

ACWA Power Solarreserve Redstone Solar Thermal Power Plant (RF) Proprietary Limited

POST-ISSUANCE VERIFICATION LETTER

SOLAR ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: September 2019

Approved verifier: Sustainalytics

Contact address for engagement: De Entree 35-37, 1101 BH Amsterdam

Post-Issuance Engagement Leader: Lili R. Hocke, lili.hocke@sustainalytics.com, (+31) 20 205 00 40

Charles Cassaz, charles.cassaz@sustainalytics.com, (+31) 20 205 02 09

Scope and Objectives

In July 2019, ACWA Power Solarreserve Redstone Solar Thermal Power Plant (RF) Proprietary Limited ("ACWA Power Redstone") entered into financing agreements to have access to commercial facilities (green loans) through which it intends to finance the 100MW Redstone Solar CSP Project ("Redstone CSP Project"), which has been awarded to ACWA Power as lead developer and sponsor under South Africa's Renewable Energy IPP ("REIPP") programme.

In September 2019, ACWA Power (ACWA) engaged Sustainalytics to review the projects funded through the issued green loan 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.

By way of background, ACWA Power is a developer, investor and operator of a portfolio of power generation and desalinated water production plants. In 2019, renewables account for 23% of ACWA's portfolio; the company aims to increase this share to 70% by 2030.¹ ACWA Power Redstone is the special purpose vehicle ("SPV") that has been set up to carry out the Redstone CSP Project. Under its Green Bond Framework, ACWA has signed the financing documents for the green loan to finance a concentrated solar power ("CSP") plant in South Africa, namely the Redstone CSP Project.

Green loan projects include:

- Redstone Solar CSP Project ("Redstone CSP Project")

Schedule 1 provides details of the green loan 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 loan 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 loan in question.

¹ Carvalho, S., "Saudi Arabia's ACWA Power to focus more on renewable energy projects: CEO", (2019), at: <https://www.reuters.com/article/us-energy-wec-acwa/saudi-arabias-acwa-power-to-focus-more-on-renewable-energy-projects-ceo-idUSKCN1VU16E>

Issuing Entity's Responsibility

ACWA (on behalf of ACWA Power Redstone) 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 ACWA Power Redstone's green loan, issued to finance the Redstone CSP Project, and provided an independent opinion informing ACWA as to the conformance of the green loan with the Post-Issuance requirements and Solar Energy criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by ACWA. Sustainalytics is not responsible if any aspect of the Nominated Project referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by ACWA management and used as a basis for this assessment were not correct or complete.

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 green loan.

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 ACWA employees and review of relevant documentation to confirm the conformance of ACWA Power Redstone's green loan 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 solar 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 ACWA Power Redstone's green loan, issued to fund the Redstone CSP Project 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
Compliance to Part A: General Requirements	Verification of Redstone CSP Project funded by the green loan in 2019 to determine if Part A: General Requirements were met (See Schedule 2A and 2A).	The Redstone CSP Project complies with the General Requirements.	None

Compliance to Part B: Eligible Projects & Assets	Verification of the Redstone CSP Project funded by the green loan in 2019 to determine if projects fall into (i) one of the investment areas of the Climate Bonds Taxonomy (ii) meet the solar energy technical criteria.	The Redstone CSP Project falls under the Onshore solar electricity generation criteria and meets the requirements of the solar energy technical criteria.	None
Compliance to Part C: Requirements for Specific Loan Types	Loan Type Applicable: Use of Proceeds Loan.	The requirements of Project Holding, Settlement Period and Earmarking have been met.	None

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Project are provided below:

Project Name	Asset Type	Asset Location	Net Power	Electricity Production	Design Life
Redstone CSP Project	Solar CSP	Northern Cape Province, Republic of South Africa	100 MW	496,6 MWh/year (based on a 56% capacity factor)	25 Years

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

Nominated Projects & Assets	<p>4.1 Statement on the environmental objectives of the loan</p> <p>4.2 Nominated Projects meet the Climate Bonds criteria</p> <p>4.3 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p>
Use of Proceeds	<p>5.1 Net Proceeds of the loan allocated to the Nominated Projects</p> <p>5.2 Funds allocated to Nominated Projects within 24 months of issuance of the loan</p> <p>5.3 Estimate of the share of the Net Proceeds used for financing and re-financing</p> <p>5.4 Net Proceeds of the loan shall be tracked by the Issuer following a formal internal process</p> <p>5.5 Net Proceeds of the loan shall be no greater than the total investment or the total Fair Market Value of the Nominated Projects & Assets at the time of issuance</p>
Non-Contamination of Proceeds	<p>6.1 Tracking of proceeds</p> <p>6.2 Managing of unallocated proceeds</p> <p>6.3 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>7.1 Information about the Nominated Projects & Assets provided to the Verifier and to the Climate Bonds Standard Board</p> <p>7.2 Issuer should disclose information about the loan and the Nominated Projects & Assets to the market</p>
Reporting Post-Issuance	<p>8.1 Report containing the list of Nominated Projects & Assets to which proceeds of the loan have been allocated</p>

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

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of Nominated Projects & Assets	<p>4.1 The objective of the loan is to primarily use proceeds to finance the Redstone CSP Project.</p> <p>4.2 ACWA's management confirms that the nominated projects meet the Eligibility Criteria.</p> <p>4.3 ACWA'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>5.1 Net Proceeds of the loan have been allocated to the Redstone CSP Project.</p> <p>5.2 ACWA's management has confirmed that funds have been allocated to the Redstone CSP Project within [Number of months it took issuer to allocate funds] months of the issuance.</p> <p>5.3 ACWA's management has confirmed that all Net Proceeds of the bond were used for financing only.</p> <p>5.4 ACWA's management has confirmed that the green loan is structured on a limited recourse project finance basis, with multiple utilizations for project costs, defined in the financing documents and subject to the sign off of the lenders' technical adviser. Thus, net Proceeds of the loan are tracked by the Issuer following a formal internal process.</p> <p>5.5 ACWA's management has confirmed that the Net Proceeds of the loan shall be no greater than the total investment in the Redstone CSP Project or the Total Development Cost of the Redstone CSP Project.</p>	ACWA confirmed that green loan base facilities have not been drawn upon as of 24 September 2019. The company has shared a drawdown schedule that indicates that the facilities are expected to be drawn down between Feb/March 2020 and May 2022.
Verification of requirements specified under Non-Contamination of Proceeds	<p>6.1 ACWA's management confirms that the proceeds have been segregated and tracked in a systematic manner and will exclusively used to finance Nominated Projects.</p> <p>6.2 ACWA's management confirms that there will be no unallocated proceeds.</p>	None
Verification of requirements specified under Confidentiality	<p>7.1 ACWA's management confirms that all relevant information about the Nominated Project 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>7.2 ACWA's management confirms that all relevant information about the loan and the Nominated Project has been disclosed to the market.</p>	None
Verification of requirements	8.1 ACWA's management has provided a report containing the list of Nominated Project to which	None

specified under Reporting Post-Issuance	proceeds of the loan have been allocated (See Schedule 1).	
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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 and 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

Or contact us info@sustainalytics.com

