



Green Financing Framework

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SP Group enables a low-carbon and sustainable future for Singapore.

1 Background

1.1 SP Group overview

Singapore Power Limited and its subsidiaries (“**SP Group**” or the “**Company**”) is a leading energy utility company in Asia Pacific, with total assets and RDA debit balances of S\$20.0 billion as of March 31, 2020 and S\$1.0 billion of net profit for the financial year ended March 31, 2020¹. SP Group owns and operates electricity and gas transmission and distribution businesses and a market support services business in Singapore, and holds an interest in two Australian companies which are engaged in the transmission and distribution of electricity and gas in Australia. SP Group also owns and operates one of the world’s largest underground district cooling network that is located in Singapore, and SP Group has also set up district cooling and heating operations in China.

As of March 31, 2020, SP Group’s Electricity T&D Business, Gas T&D Business and Market Support Services Business serve more than 1.65 million industrial, commercial and residential customers in Singapore. SP Group’s electricity and gas transmission and distribution networks are amongst the most reliable and cost-effective worldwide.

1.2 Sustainability, an integral part of the Group’s strategy

SP Group’s mission is to deliver reliable and efficient utilities services to enhance the economy and the quality of life of our consumers. With the energy industry rapidly evolving, we play an essential role in clean energy transition. This mission is rooted in our value system of commitment, integrity, passion and teamwork.

Sustainability is central to our mission and guides us to achieve our mission in a responsible and committed manner. As a leading energy utilities company, we anchor our sustainability strategy around the United Nation’s Sustainable Development Goal (SDG) 7 – to ensure access to reliable, sustainable and modern energy for all.

We aspire to be a leading utilities company in a low-carbon future. Providing energy that is reliable and sustainable is central to this long-term strategy. We recognise that to enable this clean transition, we need to invest in innovative technologies and infrastructure. We also understand that our actions need to extend beyond our own operations, to those of our customers who can create a large share of the impact through their choices and decisions.

SP Group has established a “30-30-30 target”²: to add at least 30 per cent value to our customers and reduce our carbon footprint by 30 per cent, by 2030.



¹ For latest financial information, please refer to latest SP Group Treasury Pte. Ltd.’s Global Medium Term Note Program Offering Circular available at: <https://www.spgroup.com.sg/about-us/investor-relations>

² For detailed information: <https://www.poweringthenation.sg/sustainability/our-sustainability-review>



SP Group's direct current fast charging points offer our customers a convenient and quick way to charge their electric vehicles.

For that reason, SP Group has developed strategies to leverage on sustainable solutions and innovations that help to better serve customers' needs and lifestyles.

As an illustration, SP Group is working to achieve 100 per cent electrification of its vehicle fleet by 2030, while simultaneously promoting the adoption of Electric Vehicles in Singapore through building Singapore's largest public Electric Vehicle charging network, in line with the Singapore government's longer term plan to build 28,000 electric vehicle charging points by 2030 and to phase out internal combustion engine vehicles by 2040³.

As part of our 30-30-30 target, energy efficiency is critical in reducing our carbon footprint. Our ongoing investments in district cooling and heating solutions is an example of an energy and economically efficient urban utility service. While conventional air conditioning or heating are typically decentralized in individual properties, district cooling and heating involves the centralized production of chilled and hot water piped to commercial buildings, thereby reaping benefits of economies of scale. An example is in Marina Bay area, Singapore, where SP Group owns and operates one of the world's largest underground district cooling network. Connected buildings enjoy up to 40% energy savings⁴.

Beyond Singapore, SP Group has also expanded its district cooling and heating footprint to China where it has been providing such solutions to commercial customers since 2019. For example, SP Group has designed, built and been operating an advanced district cooling system since September 2019 for Capitaland's Raffles City Chongqing development, a prime landmark strategically located in the heart of Chongqing, China. Considering the increase in air-conditioning use in the past two decades, led by China, where energy demand for space cooling has grown at an average of 13% per year⁴, the district cooling and heating solutions provided by SP Group can make a difference in mitigating greenhouse gas emissions.

