

# **SINAR KAMIRI SDN BHD**

## **GREEN SRI SUKUK**

**PROPOSED SUKUK ISSUANCE OF RM245.0 MILLION**

**SECOND OPINION REPORT**  
**2 NOVEMBER 2017**

**Analyst**

Dinakaran Chandra  
(603) 7628 1039  
dina@ram.com.my

## SUMMARY

---

*Sinar Kamiri Sdn Bhd (“Sinar Kamiri” or the “Issuer”) is a special purpose vehicle established by Mudajaya Group Berhad (“Mudajaya” or the “Group”) to undertake the development of a solar photovoltaic facility. The proceeds from the sukuk will be solely used for the design, construction, ownership, operation and maintenance of a 49 MW Solar Photovoltaic facility at Sungai Siput, Perak in Malaysia.*

Overall, Sinar Kamiri’s Green SRI Sukuk Framework is aligned to the transparency and disclosure requirements of Securities Commission Malaysia’s Sustainable & Responsible Investment (“SRI”) Sukuk Framework and ICMA’s Green Bond Principles (“GBP”). Equally important, solar projects are recognised as Green under SRI Sukuk and GBP.

The sukuk framework is clearly defined and provides clarity on important aspects of project evaluation and selection, management of proceeds and reporting commitments. RAM opines the Group has adequate processes to address key environmental and social issues pertaining the development solar photovoltaic facility. An Occupational Health, Safety & Environment Policy has been established by the Group to guide the operations of its subsidiaries. Additionally, the Group is also in compliant with the below ISO standards:

- i. ISO 14001: Environmental Management System
- ii. ISO 9001: Quality Management System
- iii. OHSAS 18001: Occupational Health & Safety Management System

Sustainable project management requires an assessment of issues and challenges within a local context. To this end, an Environmental Report was prepared internally by Mudajaya. The reporting exercise identified and assessed key environmental risks and mitigation action plans pertaining the construction and operation of the solar photovoltaic facility.

Located in South East Asia, Malaysia has a vast potential to generate clean and renewable energy from the Sun. Electricity generation via solar power has a much smaller carbon footprint when compared against fossil-fuel enabled power production. RAM opines Sinar Kamiri’s solar project will make an important contribution towards Malaysia’s renewable energy commitments and emission reduction targets. With an installed capacity of 49 MW, the Sinar Kamiri solar project will constitute 3.92% of the total solar capacity targeted in the year 2020 by the Government of Malaysia. In addition, the project has the potential to stimulate socio-economic development of the surrounding community.

Based on an overall assessment of the project and sukuk framework, RAM has assigned Sinar Kamiri Green SRI Sukuk a **Tier-1 Environmental Benefit**.



## RAM ENVIRONMENTAL BENEFIT ASSESSMENT

Climate change represents a fundamental threat to the planet and society and is already transforming life on Earth. The effects of climate change are wide-ranging and can be seen everywhere in our biosphere. The 2015 Paris Climate Accord (“COP21”) sets a global action plan for the 195 UNFCCC<sup>1</sup> participating governments to limit global warming to well below 2°C above pre-industrial levels. In addition, these countries have also committed to 17 Sustainable Development Goals that could transform the world by addressing areas of critical importance for the planet and society.

The ultimate objective of green bond/sukuk is to facilitate financing towards environmentally-friendly solutions that can help mitigate the effects of climate change and/or create value for surrounding ecosystem. The Green SRI Sukuk assessment incorporates a subjective assessment of the project’s contributions towards a low carbon, sustainable future. In addition, transparency and disclosure strength of the Green SRI Sukuk framework is also a key consideration.

### RAM Environmental Benefit Tier-1

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

### RAM Environmental Benefit Tier-2

- Project is aligned towards a low carbon future and has some demonstrable environmental benefits.
- Project directly contributes towards improvements in greenhouse gas emissions.

### RAM Environmental Benefit Tier-3

- Project has minimal contribution towards a low carbon future and has minimal demonstrable environmental benefits.
- Project indirectly contributes to the broader environment and is focused on asset-level environmental improvements.

<sup>1</sup> United Nations Framework Convention on Climate Change



## TABLE OF CONTENTS

<b>SUMMARY .....</b>	<b>2</b>
<b>RAM ENVIRONMENTAL BENEFIT ASSESMENT .....</b>	<b>3</b>
<b>1. SCOPE AND OBJECTIVES .....</b>	<b>5</b>
<b>2. CORPORATE PROFILE.....</b>	<b>5</b>
<b>3. REVIEW OF GREEN SRI SUKUK FRAMEWORK .....</b>	<b>6</b>
3.1. Utilisation of Proceeds .....	6
3.2. Project Evaluation & Selection .....	6
3.3. Management of Proceeds .....	7
3.4. Reporting Commitments .....	7
<b>4. SUSTAINABILITY ASSESSMENT .....</b>	<b>8</b>
4.1. Growth of Renewable Energy in Malaysia.....	8
4.2. Group-Level Assessment .....	8
4.3. Sustainability Management of Solar Project .....	9
4.4. Sukuk Positive Impact Creation .....	9
<b>APPENDIX 1 – SUSTAINABLE &amp; RESPONSIBLE INVESTMENT SUKUK GUIDELINE CHECKLIST .....</b>	<b>11</b>
<b>APPENDIX 2 – GBP EXTERNAL REVIEW FORM.....</b>	<b>12</b>
<b>APPENDIX 3 – ABOUT RAM .....</b>	<b>17</b>

