

# AC Energy Group<sup>1</sup>

**Type of Engagement:** Annual Review

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## Introduction

Since 2019, AC Energy Finance International Ltd (“ACEFIL”) and ACEN Finance Ltd (“ACEN Finance”), collectively the “Issuers”, have issued a number of green bonds guaranteed by AC Energy and Infrastructure Corp. (“ACEIC”, formerly AC Energy, Inc.) and AC Energy Corporation (“ACEN”).<sup>2</sup> The green bonds aim at financing and refinancing solar, wind and geothermal energy projects. In July 2022, the AC Energy Group engaged Sustainalytics to review the projects funded through the 2019, 2020 and 2021 green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the AC Energy Green Bond Framework (the “Framework”).<sup>3</sup> Sustainalytics provided a Second Party Opinion of the Framework in 2021.<sup>4</sup>

## Evaluation Criteria

Sustainalytics evaluated the projects and assets funded with proceeds from the 2019, 2020 and 2021 green bonds based on whether the projects:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Framework; and
2. Reported on at least one of the Key Performance Indicators (“KPIs”) for each Use of Proceeds criteria outlined in the Framework.

Table 1 lists the Use of Proceeds, Eligibility Criteria, and associated KPIs.

**Table 1: Use of Proceeds, Eligibility Criteria, and associated KPIs**

Use of Proceeds	Eligibility Criteria	Key performance indicators (KPIs)
<b>Renewable Energy</b>	Development, construction and production of the components, acquisitions and operation of: <ul style="list-style-type: none"> <li>• Solar Energy Projects</li> <li>• Wind Energy Projects (onshore and offshore)</li> <li>• Geothermal Energy Projects (direct emissions &lt; 100 gCO<sub>2</sub>/kWh)</li> </ul>	<ul style="list-style-type: none"> <li>• Energy generated from renewable sources (GWh)</li> <li>• Greenhouse Gas (GHG) emissions avoided (tCO<sub>2</sub>e)</li> </ul>

## Issuing Entity’s Responsibility

The AC Energy Group is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, amounts allocated, and project impact.

<sup>1</sup> The AC Energy Group includes entities such as AC Energy Finance International Ltd (“ACEFIL”), ACEN Finance Ltd (“ACEN Finance”), AC Energy and Infrastructure Corp. (“ACEIC”, formerly AC Energy, Inc.) and AC Energy Corporation (“ACEN”). The corporate name of the Guarantor has been amended from “AC ENERGY, INC.” to “AC ENERGY AND INFRASTRUCTURE CORPORATION” (ACEIC) as approved by the Philippine Securities and Exchange Commission on November 18, 2020.

<sup>2</sup> The AC Energy Group has issued four green bonds under its Green Bond Framework: (1) USD 470 million senior guaranteed notes due 2024 and 2029 issued in January 2019, (“the 2019 green bond”), (2) green bond issued in December 2019 (3) USD 300 million senior guaranteed undated notes issued in November 2020, (“the 2020 green bond”), and (4) USD 400 million senior guaranteed undated notes issued in September 2021, hereinafter (“the 2021 green bond”). Sustainalytics’ 2021 Annual Review covered ACEIC’s green bond issued in December 2019, the proceeds of which have been fully allocated in January 2021 and therefore, are not included under the scope of this Annual Review.

<sup>3</sup> AC Energy Green Bond Framework is available at: <https://www.climatebonds.net/files/files/AC%20Energy%20Green%20Bond%20Framework.pdf>

<sup>4</sup> AC Energy Green Bond Framework Second-Party Opinion is available at: <https://www.acenrenewables.com/wp-content/uploads/2021/08/AC-Energy-Green-Bond-Framework-Second-Party-Opinion-Final-Revised.pdf>

## Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of the green bond's Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from the AC Energy Group employees and review of documentation to confirm the conformance with the Framework.

Sustainalytics has relied on the information and the facts presented by the AC Energy Group 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 the AC Energy Group.

Sustainalytics made 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 review.

## Conclusion

Based on the limited assurance procedures conducted,<sup>5</sup> nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of the 2019, 2020 and 2021 green bonds, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Framework. The AC Energy Group has disclosed to Sustainalytics that the proceeds of the 2019 green bond have been fully allocated as of 2021.

## Detailed Findings

**Table 2: Detailed Findings**

<b>Eligibility Criteria</b>	<b>Procedure Performed</b>	<b>Factual Findings</b>	<b>Error or Exceptions Identified</b>
<b>Use of Proceeds Criteria</b>	Verification of the projects funded by the green bonds in 2019, 2020 and 2021 to determine if projects aligned with the Use of Proceeds Criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
<b>Reporting Criteria</b>	Verification of the projects funded by the green bonds in 2019, 2020 and 2021 to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on the KPIs per the Use of Proceeds criteria.	None

<sup>5</sup> Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuers. The Issuers are responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

## Appendix

### Appendix 1: Allocation of Green Bond Proceeds

#### 1. 2019 Green Bond (USD 470 million senior guaranteed notes due 2024 and 2029)<sup>6</sup>

Project	Technology	Status (Completion year)	Location	Capacity	Amount Allocated (USD)	Net Attributable Energy Generation (GWh)	Actual GHG Emissions Avoided (MT CO <sub>2</sub> e)
Ninh Thuan Solar	Solar	Operating	Vietnam	405 MW	57,852,036	300.5	274,375
Khanh Hoa Solar	Solar	Operating	Vietnam	50 MW	14,468,000	51.88	47,359
Dak Lak Solar	Solar	Operating	Vietnam	30 MW	7,423,611	31.09	28,378
Darajat & Salak	Geothermal	Operating	Indonesia	648 MW	166,970,000	1000.8	860,385
Mui Ne Wind (Phase 1 – Dai Phong 40MW and Phase 2 – Hong Phong 40MW)	Wind	Operating	Vietnam	80 MW	44,328,000	128.5	117,321
Quang Binh Wind	Wind	Operating	Vietnam	252 MW	20,100,000	119.44	109,049
Lac Hoa and Hoa Dong Wind	Wind	Under construction (2022)	Vietnam	60 MW	38,000,000	NA	NA
New England Solar	Solar	Under construction (2022)	Australia	521 MW	23,573,015	NA	NA
Palauig Solar	Solar	Operating	Philippines	63 MW	28,793,374	59.13	40,423
Alaminos Solar	Solar	Operating	Philippines	120 MW	68,491,964	78.13	53,412

<sup>6</sup> For the 2019 green bond, Sustainalytics has provided a Climate Bonds Initiative (CBI) Post-Issuance Letter in January 2020 on eligible projects that were funded through the issued green bonds. In January 2020, Sustainalytics reviewed the USD 261,480,376 that was allocated at the time. The above project list constitutes USD 470,000 in senior guaranteed notes that has been fully allocated to eligible projects under the 2019 green bond as of 2021.

## 2. 2020 Green Bond (USD 300 million senior guaranteed undated notes)<sup>7</sup>

Project	Technology	Status (Completion year)	Location	Capacity	Amount Allocated (USD)	Net Attributable Energy Generation (GWh)	Actual GHG Emissions Avoided (MT CO <sub>2</sub> e)
Ninh Thuan Solar	Solar	Operating	Vietnam	405 MW	240,000	300.5	274,375
Quang Binh Wind	Wind	Operating	Vietnam	252 MW	41,003,696	119.44	109,049
Sitara Solar	Solar	Operating	India	140 MW	16,000,000	94.41	72,879
Ninh Thuan Wind	Wind	Operating	Vietnam	88 MW	30,225,000	38.04	34,729
New England Solar	Solar	Under Construction (2022)	Australia	521 MW	131,625,519	NA	NA
Palauig Solar	Solar	Operating	Philippines	63 MW	13,347,242	59.13	40,423
Paryapt Solar	Solar	Operating	India	70 MW	6,500,000	44.82	37,337

## 3. 2021 Green Bond (USD 400 million senior guaranteed undated notes)<sup>8</sup>

Project	Technology	Status (Completion year)	Location	Capacity	Amount Allocated (USD)	Net Attributable Energy Generation (GWh)	Actual GHG Emissions Avoided (MT CO <sub>2</sub> e)
Quang Binh Wind	Wind	Operating	Vietnam	252 MW	13,670,832	119.44	109,049
NLR Project	Wind	Operating	Philippines	81 MW	50,413,381	191.38	130,838
SacaSol	Solar	Operating	Philippines	45 MW	59,577,950	58.91	40,272
IslaSol	Solar	Operating	Philippines	80 MW	32,572,967	57.05	39,002
Sitara Solar	Solar	Operating	India	140 MW	3,000,000	94.41	72,879
Ninh Thuan Wind	Wind	Operating	Vietnam	88 MW	30,875,000	38.04	34,729
New England Solar	Solar	Under Construction (2022)	Australia	521 MW	23,001,870	NA	NA

<sup>7</sup> The above project list constitutes USD 238,941,457 in allocation to eligible projects. ACEFIL intends to fully allocate the remaining USD 61,058,543 within three years from the date of issuance.

<sup>8</sup> Out of USD 400 million senior guaranteed undated notes issued in 2021, ACEFIL used USD 213,112,000 to refinance the projects that were issued under the 2019 December green bond issuance. ACEFIL intends to fully allocate the remaining USD 186,666,000 within three-years from the date of issuance. The above project list constitutes the USD 213,112,000 initially allocated for the USD 400,000,000 senior guaranteed undated notes issued by ACEFIL in 2019 (i.e. the refinanced portion).

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