In this context, SP Group has established a Green Financing Framework which focuses on meeting climate and other environmental challenges, while simultaneously responding to increasing investor demand for positive environmental impact investments with a greater transparency in terms of use of proceeds and the funded projects' / investments' impact on the environment. This would also be a way to reinforce our strategy to expedite clean energy transition and create low-carbon and smart energy cities.

³ <https://www.reuters.com/article/us-singapore-economy-budget-autos-idUSKBN20C15D>

⁴ <https://www.bloomberg.com/news/features/2020-06-08/singapore-finds-a-way-to-make-air-conditioners-greener>

2 SP Group Green Financing Framework

The SP Group Green Financing Framework sets out the criteria, governance and processes under which SP Group, including any of its subsidiaries, intends to issue green bonds, loans, green letter of credit facilities, private placements or any other green financing instruments (together “Green Financing Instruments”), and in doing so contribute to positive environmental impacts. This Framework is in line with:

- International Capital Market Association (“ICMA”) Green Bond Principles 2018 (“GBP”);
- ASEAN Capital Markets Forum (“ACMF”) ASEAN Green Bond Standards 2018 (“GBS”);
- Loan Market Association (“LMA”), Loan Syndications and Trading Association (“LSTA”) and Asia Pacific Loan Market Association (“APLMA”) Green Loan Principles 2020 (“GLP”)

This Framework has five key pillars:



2.1 Use of Proceeds

Any Green Financing Instruments issued by SP Group (or any of its subsidiaries) will be used to finance and/or re-finance, in whole or in part, new or existing projects, under construction and / or in operation (“**Eligible Projects**”) from any of the eligible green categories (“**Eligible Green Categories**”) as defined below).

For the avoidance of doubt, for new projects or assets, the proceeds can finance assets during the construction and/or operational phase.

For re-financing of Eligible Projects, SP Group will limit the ‘look back’ period to 36 months from the date of the Green Financing Instrument transaction.

Eligible Green Categories

Alignment with GBP/GBS/GLP	Use of Proceeds / Eligibility Criteria
Clean Transportation	<ol style="list-style-type: none"> 1. Acquisition, construction, development, deployment, operation and/or maintenance of Electric Vehicles for SP Group's vehicle fleet based in Singapore 2. Investments in development, construction and maintenance of charging infrastructure for Electric Vehicles
Energy Efficiency	<ol style="list-style-type: none"> 1. Acquisition, construction, development, deployment, operation and/or maintenance of projects that reduce the amount of energy consumption, improve energy efficiency and/or reduce electricity grid losses, including but not limited to: <ol style="list-style-type: none"> 1.1. Investments into development of energy efficiency assets such as district cooling and heating solutions 1.2. Microgrids 1.3. Energy storage systems
Green Buildings	<ol style="list-style-type: none"> 1. Acquisition, construction, development, operation, renovation and/or maintenance of certified Green Buildings, such as BCA Green Mark (Gold or above) or equivalent
Renewable Energy	<ol style="list-style-type: none"> 1. Acquisition, construction, development, deployment, operation and/or maintenance of infrastructure related to renewable energy including but not limited to solar energy (solar photovoltaic and concentrated solar power systems), offshore and onshore wind, hydropower (below 25MW) and geothermal (below 100g CO₂/kWh), for purposes such as: <ol style="list-style-type: none"> 1.1. generation and storage of such renewable energy; 1.2. connection and/or integration of such renewable energy's generation/storage sources to the grid; and/or 1.3. transmission and distribution of such renewable energy

Exclusion Criteria

Projects that do not fall into the Eligible Green Categories as listed above will not be eligible under this Framework. Explicitly, the type of projects related to transmission of energy from fossil fuel and sectors listed in the IFC Exclusion List (2007)⁵ shall be excluded from this Framework.

⁵ https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifcexclusionlist

2.2 Process for Project Selection and Evaluation

SP Group's Treasury team will be responsible for governing and monitoring the SP Group Green Financing Framework.