## 1. SCOPE AND OBJECTIVES

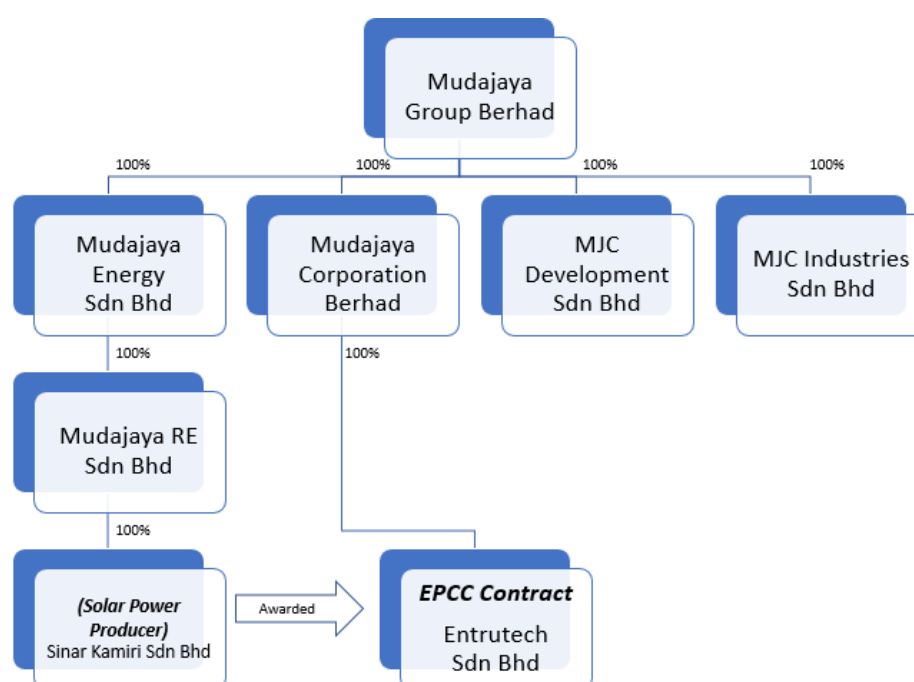
Sinar Kamiri Sdn Bhd (“Sinar Kamiri” or the “Issuer”), a Special Purpose Vehicle of Mudajaya Group Berhad (“Mudajaya” or the “Group”), is created to develop the 49 MW Large Scale Solar (LSS) Photovoltaic Power Plant located at Sungai Siput, Kuala Kangsar District in Perak (Malaysia). The project was awarded to Mudajaya on 21<sup>st</sup> March 2017 by Malaysia’s Energy Commission (“Suruhanjaya Tenaga”).

RAM Consultancy Services Sdn Bhd (“RAM”) was appointed on 23<sup>rd</sup> October 2017 to provide a second party opinion on the Issuer’s Green Sustainable and Responsible Investment (“SRI”)<sup>2</sup> Sukuk<sup>3</sup> framework. The review covers an assessment of the Issuer’s Green SRI Sukuk framework against the disclosure requirements of Security Commission of Malaysia’s **SRI Sukuk Framework**, International Capital Markets Association’s **Green Bond Principles (“GBP”)**<sup>4</sup> as well as sustainability responsibilities of the Issuer.

The assessment includes a high-level review of public domain information and internal documents provided by the Issuer. The assessment is also supported by discussions with management and a site visit to the proposed location of the solar photovoltaic facility. RAM did not undertake an audit or other assurance activities to ascertain the validity and accuracy of the information provided. This assessment does not include an opinion on the creditworthiness and financial performance of the sukuk.

## 2. CORPORATE PROFILE

Sinar Kamiri is a wholly-owned indirect subsidiary established by Mudajaya Group Berhad. Mudajaya is an investment holding company with principal business activities in power sector, construction, property development and manufacturing trading. The Group was listed on the Main Board of Bursa Malaysia on 10 May 2004. Mudajaya’s major shareholders<sup>5</sup> comprise Dataran Sentral (M) Sdn Bhd (20.42%), Mulpha Infrastructure Holdings Sdn Bhd (18.63%) and Lembaga Tabung Haji (10.00%). The diagram below highlights the Group’s structure:



<sup>2</sup> SRI Sukuk was launched by the Securities Commission Malaysia in August 2014 for the capital market to facilitate the financing of assets and projects with sustainable benefits.

