

Shuaa Energy 3 PSC

POST-ISSUANCE VERIFICATION LETTER

SOLAR ENERGY CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: October 2020

Approved verifier: Sustainalytics

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Scope and Objectives

In October 2020 International Company for Water and Power Projects (“ACWA Power”), obtained project financing for the Shuaa Energy 3 PSC, a 900 megawatt (“MW”) solar PV project (the “2020 Financing”). This project is the fifth phase of the Mohammed bin Rashid Al Maktoum Solar Park.

ACWA Power engaged Sustainalytics to review the project funded through the 2020 Financing and provide an assessment as to whether the projects met the Post-Issuance Criteria of the Climate Bonds Standard Version 3.

The nominated projects include:

- A 900MW solar PV plant, located in the United Arab Emirates

Schedule 1 provides details of the green financing projects and disbursement of proceeds.

Compliance Evaluation Criteria

Post-issuance requirements under Climate Bonds Standards Version 3.0:

- Use of Proceeds
- Process for Evaluation and Selection of Projects & Assets
- Management of Proceeds
- Reporting

Issuing Entity's Responsibility

ACWA Power (on behalf of Shuaa Energy 3 PSC¹) is responsible for providing accurate information and documentation relating to the details of the project that has been funded, including description of project, total development cost of the project, 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's loan secured to finance the nominated solar PV plant, and provided an independent opinion informing ACWA Power as to the conformance of the 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 Power with respect to the Nominated Project. 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 ACWA Power.

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 loan.

¹ Shuaa Energy 3 PSC is the special purpose vehicle (“SPV”) that has been set up to carry out the nominated project.

Verifier's Responsibility

Sustainalytics conducted the verification in accordance with the Climate Bonds Standard Version 3.0 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 Power employees and review of relevant documentation to confirm the conformance of ACWA Power's loan with the Post-Issuance Requirements of the Climate Bonds Standard Version 3.0.

Exceptions

No exceptions were identified. The project aligned with the Post-Issuance Requirements of the Climate Bonds Standard and was in conformance with 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 USD 564 million by ACWA Power to fund the eligible green project, is not in conformance with the Post-Issuance Requirements of the Climate Bonds Standard.

Schedule 1: Detailed Overview of Nominated Projects and Assets

Details of the Nominated Project are provided below:

The project, Shuaa Energy 3 PSC, is a 900 MW solar PV plant, using bi-facial panels with tracking technology. Based in Dubai, the project is the fifth phase of the Mohammed bin Rashid Al Maktoum Solar Park and upon completion is expected to bring the production capacity of the solar park to 2,863 MW. It is estimated that the addition of the 900 MW capacity will power 270,000 homes in Dubai and offset carbon emissions amounting to 1.18 million Tons per year.² Dubai Electricity & Water Authority ("DEWA") owns a 60% stake in Shuaa Energy 3 PSC, and the remaining 40% stake will be split between by ACWA Power and Gulf Investment Corporation.³

² DEWA V PV, Accessed on October 2020, at: <https://www.acwapower.com/en/projects/dewa-v-pv/>

³ ACWA Power, Acwa Power Announces the Successful Signing of Financing Agreements For The 900mw Solar PV Fifth Phase Of MBR Solar Park, September 2020, at: <https://www.acwapower.com/news/acwa-power-announces-the-successful-signing-of-financing-agreements-for-the-900mw-solar-pv-fifth-phase-of-mbr-solar-park/>

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

Use of Proceeds	<p>5.1 The Net Proceeds of the Bond shall be allocated to the Nominated Projects & Assets.</p> <p>5.2 All nominated Projects & Assets shall meet the documented objectives of the Bond as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The Issuer shall allocate the Net Proceeds to Nominated Projects & Assets within 24 months of issuance of the Bond, or the Issuer shall disclose in post-issuance reporting as per clause 8.3 the estimated timeline for allocation of net proceeds to Nominated Projects & Assets. Net proceeds may be reallocated to other Nominated Projects & Assets at any time while the Bond remains outstanding.</p> <p>5.4 Nominated Projects & Assets shall not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds) unless it is demonstrated by the Issuer that:</p> <p>5.4.1. distinct portions of the Nominated Projects & Assets are being funded by different Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments or;</p> <p>5.4.2. the existing Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument is being refinanced via another Certified Climate Bond, Certified Climate Loan or Certified Climate Debt Instrument.</p> <p>5.5 Where a proportion of the Net Proceeds of the Bond are used for refinancing, the Issuer shall track the share of the Net Proceeds used for financing and refinancing and identify which Nominated Projects & Assets may be refinanced. This may also include the expected look-back period for refinanced Nominated Projects & Assets.</p> <p>5.6 The Net Proceeds of the Bond shall be tracked by the Issuer following a formal internal process which is documented in accordance with Clause 3.1.</p> <p>5.7 The Net Proceeds of the Bond shall be no greater than the Issuer’s total investment exposure or debt obligation to the Nominated Projects & Assets, or the relevant proportion of the total Market Value of the Nominated Projects & Assets which are owned or financed by the Issuer.</p> <p>5.8 Additional Nominated Project & Assets may be added to, or used to substitute or replenish, the portfolio of Nominated Project & Assets as long as the additional Nominated Project & Assets are eligible under Part C of the Climate Bonds Standard and are consistent with the Bond’s objective as set out in Clause 6.1.1.</p> <p>5.8.1 .Where additional Nominated Projects & Assets are covered by Sector Eligibility Criteria which were not included in the scope of either the Pre-Issuance Verification or the Post-Issuance Verification engagements, the Issuer shall engage a Verifier to provide a Verifier’s Report covering at least the conformance of the additional Nominated Projects & Assets with the relevant Sector Eligibility Criteria under Part C of the Climate Bonds Standard.</p>
Non-Contamination of Proceeds	<p>6.1 The Issuer shall document and maintain a decision-making process which it uses to determine the continuing eligibility of the Nominated Projects & Assets. This includes, without limitation:</p> <p>6.1.1. A statement on the climate-related objectives of the Bond;</p> <p>6.1.2. How the climate-related objectives of the Bond are positioned within. the context of the Issuer’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>6.1.3. The Issuer’s rationale for issuing the Bond;</p> <p>6.1.4. A process to determine whether the Nominated Projects & Assets meet the eligibility requirements specified in Part C of the Climate Bonds Standard;</p>

