



**TNB POWER GENERATION SDN BHD
SUSTAINABILITY SUKUK FRAMEWORK**

APRIL 2022

Progressing Towards a Sustainable Future

At TNB Power Generation Sdn. Bhd., we are dedicated to empowering progress and making positive impact as an organisation to make sure that we are constantly aligning our business direction and effort towards the UN's Sustainable Development Goals (SDGs).

As a wholly owned subsidiary of Tenaga Nasional Berhad (TNB), we carry the same commitment as TNB to become a socially and environmentally responsible organisation. Our sustainability pillars are the cornerstone of our progress.



CONTENTS

		PAGE
1.	BACKGROUND	
	1.1 HISTORY OF TNB POWER GENERATION SDN BHD	4
	1.2 BUSINESS STRATEGY & PORTFOLIO	4
2.	SUSTAINABILITY JOURNEY AT TNB POWER GENERATION SDN BHD	
	2.1 SUSTAINABILITY AT TNB	5
	2.2 TPGSB'S SUSTAINABILITY COMMITMENT TO SUPPORT TNB GROUP'S SUSTAINABILITY AGENDA	5
3.	THE ELIGIBLE PROJECT	
	3.1 NENGGIRI HYDROELECTRIC POWER PLANT PROJECT	8
	3.2 KEY BENEFITS OF THE PROJECT	9
4.	SUSTAINABILITY SUKUK FRAMEWORK	
	4.1 USE OF PROCEEDS	10
	4.2 PROCESS FOR PROJECT EVALUATION AND SELECTION	11
	4.3 MANAGEMENT OF PROCEEDS	16
	4.4 REPORTING (ALLOCATION AND IMPACT)	16
5.	EXTERNAL REVIEW	17
6.	POTENTIAL EVOLUTIONS	18

1. BACKGROUND

1.1 HISTORY OF TNB POWER GENERATION SDN BHD

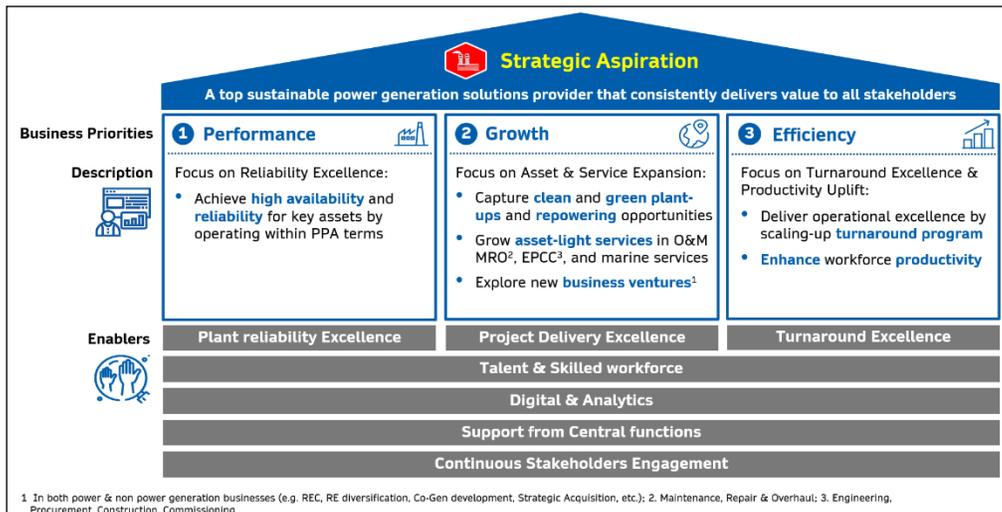
Tenaga Nasional Berhad (“**TNB**”) as the largest electricity utility in Malaysia and the leading utility company in Asia with an international presence in United Kingdom, Kuwait, Turkey, Saudi Arabia, Pakistan, India and Indonesia is proactively getting ready for the immense changes in the global energy industry to cope with global energy demands and transition to a zero-carbon economy by 2050. As a significant and wholly-owned subsidiary of TNB, TNB Power Generation Sdn Bhd (“**TPGSB**” or the “**Company**”) plays an important role in supporting TNB’s power generation role to provide secure, stable, reliable and sustainable power in contributing to the long-term energy needs of the country with end-to-end capabilities ranging from project development, construction and operation and maintenance of the plant.

TPGSB’s principal activities are the ownership, management and operation of domestic power plants, renewable energy (“**RE**”) generation business, power plant operation and maintenance (“**O&M**”) business as well as dry bulk terminal operations business. TPGSB also develops energy projects such as thermal, solar and hydro power plants.