<sup>3</sup> Shariah compliant or Islamic bonds.

<sup>4</sup> The Green Bond Principles (“GBP”), developed by the International Capital Market Association (“ICMA”), are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014 and updated in June 2017. The GBP are intended for broad use by a variety of participants in the green bond market to facilitate the flow of financing towards climate-friendly solutions.

<sup>5</sup> Mudajaya Group Berhad Annual Report 2016 – Analysis of Shareholdings as at 21 March 2017 (page 154)

### 3. REVIEW OF GREEN SRI SUKUK FRAMEWORK

The focus areas reviewed are grouped under the following four principles which are embedded in both the **SRI Sukuk** framework and the **GBP**: (3.1) Utilisation of Proceeds (3.2) Project Evaluation & Selection (3.3) Management of Proceeds and (3.4) Reporting Commitments.

Please refer to Appendix 1 for the SRI Sukuk Guideline Checklist and Appendix 2 GBP External Review Form.

#### 3.1. Utilisation of Proceeds

The proceeds from the Green SRI Sukuk will be used **solely** to part finance the expenditures related to the design, construction, ownership, operation and maintenance of the 49 MW solar photovoltaic power plant located at Sungai Siput, Perak. RAM notes that 80% of total project costs will be financed by the proposed Sukuk issuance and partly funded via equity at 20%. The expenditures include equipment procurement, construction & installation, land cost, contingency fees, professional fees etc. A Power Purchase Agreement (“PPA”) has been signed with Tenaga Nasional Berhad (“TNB”) on 16 March 2017. Under the agreement, TNB will be the sole off-taker of the electricity generated from the plant.

Both SRI Sukuk and GBP recognise several categories of eligibility for Green Projects. Broadly defined, green projects refer to innovative climate-friendly projects that help to deliver clear environmental benefits. Renewable energy projects are recognised as *Green* under both frameworks (see table below). Solar power as a renewable energy resource is clean and effectively infinite. In addition, solar photovoltaic has significantly lower Greenhouse Gas (“GHG”) emission intensities when compared to power generated by fossil fuels.

**Table 1: Renewable Energy Under SRI Sukuk and GBP**

Green Bond Principles	SRI Sukuk Guideline <sup>6</sup>
Use of proceeds – a Renewable energy (including production, transmission, appliances and products)	Item 7.04 (b-i) – new or existing renewable energy (solar, wind, hydro, biomass, geothermal and tidal)

#### 3.2. Project Evaluation & Selection

The solar photovoltaic power plant will be constructed at a single site at Sungai Siput, Kuala Kangsar District in Perak (Malaysia). The designated project site is located at an old palm estate (267 acres) which will be repurposed into a solar photovoltaic facility. The project site was selected following a close examination of the following factors;

- i. High solar radiation levels observed
- ii. Short distance (approximately 4km) to TNB’s 132kV transmission line
- iii. The topography of the project site does not require significant leveling
- iv. No significant infrastructure is currently located at the site
- v. Population density of the surrounding area is low
- vi. Availability of a large tract of land with low economic value. Approximately 80% of palm oil trees are above 20 years old thereby entering a period of declining yield.
- vii. Project site is not in close proximity to areas of high ecological value (i.e. IUCN Protected Areas, UNESCO Natural World Heritage Sites, RAMSAR Sites, areas of important conservation status etc.)

The Issuer has signed a lease agreement with the landowner – Koperasi Kemajuan Tanah Perak Berhad. In addition, the Issuer has obtained<sup>7</sup> a no-objection letter pertaining the development of the solar photovoltaic facility from the Jabatan Alam Sekitar (“Department of Environment”) Perak.

<sup>6</sup> As per the Guidelines on Unlisted Capital Market Products Under the Lodge and Launch Framework

<sup>7</sup> On 1 July 2016

The project site is required to be rezoned to industrial use from old agricultural land. To facilitate this process, a Town Planning Consultant was appointed to submit application(s) for the rezoning exercise.

According to Sinar Kamiri, the project will be designed and constructed with applicable laws and regulations pertaining to the protection and conservation of the environment. To facilitate the monitoring process, the Issuer has developed a list of relevant acts, regulations and codes for the project.

