LEADER ENERGY SDN BHD

ASEAN GREEN SUSTAINABLE AND RESPONSIBLE INVESTMENT ("ASEAN GREEN SRI") SUKUK WAKALAH FRAMEWORK

April 2020

1. Introduction

Leader Energy Sdn Bhd ("**LESB**") is an investment holding company which is wholly owned by HNG Capital Sdn Bhd ("**HNGC**"), a company that has extensive experience in the power sector since 1994, mainly through owning, developing and operating power plants in Cambodia and Vietnam. Today LESB continue to fulfill its vision of building a balanced portfolio of generation technologies and geographical diversification in the high-growth markets of Southeast Asia in a safe, sustainable and environmentally responsible manner.

In December 2016, HNGC was awarded a 21-year PPA concession by public tender for a net 29MW_{ac} greenfield solar photovoltaic power plant located in Sungai Petani, Kedah, Malaysia under Malaysia's Large-Scale-Solar "LSS" 1 bidding programme program which HNGC had then informed the Energy Commission Malaysia that Leader Solar Energy Sdn Bhd ("LSE I") will be the project company to undertake project and LESB has subsequently acquired 100% of the equity shareholding of LSE I. The LSE I's project was successfully completed and achieved commercial operation in October 2018.

Leveraging the solar power knowledge that LESB gained in LSS1, it won a second 21-year PPA concession for a net 20MW_{ac} greenfield solar photovoltaic power plant in Malaysia's LSS2 bidding programme. The project, Leader Solar Energy II Sdn Bhd ("**LSE II**") is also located in Kedah, Malaysia and has achieved commercial operation in February 2020.

LESB will continue to expand its footprint in renewable energy projects across core markets in Southeast Asia.

This ASEAN Green SRI Sukuk Wakalah Framework sets out LESB's policy in terms of the proposed issuance of ASEAN Green SRI Sukuk Wakalah. It is developed in line with the Securities Commission Malaysia ("**SC**") SRI Sukuk Framework[1] and ASEAN Capital Markets Forum ("**ACMF**")'s ASEAN Green Bond Standards[2] based on the International Capital Markets Association ("**ICMA"**)'s Green Bond Principles. It is the Issuer's intention to apply best market practices as the standards develop from time to time. At the point of issuance, LESB has complied with relevant environmental, social and governance standards or recognised best practices relating to its ASEAN Green SRI Sukuk Wakalah

[1] Chapter 7 of Part 3, Section 3 of the Guideline on Unlisted Capital Market Products under the Lodge and Launch Framework (first issued on 9 March 2015 and revised on 26 November 2019) (as amended from time to time). Refer https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416

[2] ASEAN Green Bond Standards by ASEAN Capital Markets Forum (first issued on November 2017 and revised on October 2018). Refer https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards

2. ASEAN Green SRI Sukuk Wakalah Framework

LESB intends to issue the ASEAN Green SRI Sukuk Wakalah, with the aim of financing climate and environmentally friendly solar projects which also contributes to the social and economic development of the communities.

LESB's ASEAN Green SRI Sukuk Wakalah Framework adopts the relevant standards under SC's SRI Sukuk Framework and ACMF's ASEAN Green Bond Standards based on the ICMA's Green Bond Principles, covering the following core components:

(i) Utilisation of proceeds;

(ii) Process for project evaluation and selection;

(iii) Health, safety and environmental (HSE) measures during construction and operation & maintenance period;

(iv) Management of proceeds; and

(iv) Reporting.

2.1 Utilisation of Proceeds

Proceeds from the ASEAN Green SRI Sukuk Wakalah issuance shall be used to pre-fund the 'Finance Service Reserve Account' Minimum Required Balance[3], pay all fees and expenses in relation to the issuance of the ASEAN Green SRI Sukuk Wakalah, and part-finance and/or part-reimburse the total development costs of (a) 29MW$_{ac}$ solar project in Kuala Muda, Kedah by LSE I and (b) 20MW$_{ac}$ solar project in Kuala Muda, Kedah by LSE II.