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	<p>6.1.5. Other information provided by the Issuer as described in Clause 2.2</p>
<p>Confidentiality</p>	<p>7.1 The Net Proceeds of the Bond shall be credited to a sub account, moved to a sub- portfolio or otherwise identified by the Issuer in an appropriate manner, and documented.</p> <p>7.2 The Issuer of the Bond shall maintain the earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets as described in Clause 3.1.3</p> <p>7.3 While the Bond remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets. Pending such allocations to Nominated Projects & Assets, the balance of unallocated Net Proceeds shall be:</p> <p>7.3.1. Held in temporary investment instruments that are cash, or cash equivalent instruments, within a Treasury function; or</p> <p>7.3.2. Held in temporary investment instruments that do not include greenhouse gas intensive projects which are inconsistent with the delivery of a low carbon and climate resilient economy; or</p> <p>7.3.3. Applied to temporarily reduce indebtedness of a revolving nature before being redrawn for investments or disbursements to Nominated Projects & Assets.</p>
<p>Reporting Post-Issuance</p>	<p>8.1 The Issuer shall prepare an Update Report at least annually while the Bond remains outstanding.</p> <p>8.1.2. The Update Report shall be made available to holders of the Bond and to the Climate Bonds Standard Board.</p> <p>8.1.3. The Issuer should provide an Update Report to holders of the Bond on a timely basis in case of material developments.</p>

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

Core Component	Factual Findings	Error or Exceptions Identified
Use of Proceeds	<p>5.1 The Net Proceeds of ACWA Power’s finance will be allocated to the Nominated Project, namely, the Shuaa Energy 3 PSC Solar PV project</p> <p>5.2 The nominated Project meets the documented objectives of the finance as stated under Clause 6.1.1 and shall be in conformance with the requirements of Part C of the Climate Bonds Standard.</p> <p>5.3 The solar project is anticipated to be operational by 2023, and ACWA Power will therefore allocate the proceeds to the Nominated Project throughout the construction period. Although this is not fully within 24 months of issuance, this disclosure of estimate timeline complies with clause 8.3 of the Standard.</p> <p>5.4 ACWA Power confirms that the Nominated Project has not be nominated to other Certified Climate Bonds, Certified Climate Loans, Certified Climate Debt Instruments, green bonds, green loans or other labelled instruments (such as social bonds or SDG bonds).</p> <p>5.5 ACWA Power confirms that the green finance is structured on a limited recourse project basis, with multiple utilisations for project costs defined in the financing documents and subject to the sign off of the lenders’ technical advisor. Thus the net proceeds are tracked by the Borrower following a formal internal process.</p> <p>5.6 ACWA Power intends to use the Net Proceeds to finance new construction, and has committed to tracking the share of the Net Proceeds used for any refinancing.</p> <p>5.7 ACWA Power has disclosed that it has established internal processes to track the Net Proceeds raised under the framework, and that it shall earmark the proceeds to Nominated Projects.</p> <p>5.8 ACWA Power has confirmed that the Net Proceeds raised shall be no greater than the total investment exposure of the Project.</p>	None
Process for Evaluation and Selection of Projects & Assets	<p>6.1 ACWA Power’s Green Financing Framework documents a decision-making process which it uses to determine the continuing eligibility of the Nominated Project. This includes, without limitation:</p> <p>6.1.1 A statement on the climate-related objectives of the financing;</p> <p>6.1.2 How the climate-related objectives of the financing are positioned within. the context of the ACWA Power’s overarching objectives, strategy, policy and/or processes relating to environmental sustainability;</p> <p>6.1.3 ACWA Power’s rationale for issuing the financing;</p>	None

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	<p>6.1.4 A process to determine whether the Nominated Project meet the eligibility requirements specified in the Climate Bonds Standard;</p> <p>6.1.5 Other information provided by the ACWA as described in Clause</p>	
Management of Proceeds	<p>7.1 Shuaa Energy 3 PSC has committed to an earmarking process to manage and account for allocation of Net Proceeds to the Nominated Projects & Assets.</p> <p>7.2 While the financing remains outstanding, the balance of the tracked Net Proceeds shall be reduced by amounts allocated to Nominated Projects & Assets.</p>	None
Reporting	<p>8.1. Shuaa Energy 3 PSC has committed to preparing an Update Report at least annually while the financing remain outstanding.</p> <p>8.1.1. The Update Report will be made available to the lenders and to the Climate Bonds Standard Board.</p> <p>8.1.2. ACWA Power will provide an Update Report to the lenders on a timely basis in case of material developments</p>	None

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