### 3.3. Management of Proceeds

Sinar Kamiri has clearly defined the formal internal processes linked to the management of proceeds. The sukuk proceeds will be placed in a **designated disbursement account** that will be controlled and operated by the Security Agent – AmInvestment Bank Berhad. The drawdown from the disbursement account will be supported by project documentations submitted by the Issuer. This includes commercial or tax invoices from suppliers and certified progress billings from the Engineering, Procurement & Construction (“EPC”) Contractor. An independent consulting engineer has been appointed to **validate and certify progress billings** from the EPC Contractor during the construction stage of the solar photovoltaic facility and post-issuance of the sukuk. The disbursement account will be closed upon completion of the project and settlement of payment obligations to the EPC Contractor. The balances will be transferred to a Revenue Account which is also controlled by the Security Agent.

The Issuer has established a clear eligibility rule to guide investments of unutilised funds. Pending allocation of the proceeds, the Issuer will invest the proceeds in Shariah-compliant liquid investments, government-issued money market instruments and capital market instruments with a minimum rating of MARC<sup>8</sup>-1/AA- (or its equivalent).

### 3.4. Reporting Commitments

Transparency in reporting is an important characteristic of green bond or sukuk issuances. Issuers are encouraged to establish a formal process to communicate the **Use Of Proceeds Reporting** and **Impact Reporting**. The Issuer has committed to report annually the following to the sukukholders.

**Table 2: Sinar Kamiri’s Reporting Commitments**

<b>Use Of Proceeds Reporting</b>	<ul style="list-style-type: none"> <li>▪ The original amount earmarked for the solar project financed by the Green SRI Sukuk</li> <li>▪ The amount utilised for the project financed by the Green SRI Sukuk</li> <li>▪ The amount unutilised and where such unutilised amount is placed or invested pending utilisation</li> </ul>
<b>Impact Reporting</b>	<ul style="list-style-type: none"> <li>▪ Impact objectives of the project</li> <li>▪ Net annual installed capacity in MW</li> <li>▪ Annual energy produced in MWh</li> <li>▪ Corresponding GHG emissions avoided annually</li> </ul>

The Issuer will disclose the above information on Mudajaya’s corporate website, the Group’s annual report, certificate to the sukuk trustee acting on behalf of sukuk holders and appointed rating agency. The Issuer noted that it will not appoint an external party to validate the accuracy of its reporting.

Impact reporting serves to illustrate the climate and environmental benefits of the project. For renewable energy projects, data on GHG emissions is a commonly used indicator to evaluate the environmental impact. As a measure of additional transparency, RAM encourages the Issuer to provide information on the methodology and emission conversion factors used to calculate GHG emissions avoided. Where possible, the Issuer is encouraged to report “ex-

<sup>8</sup> Malaysian Rating Corporation Berhad

*ante*<sup>9</sup> estimates developed during project design. This allows a comparison between the actual climate impact of the project with initial projections.

## 4. SUSTAINABILITY ASSESSMENT

### 4.1. Growth of Renewable Energy in Malaysia

According to the Intergovernmental Panel on Climate Change<sup>10</sup> (“IPCC”) Fifth Assessment Report, climate change and global warming pose a fundamental threat to the planet’s physical and ecological systems. There is an overwhelming consensus amongst the international scientific community that human-induced emissions of greenhouse gases are the primary cause of the rapid change in global climate patterns. During the 21<sup>st</sup> Conference of Parties (“COP21”), a total of 197 countries signed the Paris Climate Accord to strengthen the global response to combat climate change. As a participant of the Paris Climate Accord, Malaysia has made the commitment to **reduce its carbon intensity level** of Gross Domestic Product (“GDP”) by 45% by the year 2030 as compared with the 2005 level (Emissions in the base year: 288,663 Gg CO<sub>2</sub> eq)<sup>11</sup>.

Malaysia has undertaken a multitude of mitigation and adaption strategies in order to achieve its emission reduction targets. This includes the decarbonisation of the country’s energy supply system. Enforced in 2011, the Renewable Energy Act is aimed at **increasing the contribution of clean and renewable energy sources** such as solar photovoltaic, biomass, biogas and mini hydro in Malaysia’s electricity generation mix. Under the 11<sup>th</sup> Malaysia Plan (2016-2020), the Government of Malaysia aims to reach 2,080 MW of renewable energy by 2020, which includes a goal to achieve 1,250 MW solar power capacity<sup>12</sup>. An important driver for the renewable energy industry is the Feed-In-Tariff (“FiT”) mechanism implemented and managed by the Sustainable Energy Development Authority of Malaysia (“SEDA”). The mechanism supports the growth of the renewable energy industry by providing guaranteed long-term contracts for power generated from renewable energy sources.

As a country near the Equator, Malaysia has a huge potential for solar energy generation. The country has **abundant sunshine** throughout the year and a high irradiance level. RAM opines solar energy is well-positioned to play a vital role in the country’s energy generation mix.