The development of LESB's solar farms meets a number of objectives under the SRI Sukuk Framework by SC:

Objectives / Eligible Green SRI Projects	**Descriptions**
Renewable Energy	Production of renewable energy (solar), in line with several national roadmaps such as Renewable Energy Transition Roadmap (RETR) 2035 that aims to boost renewables share to 20% Malaysia's power mix by 2025; and Shared Prosperity Vision 2030 which also stresses on renewable energy and green economy as two of the 15 proposed Key Economic Growth Activities
Reducing greenhouse gas emission; Pollution prevention and control	Electricity generated from solar farms is expected to contribute towards sustainable electricity supply and the reduction of carbon emission in Malaysia in line with the National Renewable Energy Policy, and National Green Technology Policy of Malaysia
Improving the quality of life of the society	Upgrading of village road located beside the solar panels sites improves the connectivity in the area. In addition, LESB has also carried out some patching and smoothing of the ground surface surrounding a local prayer house and kindergarten, to further improve the living environment of the village

[3] LESB shall maintain, at all times, amount equal to sum of the next six (6) months periodic distribution and next twelve (12) months principal due and payable

2.2 Process for Project Evaluation and Selection

The heart of LESB's corporate sustainability commitment is an appreciation of the need to protect and preserve the natural environment where LESB's projects are located. With respect to air emissions, water, effluent and safeguarding biodiversity, LESB's guiding principle for project development, ownership and operation is to meet or exceed both local environmental codes and standards.

LESB seeks to develop energy solutions that are the most appropriate for the local economies in the markets in which it operates. LESB adheres to international standards, continuously monitor its performance and make environmentally responsible and safe operations as its priority.

LESB foresees renewable energy to be a major contributor to its growth story in the energy sector, relative to thermal power generation and LESB is continuously building its core competence in project development and operations and maintenance to reflect the growing vision of renewable energy. For example, LESB's first solar power project used a turnkey engineering, procurement, construction and commissioning provider, while the second solar power project is being undertaken in packages without a turnkey contractor. LESB will replicate and enhance on this internal competence building as it moves into other forms of renewable energy, such as wind power generation, to take us forward.

2.3 Health, safety and environmental (HSE) measures during construction and operation & maintenance (O&M) period

(a) HSE Considerations in Site Selection

LSE I is located on a land (49.2275 hectares) in Mukim Sungai Pasir, Sungai Petani, Kedah. This land was selected considering availability of high solar irradiance level, good accessibility, adequate topography that does not require significant levelling, low population density of the surrounding area and not close to high ecological value so that it would not create undue disturbance.

LSE II is located on a land (29.124 acres) in Bukit Selambau, Sungai Petani, Kedah. This land was selected considering availability of high solar irradiance level, very low population density of the surrounding area and not close to high ecological value so that it would not create undue disturbance and located near to LSE1 for more effective and efficient management.

Before construction, LSE I & LSE II have performed power system study, environmental mitigation and protection study, geotechnical investigation, hydrology and hydraulic study, technical due diligence study and geological terrain mapping (LSE II only) to systematically identify the key environmental risks and mitigating plans pertaining to the construction, operation and maintenance of the plants.

(b) HSE Considerations in the Supplier Selection Process

LSE I has undertaken the construction of the project under two packages, i.e. (a) the solar package and (b) the transmission line package and awarded to two local contractors on a turnkey basis. The arrangement for LSE II is similar except that LSE II handles the procurement of key equipment (i.e. modules & inverters).

The contractors' selection involved an evaluation of technical capability, track records, financial strength, contractor's construction plan as well as health, safety and environmental management plan and etc. The contractors are required to comply with local regulations pertaining to environmental, safety and health.

The local contractors were appointed as they are more familiar with local regulations, local customs and would employ local materials as much as possible.

(c) HSE Considerations During the Construction Phase

LSE I has conducted a meeting with nearby villagers to introduce the solar farm development and explained the health and safety measures implemented. LSE II did not conduct this exercise as there is no inhabitant nearby the land. There was no publicly voiced opposition to the LSE I and LSE II development.