TPGSB is committed to drive further **Performance, Growth and Efficiency** and focus on **Empowering Progress** to support TNB’s aspiration in transitioning to a Net Zero utility company by 2050.

1.2 BUSINESS STRATEGY & PORTFOLIO

TPGSB’s strategic plan is driven by its 5-year business plan that anchors on the Reimaging TNB strategic plan framework. The business plan encompasses three (3) key business priorities (performance, growth and efficiency) and is supported by seven (7) key enablers, as illustrated below:



2. SUSTAINABILITY JOURNEY AT TNB POWER GENERATION SDN BHD

2.1 SUSTAINABILITY AT TNB

TNB on 26 August 2021 announced its sustainability pathway with an aspiration to achieve net zero emission by 2050, a move towards decarbonisation and RE.

This aspiration is underpinned by a commitment to reduce 35% of its emission intensity as well as 50% of its coal generation capacity by 2035. In line with this, TNB has announced that it will no longer invest further in any greenfield coal plants with the last being the Jimah East Power (“**JEP**”) plant which was commissioned in 2019 and existing coal plants will be phased out upon expiry of the relevant power purchase agreements (“**PPA**”). Additionally, TNB remains committed to the Government’s green agenda and Malaysia’s commitment to reduce Greenhouse Gas (“**GHG**”) emission intensity of gross domestic product (“**GDP**”) by 45% by 2030, relative to the 2005 baseline.

As the need for greater climate action becomes more pressing, TNB is progressively transitioning towards cleaner energy with the adoption of efficient technologies, and expansion of RE assets domestically and internationally.

2.2 TPGSB’S SUSTAINABILITY COMMITMENT TO SUPPORT TNB GROUP’S SUSTAINABILITY AGENDA

As a significant and wholly owned subsidiary of TNB, TPGSB will play an important role in supporting TNB’s sustainability aspirations and commitment in mitigating climate change by adopting greener, cleaner and more efficient power generation technology, which includes amongst others:

- Owner and operator of three (3) main hydroelectric schemes in Peninsular Malaysia with a total installed capacity of 1.9GW, inclusive of five (5) mini hydro plants in Cameron Highlands. Two (2) hydroelectric power plants, namely SJ Hulu Terengganu and SJ Ulu Jelai hydroelectric power plants are currently pending transfer from TNB. Transfer of these two (2) hydroelectric power plants to TPGSB will add on to a total of 637MW installed capacity of clean energy into the Company’s green portfolio. The Company aims to further grow its hydroelectric assets portfolio with a proposed new 300MW Nenggiri hydroelectric power plant project which will be further described in Section 3 below. Hydro power plants are a flexible energy resource which can supply and store electricity to meet real-time energy needs and stabilise the grid by addressing peak demand as well as maintaining a proper voltage and frequency level across the national grid.
- In ensuring cheaper tariff for consumers, coal power plants are still required to be operated as a cheaper source of generating electricity. However, in transitioning to a sustainable operation and business, TPGSB is adopting/ utilising ultra-supercritical technology which consumes less fuel per MWh electricity produced. Ultra-supercritical plants generate 40% more electricity energy per metric ton of coal burned in comparison to conventional or older coal technology, which further contribute to lower GHG emissions. This technology is adopted in its current coal power plants, namely the Manjung 4, Manjung 5 and JEP;

- Utilising H-Class Gas Turbines in a single-shaft configuration mode, which helps to achieve greater efficiency at approximately 60% and contribute to lower GHG emissions. Both Southern Power Generation and Prai Power Station currently operate using this technology.

In addition to the above, TPGSB is also exploring new energy business ventures, where it intends to forge partnership with other adjacent industry sectors (i.e. oil & gas) to pilot several industrial-scale projects that help accelerate the production of new energy sources (e.g. green hydrogen, ammonia etc.) at scale and being economically viable.

In line with its sustainability commitment, TPGSB is actively embarking on efforts to improve overall energy efficiency of its existing generating plants, under the “**Asset Turnaround Program**”. One of the focus areas is in terms of operation, where the main objective is to eliminate and reduce losses due to plant degradation and defective equipment, especially in brown assets. Among the key initiatives include technical upgrades in plant facilities, improving the overall production processes, reducing the amount of energy consumed by the facilities (i.e. optimising auxiliary power consumption) and pursuing operational excellence initiatives (i.e. business turnaround, innovative digitalisation technologies and automation). Being energy efficient will enable the Company to generate more power by consuming less fuel and help to reduce the environmental impact.