### 4.2. Group-Level Assessment

Mudajaya has established track record and technical capacities in the power industry. The Group currently owns a 4x360 MW coal fired power plant in Chhattisgarh, India. In tandem with the green energy revolution, Mudajaya aspires to increase its renewable energy portfolio in Malaysia and the wider ASEAN<sup>13</sup>. The Group made its foray into the renewable energy industry in 2013 when Mudajaya acquired a subsidiary company who had signed a Renewable Energy Power Purchase Agreement with TNB to develop a 10 MW solar energy farm located at Gebeng, Pahang of Malaysia. Given the said solar power plant has successfully commenced commercial operations, RAM opines Mudajaya has demonstrated a proven track record in developing solar energy projects. The Gebeng Solar Plant has an operating life of 21 years from its commercial operating date in 2014.

Based on review of public disclosures, RAM notes Mudajaya has made a commitment to incorporate environmental, social and governance impact considerations when developing its corporate strategies. The Group has been diligent in publishing a **Corporate Responsibility Statement** in its annual reports. The corporate responsibility initiatives are aimed at creating value across four priority themes; community, workplace, environment and marketplace. Each theme is supported by a specific corporate objective and description of action plans the organisation has undertaken.

---

<sup>9</sup> Based on forecasts

<sup>10</sup> The IPCC is the world body that studies the science related to climate change. The organisation was established in 1988 by the World Meteorological Organization (WMO) and United Nations Environment Programme (UNEP) and endorsed by the United Nations General Assembly.

<sup>11</sup> Intended Nationally Determined Contribution – Malaysia, 27 November 2015, UNFCCC

<sup>12</sup> <https://www.thestar.com.my/metro/smebiz/focus/2017/06/19/a-growing-solar-industry/>

<sup>13</sup> Association of Southeast Asian Nations



Mudajaya has established an **Occupational, Health, Safety & Environment Policy** that sets the tone and overarching framework for the management of potential sustainability risks and impacts across its operations. The policy is made available to all employees and other related sub-contractor and parties. The Group currently maintains ISO standards such as **ISO 14001 Environmental Management System**, **ISO 9001 Quality Management System** and **OHSAS 18001**. RAM opines ISO standards help reaffirm a company's commitment towards managing environmental and social challenges. The standards help create a compliance program that ensures consistency in practices and processes. Further, the ISO re-certification process requires a reassessment of the implementation of the management system. The process includes a close examination of documentations relating the management system, completion of internal audits and effectiveness levels of corrective and preventive actions undertaken. Given the stringent requirements for maintaining ISO standards, RAM opines Mudajaya has a high level of sustainability readiness to manage Sinar Kamiri's solar energy project.

RAM carried out a high-level media scan of Mudajaya in the web domain. We did not observe any significant controversies pertaining environment, social and governance practices of the organisation.

### 4.3. Sustainability Management of Solar Project

Given the large-scale nature of the project, there is a fundamental need to integrate a holistic environmental risk assessment in the developmental process to ensure sustainable development of the surrounding environment. For solar projects, an Environmental Impact Assessment is not a requirement under the law. That said, Mudajaya's subsidiary has prepared an **Environmental Report**<sup>14</sup> that identified and assessed key environmental issues associated with the construction and operation of the solar photovoltaic facility. The report outlined an **environmental mitigation plan** to manage the various potential impacts during site clearing and earthworks, civil and structure works, installation and operations of the facility.

The environmental impacts from construction activities, although temporary in nature, can sometimes trigger long lasting impacts to surrounding ecosystem. The Issuer intends to devise an **Environmental Monitoring** plan for the construction phase. This includes monitoring of rainfall intensity, water quality at nearest stream and discharge location, rainfall intensity, ambient air quality, noise and vibration. No significant environmental impacts are envisaged during the operations phase. Solar photovoltaic facilities typically do not generate noise and chemical pollutants during their normal operation.

Sumec Complete Equipment & Engineering Co Ltd<sup>15</sup> has been appointed as the equipment supplier. Sumec is an **experienced solar photovoltaic** contractor that has received international accreditation for its photovoltaic modules. The equipment supplier has used photovoltaic modules and inverters from a variety of suppliers and has international EPC contracting experience.

As a measure of best practice, RAM encourages Mudajaya to consider incorporating relevant IFC Performance Standards of the World Bank Group in the solar photovoltaic project management plan. These performance standards have become a widely accepted sustainability framework for large infrastructure projects. The framework is designed to manage key environmental and social risks and impact relating to project level activities such as labour and working conditions, resource efficiency and pollution prevention, community health, safety and security etc. They contain important industry best practice initiatives that can be beneficial for the solar photovoltaic project.

### 4.4. Sukuk Positive Impact Creation

The following section is a high-level assessment of the potential sustainable benefits that can be derived from the development of Sinar Kamiri's solar photovoltaic project. RAM opines the project will contribute towards (i) supply of clean energy to the national electricity grid (ii) enhancing local capabilities in the solar energy industry and (iii) opportunity to stimulate socio-economic development of the surrounding community.

