Weak). The assurance level can be interpreted as a measure of MARC's confidence in the issuer's continuing performance of its sustainability obligations in line with marketplace expectations and in compliance with its sustainability framework for the bonds or sukuk issuance.

04 RATING SCALE

GRADE	DESCRIPTION
	<p>Bonds assessed at this level are judged to offer very significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support high standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support good standards of accountability and transparency.</p>
	<p>Bonds assessed at this level are judged to offer fairly significant environmental and/or social sustainability impact based on the projects supported or expected to be supported by the bond issuance. The processes used or to be used for the allocation and administration of proceeds, decision making process of eligible projects and the reporting of performance indicators are consistent with the core principles of the GBP and/or SBP and applicable market guidance or standards and should support satisfactory standards of accountability and transparency. Minor shortcomings exist in the areas assessed but none of major concern.</p>

MARC

Incorporated in October 1995, MARC is a full-service domestic credit rating institution. MARC's ratings are recognized and accepted in the Malaysian capital markets. MARC is recognized by Bank Negara Malaysia and Securities Commission, respectively, as an External Credit Assessment Institution (ECAI) under Basel II and as a bond rating agency regulated under the Guidelines on the Registration of Credit Rating Agencies issued by the Securities Commission on 30 March 2011. MARC adopts practices and procedures for Domestic Credit Rating Agencies based on the guidance on the Code of Conduct Fundamentals provided by the International Organisation of Securities Commissions (IOSCO) and the Association of Credit Rating Agencies in Asia (ACRAA). MARC has consulted international best practices and the International Capital Market Association's Guidelines for Green, Social and Sustainability Bonds External Reviews in its conduct of external reviews, particularly in relation to the organisation and content of external reviews.

Following a series of outreach and external reviewer capacity building initiatives jointly undertaken by domestic market regulators and World Bank Group, MARC published for public comment its proposed criteria for rating green, social or sustainability bonds in April 2018. The version that was adopted in July 2018 after public consultation can be accessed on MARC's website at https://www.marc.com.my/images/Rating_Methodologies/8/Impact_Bond_Assessments_20180713.pdf. As explained in the criteria, MARC's analytical framework consists of three components that provide insight to the green, social and sustainability credentials of green, social and sustainability bonds: (1) an assessment of environmental and/or social benefits of the underlying funded project(s); (2) an assessment of compliance with internationally recognised principles and market standards for the evaluation of such bonds; and (3) an evaluation of the issuer's sustainability strategy and performance. Bonds which meet the minimum thresholds in each of the three analytical components will be rated Gold, Silver or Bronze.

For more information, visit <https://www.marc.com.my/> or contact us at marc@marc.com.my.

Review of Compliance with ICMA’s Green Bond Principles (GBP) 2018 and SC’s Sustainable and Responsible Investment (SRI) Sukuk Framework

Issuer: UiTM Solar Power Dua Sdn Bhd
Proposed Green SRI Sukuk

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Issuer <u>SRI Sukuk Framework</u></p> <p>7.03 An issuer must not– (a) use or adopt the term “SRI sukuk”; or (b) hold itself out as an issuer of such SRI sukuk, unless the issuance of the SRI sukuk has complied with these Guidelines.</p> <p>7.04 An issuer who wishes to issue an SRI sukuk must establish policies and processes to ensure compliance with the SRI Sukuk Framework as set out in these Guidelines.</p>	<p>The issuer is a qualified issuer under provision 7.03 premised on the compliance of its proposed issuance with the Guidelines. The issuer is a resident-controlled company.</p> <p>The issuer has established a Green SRI Sukuk Framework.</p>	
<p>Use of Proceeds <u>GBP</u></p> <p>The utilisation of proceeds from the Bonds should be appropriately described in the documentation for issuance of the bonds.</p> <p>All designated green projects must provide clear environmental benefits, which will be assessed and, where feasible, quantified by the issuer.</p> <p>In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments of project portfolios may be refinanced and, to the extent relevant, the expected look-back period for refinanced green projects.</p>	<p>The Principal Terms and Conditions (PTC) of the sukuk describes the use of net proceeds as to exclusively fund payments towards up to 80% of the project costs of a 25MWac solar PV plant at UiTM Pasir Gudang, Bandar Seri Alam, Masai, Johor, Malaysia.</p> <p>The green project provides clear environmental benefits: (i) promote the use of renewable energy and (ii) reduce greenhouse gas emissions that are outlined in the issuer’s Green SRI Sukuk Framework.</p> <p>A proportion of the proceeds will be used to part reimburse parent company, UiTM Energy & Facilities Sdn Bhd (UEFSB), for project development costs incurred since 2017; the expected look-back period is three years.</p>	<p>Review of the PTC of the sukuk.</p> <p>The P90 energy production estimate of the solar PV power plant that will be financed is 792,582 MWh of clean energy over its 21-year life span or an average 37,742 MWh annually. This translates into potential avoided carbon emissions of 26,193 tonnes every year based on an emissions factor of 0.694 metric tonnes of CO₂ per MWh*.</p> <p>* estimated emission factor for Peninsular Malaysia provided by Malaysian Green Technology and Climate Change Centre’s (MGTC) carbon calculator.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>Cont'd</p> <p>"Look-back period" refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such eligible green projects that will be included in the green bond reporting.</p> <p>The GBP explicitly recognise 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.</p> <p><u>SRI Sukuk Framework</u></p> <p>7.02 SRI sukuk refers to sukuk in which its proceeds will be applied exclusively for funding of any activities or transactions relating to the Eligible SRI projects.</p> <p>7.07 Eligible SRI projects refer to projects that aim to: (a) preserve and protect the environment and natural resources; (b) conserve the use of energy; (c) promote the use of renewable energy; (d) reduce greenhouse gas emission; or (e) improve the quality of life for the society.</p> <p>7.08(a) Eligible SRI projects listed (amongst others) include green projects that relate to renewable energy.</p> <p>7.10 An issuer must ensure that the proceeds raised from the issuance of the SRI sukuk are utilised only for funding any activities or transactions relating to the Eligible SRI projects.</p>	<p>The project contributes to environmental objectives such as climate change mitigation and pollution prevention and control by providing clean and sustainable energy. The project also falls within the renewable energy eligible green project category listed in the GBP.</p> <p>The sukuk proceeds will be applied exclusively for funding of activities or transactions relating to eligible SRI projects.</p> <p>The project satisfies (a) through (e) of the aims listed in paragraph 7.07 except for (b).</p> <p>Renewable energy projects which are listed as eligible green SRI projects.</p> <p>The proceeds raised from the sukuk will be used to fund an eligible green SRI project as defined in paragraph 7.07.</p>	<p>Increasing the supply of renewable energy would allow replacement of non-renewable carbon-intensive energy sources. Even when "life cycle" emissions from the manufacturing, materials transportation, installation, maintenance, and decommissioning and dismantlement stages of the project are considered, the global warming emissions associated with renewable energy are minimal.</p>