From a social perspective, TPGSB is also committed to play its part in creating a sustainable society for its internal and external stakeholders. Emphasis is placed in the provision of quality training and career development for its employees encompassing general skills to meet job scopes and demands as well as leadership courses. The Company will also provide new opportunities to local residents and businesses in terms of job creation and contract opportunities.

Furthermore, from governance perspective, TPGSB will continue to strengthen efforts on occupational health and safety by ensuring a safe and secure work environment for its employees, contractors, and other related parties. TPGSB is committed to support TNB’s aspiration to achieve zero fatalities at the workplace and maintaining Lost Time Injury Frequency Rate of less than 1.0. TPGSB also endeavours to maintain close collaboration with relevant authorities and stakeholders.

TPGSB’s Sustainability Sukuk Framework is aligned with selected TNB’s Sustainability Goals and Pillars described below:

**SUSTAINABILITY SUKUK FRAMEWORK
TNB POWER GENERATION SDN BHD**



In relation to the Eligible Project (as defined below) identified under this Framework, TPGSB has complied and will continue to comply with the relevant environmental, social and governance standards or such other recognised best practices relating to the Eligible Project.

3. THE ELIGIBLE PROJECT

3.1 NENGGIRI HYDROELECTRIC POWER PLANT PROJECT

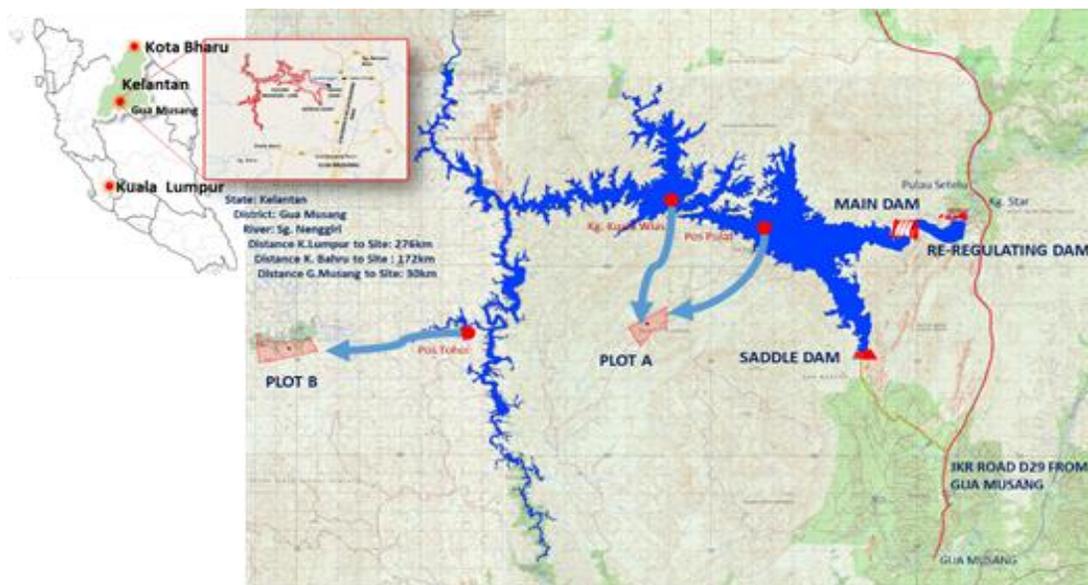
TPGSB has incorporated a wholly-owned subsidiary, TNBPG Hydro Nenggiri Sdn Bhd (“**Project Co**”), to undertake Nenggiri Hydroelectric power plant project (“**Project Nenggiri**” or the “**Project**”). Project Nenggiri, an impoundment hydroelectric power plant, is located in the district of Gua Musang, Kelantan and is within Sg. Nenggiri catchment which is approximately 30km from Gua Musang town.

The Project consists of three dams i.e. Main Dam, Saddle Dam and Re-regulating Dam. The Main Dam will inundate an area approximately 5,384ha while the Re-regulating Dam will require inundation of a 97ha area. The Project is anticipated to operate via a similar type of Power Purchase Agreement like other existing TNB’s hydroelectric power plants. The Project’s key technical information is shown in the table below.