<sup>14</sup> Environmental Report for 49 MW Large Scale Solar Photovoltaic Plant in Sungai Siput, Perak September 2016

<sup>15</sup> Sumec Complete Equipment & Engineering is a core subsidiary of SUMEC Group, based in China.

Solar energy plays an important role in **decarbonisation** of Malaysia's electricity grid. Increasing the mix of renewable energy in the energy supply system is an important strategy for Malaysia to meet its carbon emissions intensity target by 2030, as pledged at the COP21 in Paris. In addition, the solar project is also aligned to United Nations Sustainable Development Goal 7: Affordable and Clean Energy. Sinar Kamiri's solar energy project will assist Malaysia to meet its renewable energy generation target. The solar facility is estimated to produce more than 80 GWh of clean and renewable energy, which is the equivalent to the energy demand of approximately 26,000 average Malaysian households<sup>16</sup>. In addition, the solar project helps avoid approximately 50,000 metric tons<sup>17</sup> of CO<sub>2</sub> per annum, when compared against the current carbon intensity of the national grid system.

According to the International Energy Agency<sup>18</sup> ("IEA"), solar photovoltaics have seen a tremendous boom in global capacity additions, largely supported by cost reductions and policy support. The IEA estimates solar photovoltaics will have the largest annual capacity additions for renewable energy in the next five years, well above growth additions of wind and hydro. The solar project helps the Issuer and other participants of the solar project to enhance technical know-how and optimise business models for the development of large scale power plants. This is vital to develop the solar energy industry and create a **sustainable supply chain** in Malaysia. Therefore, creating an ecosystem of capable domestic companies that can serve the solar energy industry in the country and possibly for the wider ASEAN.

The solar project has the potential to create several socio-economic benefits mainly through the provision of direct and indirect **employment opportunities** during construction, installation and maintenance of the solar photovoltaic facility. This in turn will create a trickle-down effect by increasing business in the surrounding communities and spur the local economy. Mudajaya has established a Corporate Responsibility Programme that is focused on creating positive impact on communities around its project sites. In addition to employment benefits, the local community will also benefit from the Group's **corporate responsibility initiatives**.

---

<sup>16</sup> Bernama 2012 Article: On average, Malaysia's per household electricity consumption is 251 kWh per month. Link: <http://www.bernama.com/bernama/v3/printable.php?id=676828>

<sup>17</sup> Mudajaya's internal calculations

<sup>18</sup> International Energy Agency – Renewables 2017 Analysis and Forecasts to 2022

## APPENDIX 1 – SUSTAINABLE & RESPONSIBLE INVESTMENT (“SRI”) SUKUK GUIDELINE CHECKLIST

### Reference:

Securities Commission Malaysia – Guidelines On Unlisted Capital Market Products Under The Lodge And Launch Framework  
Part 3 – Corporate Bonds and Sukuk  
Chapter 7 – Sustainable And Responsible Investment (SRI) Sukuk

No.	Item	Requirement	Alignment	Comment
7.03	Eligible SRI Projects	Eligible projects prescribed under the SRI Sukuk Guideline include projects that promote the use of renewable energy sources such as solar, wind, hydro, biomass, geothermal and tidal (7.04-b-i)	Yes	The proceeds from Sinar Kamiri’s Green SRI Sukuk will be solely used to part finance the design, construction, ownership, operation and maintenance of the 49MW Large Scale Solar Photovoltaic Power Plant located at Sungai Siput, Perak of Malaysia.
7.06	Disclosure Requirements	(a) Details of the Eligible SRI project and, to the extent possible, impact objectives from the Eligible SRI project.	Yes	Details of the project can also be found in this Second Party Opinion report prepared by RAM. The Issuer will report to sukukholders on the impact objective of the project financed by the Green SRI Sukuk, to the extent feasible.
		(b) A statement that the issuer has complied with the relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI project.	Yes	Please see Section 4.2 Group Level Assessment (page 7)
7.05 & 7.07	Appointment of an independent expert	The issuer may appoint an independent expert to undertake an assessment of the Eligible SRI project.  Where the independent expert has issued a report on the Eligible SRI project and the issuer is proposing to issue a disclosure document in relation to the SRI sukuk, the issuer may, subject to the consent of the independent expert, include the report in the disclosure document.	Yes	RAM Consultancy Services Sdn Bhd was appointed to provide a second party opinion on the Issuer’s Green SRI Sukuk framework. The review covers an assessment of the Issuer’s framework against the disclosure requirements of the SRI Sukuk Framework, Green Bond Principles <sup>19</sup> as well as sustainability responsibilities of the Issuer.
7.08	Reporting to Investors	The issuer or, where the issuer is a special purpose vehicle, the obligor must provide annual reporting, via newsletters, website updates, annual report or any other communication channels, to sukukholders on the following:  (a) The original amount earmarked for the Eligible SRI project; (b) The amount utilised for the Eligible SRI project; (c) The unutilised amount and where such unutilised amount is placed or invested pending utilisation; and (d) Where feasible and to the extent possible, the impact objectives from the Eligible SRI project.	Yes	The Issuer has made a commitment to disclose all the said information annually to the sukukholders. The Issuer will disclose the information on Mudajaya Group’s corporate website, the Group’s annual report, certificate to the sukuk trustee acting on behalf of sukuk holders and appointed rating agency. For detailed information, please refer to Section 3.4 Reporting Commitments (page 6).

