

EDRA SOLAR SDN BHD SUSTAINABILITY SUKUK FRAMEWORK

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1. Background

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

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

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

Edra Solar Sdn Bhd (Kuala Ketil Solar Farm)

Edra’s 50MWac large scale photovoltaic solar farm in Kuala Ketil, Kedah (“Kuala Ketil Solar Farm”) is among the largest solar farms in Malaysia. Completed ahead of its schedule, the solar farm provides clean energy to approximately 30,000 families per month as well as support industrial and agriculture activities in Kedah.

The Kuala Ketil Solar Farm generates an average electricity of 85,105.44MWh per year. The annual electricity generated by the solar farm from 25 February 2019 to July 2024 is outlined below:

Year	Electricity generated
2019	76,757.09 MWh (from 25 February to December)
2020	88,702.01 MWh
2021	89,027.56 MWh
2022	85,272.80 MWh
2023	86,995.28 MWh
2024	54,771.80 MWh (up to July 2024)

As a clean energy producer, Kuala Ketil Solar Farm has been in operations for approximately 5 years. In terms of GHG emissions, the solar farm has successfully avoided a total of 314.614 kilotonnes (kt) of CO₂ emissions. On an average annual CO₂ reduction, the solar farm avoids approximately 56.16 kt of CO₂ emissions each year.

In summary, the solar farm prevents approximately 56.16 kilotonnes of CO₂ emissions annually by generating renewable energy instead of relying on fossil fuels.

Apart from its operations, on a social platform, a 40-acre buffer zone is allocated within the surrounding of the solar farm to facilitate the commercial agricultural development for the development of fruit farming by the local community at zero cost. This community partnership that is aligned with The UN Sustainable Development Goals #8 where the objectives of the partnership is aimed to:

- Stimulate the socio-economic development of the local community
- Provide a platform for local farmers to generate additional revenue
- Further strengthen the agriculture of pineapple cultivation and its marketing industry

2. Sustainability Sukuk Framework

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

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

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

2.1 Use of Proceeds

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

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

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

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

2.2 Process of Project Evaluation and Selection

Solar Farm

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

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

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

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

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



Social Project – Pineapple Planting at Kuala Ketil Solar Farm

Edra's Kuala Ketil Solar Farm is the only large scale solar farm in Malaysia with an agrivoltaic model.

The solar farm's operation model is in line with ESG practice as the operations of the farm is renewable energy with zero carbon emission, incorporating a CSR element, where we provide land for the local community to conduct agriculture activities, stimulating the socioeconomic development of the local community, generating additional revenue to the local farmers from the otherwise vacant land.

To fulfil this commitment, Edra entered into a tenancy agreement with Pertubuhan Peladang Kawasan Kuala Ketil (PPKK) which provides the land usage to the local farmers without any charges.

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

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

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

In terms of the social benefits to the community, it is estimated that this CSR initiative will benefit more than 2,600 farmers and the local economic development and creating 106 direct employments to the local community. This pineapple farm with an estimated 40 acres is expected to reap a gross revenue of approximately RM684,000 for one harvest cycle of 14 months.

Due to the COVID-19 pandemic, with the implementation of various stages of Movement Control Orders (MCOs) in the state of Kedah and taking into consideration the health and safety of the farmers as well as Edra Solar's employees, the Management of Edra decided to temporarily put on hold the pineapple planting programme which took effect on 11 August 2020.



As Edra continued to monitor the situation and after careful consideration especially learning on the benefits of carrying out this project for the local communities during this difficult time, both Edra and PPKK had on May 2021 agreed to resume the pineapple planting programme, with the initial cultivating five (5) acres of the buffer land for the time being, while adhering to the standard operating procedures (SOPs) implemented by the government. The agriculture cultivation plans for the remaining 35 acres of land will be managed by PPKK at a later stage.

In the first phase, the farmers from The Pertubuhan Peladang Kawasan Kuala Ketil who are also residents at Kuala Ketil completed the land preparation and planted a total of 35,000 pineapple seedlings in stages with a time line within June to October 2021. PPK provided a capital of RM80,000 to cover the costs of land preparation, purchase of pineapple seedlings, fertilizers, equipment and labour.

Subsequently, the activity of seed planting began on 10 July 2021. As of 2 August 2021, approximately half of the 5 acres' land had been planted with 30,000 pineapple seeds while the remaining 30,000 seeds are likely to be planted within the next one (1) or two (2) weeks, depending on the weather condition.

On 29 July 2021, the government had announced the implementation of Emergency Movement Control Order (EMCO) at several localities across Malaysia. Several localities at Kuala Ketil, Kedah were among the areas affected by the implementation of EMCO which was implemented from 31 July to 13 August 2021.

The implementation of EMCO in the areas of Kuala Ketil however, did not affect the pineapple planting activities at the solar farm, though there were other factors contributing to the slight delay of the process namely bad weather condition and lack availability of pineapple seed supplies.

The first harvest cycle began from November 2022 to July 2023, and generated a total revenue of RM17,417 comprising of 8,278 pineapples at RM1.50 each and 10,000 seedlings at RM0.50 each.

Benefits to the local farmers

The pineapple planting programme provides employment opportunities and additional income generation for the residents at Kuala Ketil, Kedah, reflecting the comprehensive efforts of all parties to help restore the national economy and ease burden after the COVID-19 pandemic.

The farmers are able to generate new income for their families while also being able to improve the standards of living within the community.

Through this programme, the local farmers have also gained new knowledge through guidance from agricultural bodies. The farmers and younger generations are also able to participate in the industrial training programmes at the farmers' association which in turn foster their interest in the agriculture industry.

This project benefits the entire farmer's community, especially the younger generations. For example, through the pineapple planting training workshops which assist in providing effective pineapple planting techniques, knowledge and skills to the participants. These workshops usually involve theory as well as practical training. The workshops are suitable for individuals who are interested in learning and developing skills in pineapple cultivation. It can provide a solid foundation and ensure that participants are able to put their knowledge and skills into practice.

Receiving positive feedback from local farmers, these farmers are determined to ensure that the pineapple farming project will continue to be a successful project via the support from the management of Edra Solar and the PPKK.

As there is an increasing demand for the pineapple harvest, the farmers have entered Phase 2 which involves the process of cultivating an additional ten (10) acres of land due to good harvest of the pineapples in Phase 1.

The farmers are confident of a steady, if not increase in demand for pineapples amongst the local traders in Kuala Ketil and nearby markets, since the pineapples produced are better quality as compared to pineapples produced by other farms.

2.3 Management of Proceeds

Solar Farm

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

Social Project

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

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

2.4 Reporting Commitment

This Sustainability Sukuk Framework will be made publicly available on Edra's company website.

In addition, Edra Solar shall provide its annual reporting, via newsletters, website updates, annual report or any other communication channels on other impact reporting including the installed capacity and the annual electricity generated by the solar farm, the corresponding GHG emissions avoided annually, the number of farmers supported, number of jobs created and the revenue generated for the local community.

As disclosed in Edra Solar's SC Lodgement Form, all proceeds from the SRI Sukuk issuance were earmarked for payment and or reimbursement to the Sponsor in respect of the Project Cost after defraying the fees and expenses incurred in relation to the SRI Sukuk.

Therefore, given that on the issue date, the SRI Sukuk proceeds were fully utilised to reimburse the shareholder for prefunding the Project Cost prior to the SRI Sukuk issuance, no annual reporting on the Sukuk proceeds allocation is required since there is no remaining unutilised proceeds after the issue date.

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



EDRA SOLAR SDN BHD

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