No.	Description	Value		
		Main Dam	Saddle Dam	Re-regulating Dam
1.	Number of Dams	3		
2.	Dam Type	RCC	RCC & Embankment (Composite)	Concrete Gravity
3.	Dam Height (m)	88.1	56	29
4.	Plant Nett Capacity (MW)	300 (150 x 2 unit)	-	-
5.	Average Annual Energy (GWh/yr)	599.5	-	-

Note: RCC: Roller Compacted Concrete, MW: Megawatt, GWh/yr: Gigawatt-hour per year

The location of Project Nenggiri is shown below.



3.2 KEY BENEFITS OF THE PROJECT

3.2.1 Electricity Generation

The function of the Main Dam is to retain water from the catchment area for use in electricity generation. Water stored in the Main Reservoir will be channeled to hydro turbines located in the generation station building. The waterpower will rotate the hydraulic turbine connected to the generator to generate electricity and then channel it to the national grid. Water that has passed through the hydro turbine will be discharged into the Re-regulating Pond which is dammed by the Re-regulating Dam. The main function of the Re-regulating Dam is to control the rate of water flow back to Sg. Nenggiri so as not to disrupt the economic activities of the residents downstream.

3.2.2 Flood Mitigation

Early in the monsoon season, the Project Co will lower the water level in the Main Reservoir to provide plenty of rainwater space during the monsoon period. This is a "standard operation" at TNB hydro stations such as the Sungai Perak Hydro Scheme and Kenyir Hydro Scheme. Frequent flooding downstream can be reduced by the presence of dams that control the flow of water from upstream.

3.2.3 Clean Water Supply

Once the Nenggiri Power Station is ready, the water released from the dam during the generation will be stored in a temporary drainage pond known as Re-regulating Pond before being released in a controlled manner downstream of Sg. Nenggiri all year long. The release of water can guarantee the need for clean water supply for the daily use of the locals.

3.2.4 Improvement to the Irrigation for Agriculture

Water released from the reservoir to the Sg. Nenggiri will ensure continuous water supply for agricultural activities downstream of the dam especially during the dry season.

3.2.5 Potential Aquaculture Activities in the Reservoir

The resulting reservoir can create several local economic activities such as aquaculture. Demand for farmed fish will increase given the scarcity in marine fishes due to its diminishing population.

3.2.6 Eco-tourism and Recreational Activities in the Reservoir

The reservoir will be an attraction for eco-tourism and recreation activities that can generate income for the Kelantan state in general. This is evident in Lake Kenyir, where we see the Orang Asli settlers around Lake Kenyir are able to improve their economy and their lives as they benefit from the eco-tourism business.

3.2.7 Orang Asli Socio-economic Improvement

Several Orang Asli settlements around the project site will be affected by the implementation of this Project. Their relocation has been included as part of the project

development work and the new relocation areas will enhance their quality of life in a long-term. Apart from more comfortable homes, the Orang Asli will also have a better secure source of income through the rubber plantations which will be developed specifically for them.

3.2.8 Opportunities for Local Residents and Contractors to Participate in the Project During Construction and Post Construction

An estimated 2,000 workers are needed during the project construction work and this will provide employment opportunities for locals as well as the Orang Asli. The Project Co has earmarked up to 10% of the contract value to be awarded to the local contractors.

Several works opportunities are also available post completion of the Project and during the power plant operation i.e. compound maintenance, security guards, skilled and unskilled works, etc.

3.2.9 The Economic Growth of Kelantan

It is anticipated that the reduction of floods in Kelantan will further enhance economic activities which have not been able to be carried out due to floods for example, agriculture and manufacturing in certain parts of Kelantan. Reducing the effects of floods can also give confidence to existing investors and potentially attract new investors to invest in Kelantan.

4. SUSTAINABILITY SUKUK FRAMEWORK

TPGSB's Sustainability Sukuk Framework (the "**Framework**") is established to set out clear and transparent guidelines and principles for the issuances of Sustainability Sukuk Wakalah from TPGSB's Sukuk Wakalah Programme of RM10.0 billion in nominal value ("**Sukuk Wakalah Programme**").

Issuance of the Sustainability Sukuk Wakalah will be in compliance with any one or more of the following guidelines or frameworks, as amended from time to time:

- (i) the Sustainable and Responsible Investment ("**SRI**") Sukuk provisions under the Securities Commission Malaysia ("**SC**")'s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued on 9 March 2015 and revised on 22 November 2021, as amended from time to time ("**LOLA Guidelines**");
- (ii) the ASEAN Green Bond Standards issued by the ASEAN Capital Markets Forum ("**ACMF**");
- (iii) the ASEAN Social Bond Standards issued by the ACMF;
- (iv) the ASEAN Sustainability Bond Standards issued by the ACMF;
- (v) the Green Bond Principles issued by the International Capital Market Association ("**ICMA**");
- (vi) the Social Bond Principles issued by the ICMA;
- (vii) the Sustainability Bond Guidelines issued by the ICMA; and/or

- (viii) such other related guidelines or principles or frameworks or standards, whether or not having the force of law, in relation to sustainability/social/green bonds issued from time to time.

(collectively, the “**Sustainability Guidelines/Framework**”).

The Framework takes into account the following four pillars and is aligned with the Sustainability Guidelines/Framework:-

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting (Allocation and Impact)

4.1 USE OF PROCEEDS

The proceeds from the issuance of Sustainability Sukuk Wakalah under the Sukuk Wakalah Programme shall be utilised by TPGSB to finance and/or refinance loans obtained to finance the development costs related to the planning, design, engineering and construction of Project Nenggiri to be undertaken by Project Co, a special purpose vehicle set up to solely undertake Project Nenggiri.

The main construction work packages will be parceled out into three (3) main lots, i.e. the Civil Works (Lot 1), Electrical & Mechanical Works (Lot 2) and Resettlement & Plantation (Lot 3) where the total project cost is estimated to be at RM5.0 billion. These construction works are estimated to take five (5) years to complete with Scheduled Commercial Operation Date (“**SCOD**”) expected on 1 June 2027.

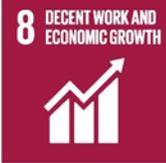
The Sustainability Sukuk Wakalah proceeds will be channeled by TPGSB to the Project Co through the provision of shareholders’ loans and/or advances and/or through subscription of any equity instruments as may be agreed between the parties.

4.2 PROCESS FOR PROJECT EVALUATION AND SELECTION

The Framework has been approved by the Board of Directors of TPGSB (the “**Board**”). The Board will continue to provide the oversight required in relation to implementation of the Eligible Project identified under the Framework to ensure that the projects benefits are aligned with TPGSB’s Sustainability Goals and is in accordance to the Framework.

TPGSB has identified Project Nenggiri as the Eligible Project pursuant to the Framework which supports the six (6) United Nations Sustainability Development Goals (“**UN SDGs**”), which are shown in the table below. Project Nenggiri is an important asset development project for TPGSB as it will be TPGSB’s large-scale hydro show case to demonstrate its commitment in contributing to TNB Group’s sustainability goals. Project Nenggiri is expected to have multifold roles in delivering environmental and socioeconomic benefits including providing a cleaner source of additional power supply to the national grid, electricity supply to rural areas, flood mitigation, provision of clean water supply, social infrastructure and local job opportunities for the people of Kelantan.

Progress of Project Nenggiri will be reported to TPGSB’s Executive Committee (“**GEXCOM**”) on a regular basis. GEXCOM is chaired by the Managing Director, together with other head of departments as committee members. The GEXCOM will monitor the key performance indicators of the Project, safety and risk management as well as provide direction and advice on issues related to governance, initiatives and best practices in order to ensure that mitigation actions are properly planned and executed.

Sustainability Pillars	Roles of Project Nenggiri	Relevant UN SDGs
Economy	<ul style="list-style-type: none"> • Support GDP growth, in particular, significantly increasing the GDP share for the State of Kelantan. • Improve sustainable revenue of TPGSB and ultimately to TNB and will benefit the government and the nation as a whole. 	
Environment	<ul style="list-style-type: none"> • Adopt an energy efficient and lower emission design and technology as well as increase share of cleaner and more efficient energy compared to other types of power plant such as those powered by gas turbines. Based on TPGSB’s assessment, the projected GHG emissions from Project Nenggiri is 72.7 gCO₂e/kWh vis a vis a gas-fired power plant, which emission is estimated at 490 gCO₂e/kWh (as quoted by the International Hydropower Association (“IHA”)). The projected GHG emissions for Project Nenggiri is within the internationally recommended benchmark of less than 100 gCO₂e/kWh for hydro plants that are eligible for sustainable financing. The projected GHG emission from Project Nenggiri was calculated using the G-res tool which has been developed and validated by the IHA before it can be used for commercial purposes or publicly disclosed. • Improve the diversification of generation fuel mix where Project Nenggiri will increase Peninsular Malaysia’s hydropower plants capacity by 1.1% in 2027 (overall hydropower capacity is 9.8% in 2021 and expected to increase to 10.9% in 2027 after the commercial operation of Project Nenggiri). • Provide fast start-up and capable of increasing Peninsular Malaysia transmission grid system stability by providing ancillary services to support the high voltage transmission grid, such as fast raise, fast 	  

	<p>lower, black start, voltage support and reactive power.</p> <ul style="list-style-type: none"> • Support TPGSB to provide climate change/disaster control adaptation as the hydroelectric dam can also function as flood mitigation mechanism. • Provide clean water source and sustainable water management to the locals given that Nenggiri Dam is capable of keeping a huge volume of water, stored in the reservoir and then released in a regulated manner downstream with almost consistent volume throughout the year. • In addition to the above requirements, the following assessments were conducted to ensure that the Project is in compliance with the required environmental related regulations and also Hydropower Sustainability Standard as follows: <table border="1" data-bbox="560 892 1144 1518"> <thead> <tr> <th data-bbox="560 892 722 976">Date of Approval</th> <th data-bbox="722 892 1144 976">Approval of Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 976 722 1129">Mar 2016</td> <td data-bbox="722 976 1144 1129">Potential Mineral Source Study approved by Department of Mineral & Geoscience</td> </tr> <tr> <td data-bbox="560 1129 722 1249">Jan 2018</td> <td data-bbox="722 1129 1144 1249">Wildlife Management Plan (“WMP”) approved by Wildlife Department</td> </tr> <tr> <td data-bbox="560 1249 722 1402">Apr 2018</td> <td data-bbox="722 1249 1144 1402">Environmental Impact Assessment (“EIA”) approved by Department of Environment (“DOE”)</td> </tr> <tr> <td data-bbox="560 1402 722 1518">May 2019</td> <td data-bbox="722 1402 1144 1518">Environmental Management Plan (“EMP”) approved by Kelantan's DOE</td> </tr> </tbody> </table>	Date of Approval	Approval of Assessment	Mar 2016	Potential Mineral Source Study approved by Department of Mineral & Geoscience	Jan 2018	Wildlife Management Plan (“WMP”) approved by Wildlife Department	Apr 2018	Environmental Impact Assessment (“EIA”) approved by Department of Environment (“DOE”)	May 2019	Environmental Management Plan (“EMP”) approved by Kelantan's DOE	
Date of Approval	Approval of Assessment											
Mar 2016	Potential Mineral Source Study approved by Department of Mineral & Geoscience											
Jan 2018	Wildlife Management Plan (“WMP”) approved by Wildlife Department											
Apr 2018	Environmental Impact Assessment (“EIA”) approved by Department of Environment (“DOE”)											
May 2019	Environmental Management Plan (“EMP”) approved by Kelantan's DOE											
Social	<ul style="list-style-type: none"> • Stimulate local economy, provide new jobs to locals especially to the Orang Asli and generate business opportunities starting from the execution of the Project. Post completion of the Project, it is envisaged that the co-benefit will include the potential creation of sustainable eco-tourism business within the surrounding area of the Project to benefit the locals. • Provide the Orang Asli at the resettlement area quality housing and modern 	 										