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<p>Process for Project Evaluation and Selection</p> <p><u>GBP</u> The issuer should clearly communicate to investors:</p> <p>(i) The environmental sustainability objectives;</p> <p>(ii) The process by which the Issuer determines how the projects fit within the identified eligible green project categories; and</p> <p>(iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social (E&S) risks associated with the selected projects.</p>	<p>The issuer will clearly communicate (i), (ii) and (iii) in its Green SRI Sukuk Framework.</p>	<p>To assess the alignment of the process for project evaluation and selection with both the GBP and SC's SRI Sukuk Framework MARC has reviewed the following documentation from the issuer:</p> <ul style="list-style-type: none"> • Lenders Technical Advisor report dated May 2020 • Environmental Management Plan (EMP) and Preliminary Site Assessment Application dated July 2017 • Safety, Health and Environment (SHE) Policy and Environmental Sustainability Policy Statement, currently in draft form and developed centrally by parent UEFSB. These policies are required to be implemented across the entire group. <p>A positive covenant in the PTC requires the issuer to comply with all environmental laws pertaining to the project including laws and regulations regarding occupational or public health and safety. Environmental laws, as defined in the PTC, means all laws and regulations including the Environmental Quality Act, 1974 which pertains to the prevention, abatement and control of pollution. The Act covers atmospheric, noise, land and inland water pollution.</p>
<p>Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications referenced in project selection.</p> <p>It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.</p>	<p>The issuer has outlined its process for project evaluation and selection and its alignment with UiTM group-level objectives for renewable energy business as well as its strategy, policy and processes relating to environmental sustainability in its Green SRI Sukuk Framework.</p>	<p>The PTC provides as a condition precedent for the issuance amongst others, an external review by MARC on the SRI-eligibility of the project.</p>

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<p>Management of Proceeds</p> <p><u>GBP</u> The net proceeds of the Bonds, or an amount equal to these net proceeds, should be credited into a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process.</p> <p>So long as the Bonds are outstanding, the balance of the tracked net proceeds should be periodically adjusted to match allocations to eligible projects made during that period.</p> <p>The Issuer should make known to investors the intended types of temporary placement for the balance of unallocated net proceeds.</p> <p>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 green bond proceeds.</p>	<p>Designated accounts will be established into which net proceeds will be credited and managed by the Security Trustee in accordance with the PTC. The PTC provides for net proceeds of the sukuk to be paid into a Disbursement Account (DA) to be used exclusively for payments towards up to project cost. The DA will be closed post-completion of the project and any unutilised amount will be transferred into the Revenue Account (RA).</p> <p>The Commercial and Finance departments of UEFSB will ensure that proceeds are only used for the eligible activities and will be responsible for recording on an ongoing basis the allocation of net proceeds to the project.</p> <p>Permitted investments, as defined in the PTC, comprise deposits and investment accounts with licensed banks and/or development financial institutions, Islamic banker acceptances, Islamic bills, Islamic money market instruments issued by licensed financial institutions with a short-term rating of MARC-1/P1 or minimum long-term rating of AA-/AA3, Islamic money market funds approved by the SC, Islamic principal guaranteed structured investments approved by Bank Negara Malaysia and issued by licensed financial institutions with a short-term rating of MARC-1/P1 or minimum long-term rating of AA-/AA3 or its equivalent or their local or foreign equivalents; and/or Islamic treasury bills, Islamic money market instruments, and sukuk issued by BNM or the Government of Malaysia.</p> <p>The appointment of an external auditor to review the allocation of funds until full allocation of the sukuk net proceeds is recommended but not mandatory.</p>	