<sup>19</sup> The Green Bond Principles (“GBP”), developed by the International Capital Market Association (“ICMA”), are voluntary process guidelines that recommend transparency and disclosure measures for issuers. The guideline was initially issued in January 2014 and updated in June 2017. The GBP are intended for broad use by a variety of participants in the green bond market to facilitate the flow of financing towards climate-friendly solutions.

## APPENDIX 2 – GBP EXTERNAL REVIEW FORM

### Green Bond / Green Bond Programme External Review Form

#### Section 1. Basic Information

**Issuer name:** Sinar Kamiri Sdn Bhd (“Sinar Kamiri”)

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

**Completion date of this form:** 30 October 2017

#### Section 2. Review overview

##### SCOPE OF REVIEW

*The following may be used or adapted, where appropriate, to summarise the scope of the review.*

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

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

*Note: In case of multiple reviews / different providers, please provide separate forms for each review.*

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Second Party Opinion on Sinar Kamiri Green SRI Sukuk.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

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

The proceeds from the Green SRI Sukuk will be solely used to part finance the design, construction, ownership, operation and maintenance of the 49MW Large Scale Solar Photovoltaic Power Plant located at Sungai Siput, Perak of Malaysia. The solar photovoltaic facility is estimated to have an operating life of 21 years from commercial operation date.

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

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency                                  |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Sustainable management of living natural resources |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation                               |
| <input type="checkbox"/> Sustainable water management  | <input type="checkbox"/> Climate change adaptation                          |
| <input type="checkbox"/> Eco-efficient products, production technologies and processes   | <input type="checkbox"/> Other (please specify):                            |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs |   |

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

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

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

The Issuer has outlined the factors considered during the process of site selection for the development solar photovoltaic facility.

##### Evaluation and selection

- |   |  |
|---|--|
| <input type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available       | <input checked="" type="checkbox"/> Other (please specify): Factors considered have been disclosed.  |



## Information on Responsibilities and Accountability

- |   |   |
|---|---|
| <input type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input checked="" type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other ( <i>please specify</i> ):   |   |

## 3. MANAGEMENT OF PROCEEDS

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

The process for management of proceeds is in line with expected norms for green bonds/sukuk. Sukuk proceeds will be placed in a designated disbursement account that will be controlled and operated by the Security Agent. The drawdown from the disbursement account will be supported by project documentations submitted by the Issuer. Pending allocation of the proceeds, the Issuer will invest the proceeds in Shariah-compliant liquid investments, government-issued money market instruments and capital market instruments with a minimum rating of MARC<sup>20</sup>-1/AA- (or its equivalent).

### Tracking of proceeds:

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

### Additional disclosure:

- |   |  |
|---|--|
| <input type="checkbox"/> Allocations to future investments only                             | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements                             | <input type="checkbox"/> Allocation to a portfolio of disbursements          |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other ( <i>please specify</i> ):                    |

## 4. REPORTING

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

The process for reporting is in line with expected norms for green bonds/sukuk. The Issuer established a formal process to communicate the Use of proceeds reporting and Impact reporting. The Issuer will disclose the above information on Mudajaya Group's corporate website, the Group's annual report, certificate to the sukuk trustee acting on behalf of sukuk holders and appointed rating agency.

<sup>20</sup> Malaysian Rating Corporation Berhad

**Use of proceeds reporting:**

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

**Information reported:**

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

**Frequency:**

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

**Impact reporting:**

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

**Frequency:**

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

**Information reported (expected or ex-post):**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings             | <input type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Other ESG indicators <i>(please specify)</i> : |   |

**Means of Disclosure**

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Information published in financial report   | <input type="checkbox"/> Information published in sustainability report |
| <input checked="" type="checkbox"/> Information published in ad hoc documents   | <input type="checkbox"/> Other <i>(please specify)</i>                  |
| <input type="checkbox"/> Reporting reviewed <i>(if yes, please specify which parts of the reporting are subject to external review)</i> : |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** *(e.g. to review provider methodology or credentials, to issuer's documentation, etc.)*

Solar Project Announcement - Mudajaya Group Berhad corporate website:

<http://www.mudajaya.com/?cur=news/view&id=36&title=Mudajaya-unit-bags-TNB-solar-power-contract>

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

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

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

**Review provider(s):**

**Date of publication:**

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

- (i) Consultant Review: An issuer can seek advice from consultants and/or institutions with recognized expertise in environmental sustainability or other aspects of the issuance of a Green Bond, such as the establishment/review of an issuer's Green Bond framework. "Second opinions" may fall into this category.
- (ii) Verification: An issuer can have its Green Bond, associated Green Bond framework, or underlying assets independently verified by qualified parties, such as auditors. In contrast to certification, verification may focus on alignment with internal standards or claims made by the issuer. Evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria.
- (iii) Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against an external green assessment standard. An assessment standard defines criteria, and alignment with such criteria is tested by qualified third parties / certifiers.
- (iv) Rating: An issuer can have its Green Bond or associated Green Bond framework rated by qualified third parties, such as specialised research providers or rating agencies. Green Bond ratings are separate from an issuer's ESG rating as they typically apply to individual securities or Green Bond frameworks / programmes.

## APPENDIX 3 – ABOUT RAM

RAM Consultancy was incorporated on 31 May 2000 as a wholly-owned subsidiary of RAM Holdings Berhad. RAM Consultancy Services provides specialised services for public sector agencies and private sector businesses. These services leverage on RAM Group's expertise and resources developed over the years in Sustainability Rating, Green Bonds, Sustainability Reporting, Credit Rating, Risk Management Advisory, Strategic Business Advisory and Economics Consultancy. On 11 August 2017, RAM Consultancy was approved to be a registered observer of the Green Bond Principles developed by ICMA. RAM Consultancy is the first ASEAN-based organisation to be admitted to the list of observers.

RAM Holdings was set-up by Bank Negara Malaysia (Central Bank of Malaysia) in November 1990 as Malaysia's first credit rating agency to spearhead the development of the Malaysian debt capital market. This has been highly successful as the Malaysian debt capital market has grown to be the largest debt capital market in developing economies.

Over the last 27 years, RAM Holdings and its wholly-owned subsidiary, RAM Rating Services Berhad, has facilitated the raising of more than USD260 billion of funding in the form of both bonds and sukuk (Islamic bonds) that have primarily funded the many world class infrastructure in Malaysia. RAM Ratings is consistently voted as one of the leading credit rating agency in Asia and is currently the global market leader in Islamic Finance. In May 2016, RAM Ratings became one of six founding signatories to sign on to the United Nations-supported Principles for Responsible Investment's ("UN-PRI") *Statement on ESG in Credit Ratings*.

The RAM Group (comprising RAM Holdings, RAM Ratings, RAM Solutions and RAM Consultancy) has extensive experience in project finance structures and comprehensive knowledge of issues influencing the Malaysian and regional financial markets. RAM's network of clients includes domestic and international financial institutions, investors, corporates, government and public agencies. For more information, please visit <https://www.ram.com.my/home/>



## Disclaimer

RAM Consultancy receives compensation for its opinion services which are normally paid by the issuers of Green Bond/SRI Sukuk. The receipt of this compensation has no influence on RAM Consultancy's analytical process, diligence and professional opinion. In all instances, RAM Consultancy is committed to preserving the objectivity, integrity and independence of its opinion.

RAM Consultancy is not aware of any conflict of interest relating to the opinion it provides in this report. RAM Consultancy will adequately disclose all related information in the report if there are such instances.

In preparing this report, RAM Consultancy relied on information provided by the issuer. Therefore, RAM Consultancy does not warrant that the information contained herein is complete, accurate or up to date. This report explains why the proposed Green Bond/SRI Sukuk issuance is considered sustainable and responsible. The report is prepared for consumption of the readers of our Second Party Opinion and RAM Consultancy will not be liable for the substance of the opinion and/or any liability for damage arising from the use of our Second Party Opinion and/or the information contained in the report.

Our report is not a recommendation to buy or sell securities. It is also not a credit assessment on the proposed Green Bond/SRI Sukuk.

This Second Party Opinion may not be reproduced, transmitted or published in any form or by any means without the prior written permission of RAM Consultancy. All rights are reserved by RAM Consultancy.

Published by RAM Consultancy Services Sdn Bhd  
Reproduction or transmission in any form is prohibited except by permission from  
RAM Consultancy Services Sdn Bhd.  
© Copyright 2017 by RAM Consultancy Services Sdn Bhd

### **RAM Consultancy Services Sdn Bhd**

Suite 20.01, Level 20  
The Garden South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur

T: (603) 7628 1000 / (603) 2299 1000  
F: (603) 2711 1701  
E: ram@ram.com.my  
W: www.ram.com.my