	<p>infrastructures and facilities such as clean water supply, electricity, sewage treatment system, access road, clinic, multi-purpose hall, school and other amenities.</p> <ul style="list-style-type: none"> • Conservation of cultural heritage by undertaking archeological rescue and excavation program prior to the reservoir impoundment. Artefacts, eco-facts and other outcomes from the program will be displayed in a gallery to be built. • In addition to the above requirement, the following assessments were conducted to ensure that the Project is in compliance with the applicable regulations and also Hydropower Sustainability Standard: <table border="1" data-bbox="560 743 1146 1318"> <thead> <tr> <th data-bbox="560 743 727 829">Date of Approval</th> <th data-bbox="727 743 1146 829">Approval of Assessment</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 829 727 982">Dec 2018</td> <td data-bbox="727 829 1146 982">Heritage Impact Assessment (“HIA”) approved by Department of National Heritage</td> </tr> <tr> <td data-bbox="560 982 727 1129">Apr 2019</td> <td data-bbox="727 982 1146 1129">Social Impact Assessment (“SIA”) approved by PLANMalaysia/ Department of Town and Country Planning</td> </tr> <tr> <td data-bbox="560 1129 727 1318">Sep 2019</td> <td data-bbox="727 1129 1146 1318">Kelantan State Government through JKMPPP certified the Pelan Pertapakan Penempatan Orang Asli on Lot PT 7784 and Lot PT 7785</td> </tr> </tbody> </table>	Date of Approval	Approval of Assessment	Dec 2018	Heritage Impact Assessment (“HIA”) approved by Department of National Heritage	Apr 2019	Social Impact Assessment (“SIA”) approved by PLANMalaysia/ Department of Town and Country Planning	Sep 2019	Kelantan State Government through JKMPPP certified the Pelan Pertapakan Penempatan Orang Asli on Lot PT 7784 and Lot PT 7785	
Date of Approval	Approval of Assessment									
Dec 2018	Heritage Impact Assessment (“HIA”) approved by Department of National Heritage									
Apr 2019	Social Impact Assessment (“SIA”) approved by PLANMalaysia/ Department of Town and Country Planning									
Sep 2019	Kelantan State Government through JKMPPP certified the Pelan Pertapakan Penempatan Orang Asli on Lot PT 7784 and Lot PT 7785									
Governance	<ul style="list-style-type: none"> • The Project has strengthened the relationship of TPGSB and TNB with relevant authorities and stakeholders. • Focus on governance was paramount to ensure all relevant authorities and stakeholders (listed below) were involved for the planning, approvals and execution of the Project. <table border="1" data-bbox="560 1619 1146 1894"> <thead> <tr> <th data-bbox="560 1619 773 1724">Type of Authorities/ Stakeholders</th> <th data-bbox="773 1619 1146 1724">Authorities/ Stakeholders</th> </tr> </thead> <tbody> <tr> <td data-bbox="560 1724 773 1894">Malaysia Government</td> <td data-bbox="773 1724 1146 1894"> <ul style="list-style-type: none"> • Suruhanjaya Tenaga • Kementerian Kewangan Malaysia • Kementerian Tenaga, Sains, Teknologi, Alam </td> </tr> </tbody> </table>	Type of Authorities/ Stakeholders	Authorities/ Stakeholders	Malaysia Government	<ul style="list-style-type: none"> • Suruhanjaya Tenaga • Kementerian Kewangan Malaysia • Kementerian Tenaga, Sains, Teknologi, Alam 					
Type of Authorities/ Stakeholders	Authorities/ Stakeholders									
Malaysia Government	<ul style="list-style-type: none"> • Suruhanjaya Tenaga • Kementerian Kewangan Malaysia • Kementerian Tenaga, Sains, Teknologi, Alam 									

**SUSTAINABILITY SUKUK FRAMEWORK
TNB POWER GENERATION SDN BHD**

		<p>Sekitar & Perubahan Iklim (MESTECC)</p> <ul style="list-style-type: none"> • Kementerian Hal Ehwal Ekonomi (MEA) • Kementerian Air, Tanah Dan Sumber Asli (KATS) • Kementerian Pembangunan Luar Bandar (KPLB) • Jabatan Kemajuan Orang Asli Persekutuan (JAKOA) • Kementerian Pelancongan Seni Dan Budaya (MOTAC) • Jabatan Perdana Menteri • Kementerian Pendidikan Malaysia • Jabatan Perancangan Bandar & Desa (PLANMalaysia) 	
	Kelantan State Government	<ul style="list-style-type: none"> • Unit Perancangan Ekonomi Negeri (UPEN) • Pejabat Pengarah Tanah Dan Galian (PTG) • Jabatan Alam Sekitar Negeri (JAS) • Majlis Daerah Gua Musang (MDGM) • Jabatan Pengairan Dan Saliran (JPS) • Jabatan Kemajuan Orang Asli Negeri (JAKOA) • Jabatan Perhutanan Negeri • Jabatan Mineral Dan Geosains Negeri (JMG) 	
	Local Resident	<ul style="list-style-type: none"> • Orang Asli • Local Villagers • Private Land Owners 	
	Others	<ul style="list-style-type: none"> • NGOs (under planning – MNS and WWF). 	

4.3 MANAGEMENT OF PROCEEDS

The proceeds of the Sustainability Sukuk Wakalah will be deposited into TPGSB's bank account which shall be managed by TPGSB's treasury team. A dedicated In-House Cash banking and settlement process ("IHC") will be maintained to monitor the proceeds and utilisation of the Sustainability Sukuk Wakalah via a dedicated IHC general ledger to be created under TPGSB. The new IHC general ledger will separate the Sustainability Sukuk Wakalah proceeds from other source of funds within TPGSB.

The disbursement tracking will be visible via the Project Co's and/or TPGSB's accounting system i.e. Enterprise Resource Management System which is centrally governed by TNB's Information, Communication and Technology division. The accounting system tracks the expenses via a dedicated cost center which will be assigned to the Project Co. The Sustainability Sukuk Wakalah proceeds disbursement (inflow) and/or any expenses/settlement (outflow) related to the Project Co shall be tagged to the cost center assigned. The final output of the Sustainability Sukuk Wakalah utilisation will be visible and resides either in the income statement or in the balance sheet of the Project Co.

As and when required, the proceeds will be disbursed into the Project Co's bank account. The disbursement will be supported by payment certificate prepared and executed by the Project Co's authorised signatories (in the case of Engineering, Procurement and Construction milestones payment, Owner's Engineer (acting as independent technical advisor on behalf of the project developer) will certify the payments) in accordance with TPGSB's Limits of Authority.

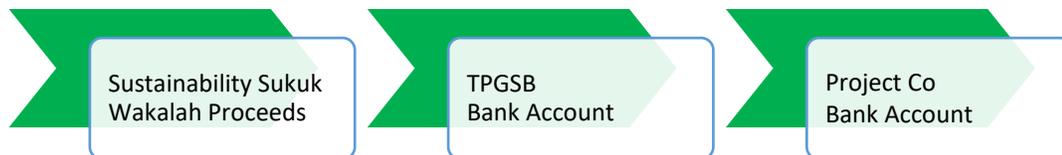


Diagram: Fund-flow of the Sustainability Sukuk Wakalah proceeds

Any unutilised proceeds shall be invested with TNB which will be Shariah-compliant. TNB will invest the proceeds (on behalf of TPGSB) into amongst others, Shariah-compliant marketable instruments/ fixed deposits in the interim, pending utilisation in accordance with TNB's liquidity/investment policy.

4.4 REPORTING (ALLOCATION AND IMPACT)

TPGSB is committed to managing corporate sustainability and relevant reporting commitments relating to Project Nenggiri as required under the Sustainability Guidelines/Framework. To enable investors to follow the development progress and monitoring of the environmental compliance/social impact, TPGSB will publish a Sustainability Sukuk Report which will be publicly available at www.tnbgenco.com.my within one year from the issuance of the first tranche of the Sustainability Sukuk Wakalah and updated annually for so long as all the Sustainability Sukuk Wakalah remains outstanding.

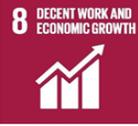
The reporting is split into two parts (i) the Allocation Reporting and (ii) the Impact Reporting, whereby each part will disclose information including, but not limited to:

➤ Allocation Reporting

- (1) The amount of proceeds allocated to Project Nenggiri including broad description of utilisation; and
- (2) The remaining balance, if any, of unallocated proceeds at the end of the reporting period and where it is placed/ invested pending utilisation.

➤ Impact Reporting

We will report on the relevant areas of environment and social impact of Project Nenggiri. On a best effort basis and subject to data availability, the impact reporting may include, but not limited to, impact or key performance indicators as outlined in the table below. Any assumptions made in relation to the units used or the relevant benchmark emissions will be clearly stated in the reporting:

UN SDG Goals	Eligible Category	Impact Indicators or Key Performance Indicators
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	Renewable Energy	<ul style="list-style-type: none"> - Renewable energy capacity installed (in MW) - Annual renewable energy generation (in MWh)
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Economic Growth	<ul style="list-style-type: none"> - Percentage of contract value awarded to local contractors
 <p>13 CLIMATE ACTION</p>	Climate Change Adaptation	<ul style="list-style-type: none"> - Annual CO₂ emission reduction/avoidance (in tonnes of CO₂)

Additional indicators and/or detailed information related to the impact indicators as mentioned above may be reported at the discretion of TPGSB's management.

5. EXTERNAL REVIEW

TPGSB has appointed MARC Ratings Berhad (“**MARC**”) through MARC Solutions as an independent party to issue a pre-issuance assessment report on the alignment of the Framework to the Sustainability Guidelines/Framework (“**MARC Report**”). The Framework and MARC Report will be made publicly available at www.tnbgenco.com.my when possible as its ongoing commitment to transparency and integrity.

6. POTENTIAL EVOLUTIONS

As the Sustainability Sukuk market may be subject to changing market and regulations as it evolves, TPGSB looks to enhance and improve its Framework from time to time and publish any supplementary content at www.tnbgenco.com.my.