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><u>SRI Sukuk Framework</u> 7.13 An issuer must ensure that the proceeds allocated for the Eligible SRI projects are credited into a designated account or otherwise tracked in an appropriate manner.</p>	<p>The proceeds allocated for the Eligible SRI projects will be credited into designated accounts that will be maintained and operated by the Security Trustee.</p>	
<p>Reporting <u>GBP</u> Issuers should make, and keep, readily available up to date information on the use of proceeds to be renewed annually until full allocation, and on a timely basis in case of material developments.</p> <p>The annual report should include a list of projects to which green bond proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.</p> <p>It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, etc.) and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</p> <p>Issuers with the ability to monitor achieved impacts are encouraged to include those in their regular reporting.</p> <p><u>SRI Sukuk Framework</u> 7.14 An issuer must provide the following information to the sukukholders annually through a designated website:</p> <ol style="list-style-type: none"> The original amount allocated for the Eligible SRI projects; The amount utilised for the Eligible SRI projects; The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and assumptions used to determine impact; and 	<p>The PTC provides for annual reporting on the utilisation of proceeds, and as necessary thereafter in the event of any material development.</p> <p>The issuer will commit to report on expected impact in its Green SRI Sukuk Framework.</p> <p>The issuer will commit to annual impact reporting in its Green SRI Sukuk Framework.</p> <p>The issuer has committed to provide sukukholders via newsletters, website updates, annual report or any other communication channels on the following: original amount earmarked for the eligible SRI project, the amount utilised, the unutilised amount and where it is placed or invested pending utilisation, and on a best efforts basis, the project's impact objectives.</p>	<p>Full allocation of the sukuk proceeds is expected to take place within three months of the sukuk issuance.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p>c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and assumptions used to determine the impact or expected impact; and</p> <p>d) The list of the Eligible SRI projects in which the SRI sukuk proceeds have been allocated to 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.</p> <p>7.15 Where an issuer is unable to make available comprehensive information as specified in paragraph 7.14 above due to confidentiality agreements or competitive considerations, such issuer may provide the information in generic terms or on an aggregated portfolio basis.</p>	<p>This is a single project financing.</p>	
<p>Disclosure Requirements</p> <p><u>SRI Sukuk Framework</u></p> <p>7.16 The following information must be included:</p> <p>a) The overall SRI objectives that the issuer intends to achieve;</p> <p>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 being allocated for refinancing and which Eligible SRI projects to be refinanced;</p> <p>c) The Eligible SRI projects in which the proceeds will be allocated;</p> <p>d) The details of the Eligible SRI projects and to the extent possible, impact objectives from the Eligible SRI projects;</p> <p>e) The processes used by the issuer to evaluate and select the Eligible SRI projects;</p> <p>f) The criteria used by the issuer to identify and manage material environmental or social risks associated with the Eligible SRI projects;</p>	<p>This will be included in the issuer's Green SRI Sukuk Framework. The required disclosure for projects involving refinancing under the Framework mirrors that in the GBP.</p> <p>This is a single project financing in which the project has been identified. Complied.</p> <p>Refer to assessment of compliance with GBP in "Process for Project Evaluation and Selection" on page 2. Refer to assessment of compliance with GBP in "Process for Project Evaluation and Selection".</p>	<p>Paragraph 7.07 of the SC's SRI Sukuk Framework provides a listing of SRI objectives.</p>

Criteria	Compliance with criteria	Remarks/Scope of Work Undertaken
<p><i>Cont'd</i></p> <p><i>g) The processes used by the issuer to manage the proceeds from the issuance of the SRI sukuk; and</i></p> <p><i>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.</i></p>	<p><i>Items (g) and (h) will be incorporated in the issuer's Green SRI Sukuk Framework.</i></p>	
<p>External Review</p> <p><u>GBP</u> <i>Issuers are recommended to appoint (an) external review provider(s) to confirm the alignment of their bond or bond programme with the four core components of the GBP.</i></p> <p><i>The GBP encourage external review providers to disclose their credentials and expertise and communicate clearly the scope of the review(s) conducted.</i></p> <p><u>SRI Sukuk Framework</u> <i>7.17</i> <i>If an external reviewer is appointed to assess and provide 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.</i></p>	<p><i>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 with all four components of the relevant standards.</i></p> <p><i>MARC is registered with the Securities Commission 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.</i></p> <p><i>MARC will provide this in the external review report. The external review report will be made available on the designated website.</i></p>	<p><i>MARC has established a transparent score-based framework for its green, social and sustainability bond assessments analysis that is published on our website. The differentiated approach taken recognises that some projects offer more environmental and/or social benefits than others.</i></p>

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