

## AC Energy

### POST-ISSUANCE VERIFICATION LETTER

#### WIND, SOLAR, and GEOTHERMAL ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

**Type of engagement:** Assurance Engagement

**Period engagement was carried out:** January 2020

**Approved verifier:** Sustainalytics

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#### Scope and Objectives

In January 2019, AC Energy, Inc. (“AC Energy” or the “Company”) issued green bonds aimed at financing solar, wind, and geothermal energy facilities that meet the eligibility criteria of the AC Energy Green Bond Framework.<sup>1</sup>

In January 2020, AC Energy engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard.

Green bond projects include:

- Renewable Energy (onshore wind, solar and geothermal energy)

Schedule 1 provides details of the green bond projects and Disbursement of Proceeds.

#### Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 2.1:

- Part A: General Requirements - All the requirements in Part A shall be met to be eligible for post-issuance certification.
- Part B: Eligible Projects & Assets - Part B requirements shall be met based on the projects & assets associated with the bond and the specified eligibility criteria.
- Part C: Requirements for Specific Bond Types - Part C requirements shall be met to be eligible for post-issuance certification and are used selectively, depending on the type of bond in question.

#### Issuing Entity's Responsibility

AC Energy is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, total development cost of each projects, and disbursed amounts.

#### Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of AC Energy's green bond, issued to finance Nominated Projects, and provided an independent opinion informing AC Energy as to the conformance of the green bonds with the Post-Issuance Requirements and the Wind Energy, Solar Energy and Geothermal Energy criteria of the Climate Bonds Standard.

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<sup>1</sup> AC Energy Green Bond Framework available at: <https://www.climatebonds.net/files/files/AC%20Energy%20Green%20Bond%20Framework.pdf>

Sustainalytics has relied on the information and the facts presented by AC Energy with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by AC Energy.

Sustainalytics makes all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the bond.

### Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 2.1 and with International Standard on Assurance Engagements 3000 (ISAE 3000) – Assurance Engagements other than Audits or Reviews of Historical Information.

The work undertaken as part of this engagement included conversations with relevant AC Energy employees and review of relevant documentation to confirm the conformance of AC Energy's green bonds with the Programmatic Post-Issuance Requirements (Part A, Part B and Part C) of the Climate Bonds Standard Version 2.1.

### Exceptions

No exceptions were identified. All projects aligned with the Post-Issuance requirements of the Climate Bonds Standard and were in conformance to the wind, solar, or geothermal energy criteria.

### Conclusion

Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the allocation of USD 408.47 million net proceeds from AC Energy green bonds, issued to fund eligible green projects, is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard.

### Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
<b>Compliance to Part A: General Requirements</b>	Verification of 1 onshore wind, 4 solar and 2 geothermal energy projects funded by the green bond in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	All 1 onshore wind, 4 solar and 2 geothermal energy projects reviewed complied with the General Requirements.	None
<b>Compliance to Part B: Eligible Projects &amp; Assets</b>	Verification of 1 onshore wind, 4 solar and 2 geothermal energy projects funded by the green bond in 2019 to determine if the projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the wind, solar, or geothermal energy technical criteria.	All 1 onshore wind, 4 solar and 2 geothermal energy projects fall under the wind, solar, or geothermal energy criteria and meet the requirements of the wind, solar, or geothermal energy technical criteria.	None
<b>Compliance to Part C: Requirements for Specific Bond Types</b>	Bond Type Applicable: Use of Proceeds Bond.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

## Schedule 1: Detailed Overview of Nominated Projects and Assets

### 1) Details of the Nominated Projects are provided below:

#### Wind Energy:

Project Name	Location	Installed Capacity	Energy Generated	Size (USD)
Dai Phong Development Investment Joint Stock Company	Binh Thuan Province, Vietnam	40MW	Under Construction	23,575,000

#### Solar Energy:

Project Name	Location	Installed Capacity	Energy Generated	Size (USD)
BIM Renewable Energy Joint Stock Company	Ninh Thuan Province, Vietnam	300MWp	303,763.53 MWh (as of 17 Dec 2019)	42,534,350
BIM Energy Joint Stock Company	Ninh Thuan Province, Vietnam	30MWp	22,565.43 MWh (as of 17 Dec 2019)	6,508,035
AMI Energy Khanh Hoa Joint Stock Company	Khanh Hoa Province, Vietnam	50MWp	38,344.01 MWh (as of 30 Nov 2019)	14,468,548
BMT Energy Joint Stock Company	Dak Lak Province, Vietnam	30MWp	26,627.83 MWh (as of 30 Nov 2019)	7,423,611

#### Geothermal Energy:

Project Name	Location	Installed Capacity	Energy Generated	Size (USD)
Darajat & Salak	West Java, Indonesia	637 MW	2,960 GWh (as of 30 Nov 2019)	166,970,832

## 2) Emission Calculation for Salak and Darajat Geothermal Plants:

The below summary of calculation shows that emissions from Salak and Darajat geothermal plants are within the relevant threshold limits contained in the Geothermal Energy Criteria. Sustainalytics notes that the annual 2019 report is not yet available, and thus generation has been forecasted for Dec 2019.

### Source of Emission Data:

(ton)	Salak & Darajat
CO <sub>2</sub>	249,082.17
H <sub>2</sub> S	12,083.99
NH <sub>3</sub>	1542.41

### Consolidated Geothermal Output:

Project	Nov 2019 YTD Output (in GWh)	Estimated Total 2019 Output (in GWh)	Direct CO <sub>2</sub> Emissions in MT
Salak & Darajat	2,960	3,206	249,082

<i>Direct CO<sub>2</sub> emissions in g/kwh:</i>	<i>77.69</i>
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As calculated by AC Energy management

## Schedule 2A: Post-Issuance General Requirements of the Climate Bonds Standard

Nominated Projects & Assets	<p><b>1.1</b> Statement on the environmental objectives of the bond</p> <p><b>1.2</b> Nominated Projects meet the Climate Bonds criteria</p> <p><b>1.3</b> Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p><b>2.1</b> Net Proceeds of the bond allocated to the Nominated Projects</p> <p><b>2.2</b> Funds allocated to Nominated Projects within 24 months of issuance of the bond</p> <p><b>2.3</b> Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p><b>2.4</b> Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process</p> <p><b>2.5</b> Net Proceeds of the bond shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects &amp; Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p><b>3.1</b> Tracking of proceeds</p> <p><b>3.2</b> Managing of unallocated proceeds</p> <p><b>3.3</b> In the case of a Force Majeure, the Issuer may apply to the Climate Bonds Standard Board for an extension to the asset allocation period</p>
Confidentiality	<p><b>4.1</b> Information about the Nominated Projects &amp; Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p><b>4.2</b> Issuer should disclose information about the bond and the Nominated Projects &amp; Assets to the market</p>
Reporting Post-Issuance	<p><b>5.1</b> Report containing the list of Nominated Projects &amp; Assets to which proceeds of the bond have been allocated</p>

## Schedule 2B: Conformance to the Post-Issuance Requirements of the Climate Bonds Standard

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p><b>1.1</b> The objective of the bond is to primarily use proceeds to finance wind, solar and geothermal energy projects.</p> <p><b>1.2</b> AC Energy’s management confirms that the nominated projects meet the Wind Energy, Solar Energy and Geothermal Energy criteria of the Climate Bond Standard.</p> <p><b>1.3</b> AC Energy’s management confirms that the projects shall not be nominated to other Climate Bonds.</p>	None
Verification of requirements specified under Use of Proceeds	<p><b>2.1</b> Net Proceeds of the bond have been allocated to the 1 onshore wind, 4 solar and 2 geothermal energy projects.</p> <p><b>2.2</b> AC Energy’s management has confirmed that funds will be allocated to Nominated Projects within 24 months of the issuance. The proceeds of the green bonds are not yet fully allocated.</p> <p><b>2.3</b> AC Energy’s management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p><b>2.4</b> AC Energy’s management has confirmed that Net Proceeds of the bond shall be tracked by the Issuer following a formal internal process.</p> <p><b>2.5</b> AC Energy’s management has confirmed that the Net Proceeds of the bond shall be no greater than the total investment in the Nominated Projects or the Total Development Cost of the Nominated Projects.</p>	None
Verification of requirements specified under Non-Contamination of Proceeds	<p><b>3.1</b> AC Energy’s management confirms that the proceeds have been segregated and tracked in a systematic manner and were exclusively used to finance Nominated Projects.</p> <p><b>3.2</b> AC Energy’s management confirms that pending the investment of proceeds, unallocated proceeds shall be invested in cash or cash equivalents or used to repay existing credit obligations of the AC Energy Group according to AC Energy’s own internal liquidity management policies.</p> <p><b>3.3</b> N/A</p>	None
Verification of requirements specified under Confidentiality	<p><b>4.1</b> AC Energy’s management confirms that all relevant information about the Nominated Projects has been provided to the Verifier and to the Climate Bonds Standard Board to support the assessment of conformance with the Climate Bonds Standard.</p> <p><b>4.2</b> AC Energy’s management confirms that all relevant information about the bond and the Nominated Projects has been disclosed to the market.</p>	None

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Verification of requirements specified under Reporting Post-Issuance	<b>8.1</b> AC Energy's management has provided a report containing the list of Nominated Projects to which proceeds of the bond have been allocated (See Schedule 1).	None
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## Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

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