To minimise the disturbance to the environment, LSE I and LSE II used higher rating modules available at that point of time to maximise the ratio of energy output to land area. Additionally, LSE I has avoided the development at the water tank area (built by SADA – state water authority) on LSE I land. LSE I has also upgraded the village road located beside the solar farm as part of it corporate social responsibility program to the nearby villagers, thereby enhancing their living environment.

LSE I and LSE II contractors have designed the solar farm in compliance with all regulations pertaining to health, safety and environmental. Properly designed internal drainage system and diversion drains were built to maintain the natural flow of the rain water, this will in turn reduces the soil erosion. Silt traps are used to ensure minimal discharge of silt to natural river stream.

All power transformers are delivered with a proper oil containment tanks to prevent the seepage of transformer oil into the ground should there be an oil leak from the transformers.

In addition, the contractors are required to implement proper health, safety and environmental management plan that comply with applicable regulations during the construction period. For example, the contractors are required to put a full-time site safety officers to coordinate the safety activities, maintain site cleanliness and tidiness, establish a proper waste disposal process and establish necessary signboard to create health and safety awareness to the employees, suppliers, nearby residents and etc. Regular tool-box meetings and briefings were held throughout the construction period of the projects.

There was no health, safety and environmental issue reported during the construction period. Even though there were some near misses reported during the construction period, but both the projects were completed with zero incident reported.

(d) HSE Considerations During the Operation Phase

During the operation & maintenance phase, LSE I & LSE II have established all the necessary signboards and notices to create health and safety awareness to the employees, suppliers, nearby residents and contractors. Safety procedures implemented including provision of necessary safety gears to staffs, provision of safety training to staffs, issuance of permit to work (PTW) and etc.

Environmental measures implemented includes maintaining the cleanliness and tidiness of the solar farms, perform periodical checks for possible land erosion, ensure smooth flow of drainage and retention ponds. Permanent silt traps cum water retention ponds were built to ensure no direct discharge of silt into natural river stream & act as flood control. Natural vegetation (grass cover) are planted to provide the erosion control within the plants.

2.4 Management of Proceeds

The proceeds generated from the solar farm will be deposited into the accounts and utilized in accordance with the terms and conditions under the financing documents of the ASEAN Green SRI Sukuk Wakalah. Signatories prior to and upon the occurrence of a dissolution event are summarised below:

Designated account	Signatories prior to event of default	Signatories upon event of default
Disbursement account	Security Trustee	Security Trustee
Revenue account	Security Trustee	Security Trustee
Project revenue account	Security Trustee	Security Trustee
Project operating account	Project Company	Security Trustee
Maintenance reserve account	Project Company	Security Trustee
Finance payment account	Security Trustee	Security Trustee
Finance service reserve account	Security Trustee	Security Trustee
Operating account	Issuer	Security Trustee
Distribution account	Issuer	Issuer

For detailed information on the accounts related to the ASEAN Green SRI Sukuk Wakalah, please refer to the Principal Terms and Conditions of this issuance, to be made publicly available on Bank Negara Malaysia's Fully Automated System for Issuing/Tendering and the BIX website after issuance of the ASEAN Green SRI Sukuk Wakalah.

2.5 Reporting

This ASEAN Green SRI Sukuk Wakalah Framework and external review report will be made publicly available on LESB's designated website[4] at the point of issuance and throughout the tenure of the ASEAN Green SRI Sukuk Wakalah.

LESB shall also provide annual reporting to the sukukholders via its website on the following:

(a) the original amount allocated for the Eligible Green SRI Projects;

(b) the amount utilised for the Eligible Green SRI Projects;

(c) the balance of unallocated proceeds and where such amount is placed or invested pending utilisation, if applicable; and

(d) where feasible and to the extent possible, the list of the Eligible Green SRI projects in which the ASEAN Green SRI Sukuk Wakalah proceeds have been allocated to and a brief description of the said Eligible Green SRI Projects and their impact or expected impact, including the key underlying methodology or assumptions used to determine the impact or expected impact;

LESB intends to report on the environmental impacts of the project. The indicator that it will report on are added generation capacity and tonnes of CO2 emissions avoided per year for LSE I and LSE II.

[4] https://www.leaderenergy.net/environmental/