The key roles include the below:

Review, select and validate the pool of Eligible Projects based on the Green Financing Framework on an annual basis

Exclude projects that no longer comply with the Eligibility Criteria or have been disposed of, and replace them on a best-efforts basis with new Eligible Projects during annual review of outstanding Green Financing Instruments

Replace with an equivalent value of new Eligible Projects if any validated Eligible Projects mature during the life of any Green Financing Instrument

Create and validate the annual reporting on Green Financing Instruments issued under this Framework for investors and lenders

Monitor on-going evolution related to the sustainable financing market practices in terms of disclosure / reporting in order to be in-line with best market practices

The Chief Financial Officer of SP Group has the right of veto on decisions made by the Treasury team while performing above key roles.



SP Group operates one of the world's largest underground district cooling system that supplies chilled water for air conditioning to buildings in the Marina Bay area. Connected buildings enjoy up to 40% energy savings.

2.3 Management of Proceeds

SP Group intends to allocate the proceeds to fund Eligible Projects under the Eligible Green Categories, selected in accordance with the use of proceeds criteria and evaluation and selection process presented above. These projects may consist of new and / or existing projects. A Green Financing Register will be established to earmark the proceeds of the Green Financing Instruments against assessed and selected Eligible Projects following the process described in section 2.2 above.

SP Group will strive to maintain a level of allocation which, after adjustments for intervening circumstances including, but not limited to, divestments, matches or exceeds the balance of net proceeds from its outstanding Green Financing Instruments. Additional Eligible Projects will be added to the Green Financing Register to the extent required to ensure that an amount equal to the net proceeds from outstanding Green Financing Instruments will be allocated to Eligible Projects until the maturity of the instruments.

Pending the full allocation of the proceeds, the balance of unallocated proceeds shall be invested at SP Group's discretion, in cash and/or cash equivalent and/or other liquid marketable instruments, as per SP Group's treasury policy and the Exclusion Criteria.

2.4 Reporting

SP Group commits to transparent reporting on its Green Financing Instruments.

A Green Financing Report will be made available to investors and lenders within one year from the date of the issuance of the Green Financing Instruments and thereafter once a year until the proceeds have been fully allocated. The respective Green Financing Report will consist of both i) allocation reporting and ii) impact reporting.

Green Financing Reports will be available on SP Group's website.

Once fully allocated, in case of material changes to the allocation of any Green Financing Instrument, SP Group will provide the updated information to the investors and lenders on a timely manner.

2.4.1 Allocation reporting

To the extent practicable, this will detail:

- The amounts allocated in the respective Eligible Green Categories
- A qualitative description of key Eligible Projects funded by the Green Financing Instrument proceeds
- The proportion of new financing versus re-financing
- The balance of unallocated proceeds

2.4.2 Impact reporting

Where practical and feasible, SP Group will provide impact reporting for each Eligible Green Category where competition and confidentiality considerations permit. It may contain the following impact metrics for each Eligible Green Category:

Eligible Green Categories	Indicative Reporting Indicators
Clean Transportation	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent • Number or percentage of clean vehicles in fleet • Number of charging infrastructure points installed
Energy Efficiency	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tons of CO₂ equivalent • Number of buildings connected by district cooling network • % energy saving achieved from the baseline • Annual energy savings achieved in MWh/GWh/GJ/TJ • Energy Efficiency Factor (kwh/kWrh or kwh/Refrigerant Ton (“RT”)) • Installed Capacity (RT)
Green Buildings	<ul style="list-style-type: none"> • Number and m² of Gross Building Area of Green Buildings certified and the certification label and level achieved • Annual GHG emissions avoided in tons of CO₂ equivalent • Energy performance of kWh/ m² of Gross Building Area annually • Energy use avoidance
Renewable Energy	<ul style="list-style-type: none"> • Renewable energy generation in MWh • Annual GHG emissions avoided in tons of CO₂ equivalent

All assumptions and methodologies used to calculate impact amounts will be disclosed in the annual reporting at the relevant section.



2.5 External Review – Second Party Opinion

SP Group's Green Financing Framework has been reviewed by Sustainalytics who has issued a Second Party Opinion to confirm the alignment with ICMA Green Bond Principles, ASEAN Green Bond Standards and LMA/LSTA/APLMA Green Loan Principles.

This Second Party Opinion document will be made publicly available on SP Group's website.

Acknowledgment

This Green Financing Framework has been developed with thanks to:

