



**SPgroup**

Empowering the Future of Energy

# Green Financing Framework

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## 1 Background

### 1.1 SP Group overview

Singapore Power Limited and its subsidiaries (“**SP Group**” or the “**Company**”) is a leading utilities group in Asia Pacific, with total assets and RDA debit balances of S\$20.5 billion as of March 31, 2023 and S\$1.0 billion of net profit for the financial year ended March 31, 2023<sup>1</sup>. SP Group owns and operates electricity and gas transmission and distribution businesses and a market support services business in Singapore, and holds 40% interest in SGSP (Australia) Assets Pty Ltd, an Australian company which is engaged in the transmission and distribution of electricity and gas in Australia. SP Group is also deploying sustainable energy solutions regionally, including but not limited to energy efficiency projects, renewable projects and provision of Energy as a Service via a host of energy solutions to enable different customer segments to achieve their sustainability objectives.

As of March 31, 2023, SP Group’s Electricity T&D Business, Gas T&D Business and Market Support Services Business serve more than 1.7 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. 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. We anchor our sustainability strategy around two United Nation’s Sustainable Development Goals (SDG), namely SDG 7 – to ensure access to reliable, sustainable and modern energy for all and SDG 9 – to build resilient infrastructure, promote sustainable industrialisation and foster innovation. As a group, we support the Singapore Green Plan to build a resilient future by empowering the future of energy with low-carbon, smart-energy solutions for our customers.

With the energy industry rapidly evolving, we play an essential role in clean energy transition. To enable this transition, we recognise that 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. Hence, we have defined three material topics and our approach for our business: (a) Maintaining world class grid reliability in a distributed energy landscape (b) becoming the leading sustainable energy solutions player in Asia Pacific and (c) empowering customers to achieve their sustainability objectives.

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<sup>1</sup> 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>

SP Group has established a Strategy 2030, a 10-year roadmap that guides us towards creating a low carbon, smart energy Singapore and becoming the leading sustainable energy solution player. 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, the Company 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 60,000 electric vehicle charging points by 2030 and to phase out internal combustion engine vehicles by 2040<sup>2</sup>.

As part of our Strategy 2030, energy efficiency and investments in renewables are critical in reducing our carbon footprint. In the energy efficiency space, 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 that is piped to commercial buildings, thereby reaping benefits of economies of scale. An example is Marina Bay area in Singapore, where SP Group owns and operates one of the world's largest underground district cooling network with connected buildings enjoying up to 40% energy savings<sup>3</sup>.

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 operated an advanced district cooling system since September 2019 for CapitalLand'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 which is led by China, where energy demand for space cooling has grown at an average of 13% per year<sup>3</sup>, the district cooling and heating solutions provided by SP Group can make a difference in mitigating greenhouse gas emissions.

Investments in renewables is also key in achieving decarbonisation targets. To support the solar renewables target of 2GWp by 2030 under Singapore Green Plan 2030, SP Group is helping its commercial and industrial customers such as the likes of AIMS APAC REIT Management and Seatrium to install solar photovoltaic systems across their premises. Regionally, we have also expanded our renewables presence into Vietnam and China. In Vietnam, for example, the group completed its first acquisition of two solar farms with combined capacity of 100MWp in Phu Yen province.

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.

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<sup>2</sup> <https://www.greenplan.gov.sg/targets/>

<sup>3</sup> <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 the Company, 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 2021<sup>4</sup> (“GBP”);
- ASEAN Capital Markets Forum (“ACMF”) ASEAN Green Bond Standards 2018<sup>5</sup> (“GBS”);
- Loan Market Association (“LMA”), Loan Syndications and Trading Association (“LSTA”) and Asia Pacific Loan Market Association (“APLMA”) Green Loan Principles 2023<sup>6</sup> (“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 bond transactions, SP Group will limit the ‘look back’ period for re-financing of Eligible Projects to 36 months from the date of the transaction.

For bank credit facilities (including but not limited to loan, banker guarantee and standby letter of credit) or any other green financing instruments, SP Group will set out the ‘look back’ period for re-financing of Eligible Projects, if applicable, on a transaction-by-transaction basis based on the individual bank’s requirement.

<sup>4</sup> <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

<sup>5</sup> <https://www.theacmf.org/initiatives/sustainable-finance/asean-green-bond-standards#:~:text=The%20ASEAN%20Green%20Bonds%20Standards,green%20finance%20for%20the%20region.>

<sup>6</sup> <https://www.lsta.org/content/green-loan-principles/>

## Eligible Green Categories

Alignment with GBP/GBS/GLP	Use of Proceeds / Eligibility Criteria
<b>Clean Transportation</b>	<ol style="list-style-type: none"> <li>1. Acquisition, construction, development, deployment, operation and/or maintenance of Electric Vehicles for SP Group's vehicle fleet based in Singapore</li> <li>2. Investments in development, construction and maintenance of charging infrastructure for Electric Vehicles</li> </ol>
<b>Energy Efficiency</b>	<ol style="list-style-type: none"> <li>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"> <li>1.1. Investments into development of energy efficiency assets such as district cooling and heating solutions</li> <li>1.2. Microgrids, where the average system grid emissions factor is below the threshold value of 100gCO<sub>2</sub>e/kWh</li> <li>1.3. Energy storage systems</li> </ol> </li> </ol>
<b>Green Buildings</b>	<ol style="list-style-type: none"> <li>1. Acquisition, construction, development, operation, renovation and/or maintenance of certified Green Buildings, such as BCA Green Mark (GoldPlus or above) or equivalent</li> </ol>
<b>Renewable Energy</b>	<ol style="list-style-type: none"> <li>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 (power density greater than 5W/m<sup>2</sup> or below 100g CO<sub>2</sub>/kWh) and geothermal (below 100g CO<sub>2</sub>/kWh), for purposes such as:               <ol style="list-style-type: none"> <li>1.1. generation and storage of such renewable energy;</li> <li>1.2. connection and/or integration of such renewable energy's generation/storage sources to the grid; and/or</li> <li>1.3. transmission and distribution of such renewable energy</li> </ol> </li> </ol>

### 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)<sup>7</sup> shall be excluded from this Framework.

<sup>7</sup> [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/company-resources/ifcexclusionlist](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

During annual review of outstanding Green Financing Instruments, 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 the life of any Green Financing Instrument, should any validated Eligible Projects mature, these will be replaced with an equivalent value of new Eligible Projects

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 in the course of 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 with connected buildings enjoying 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 Bond and within one year from the first drawdown of green loan 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
<b>Clean Transportation</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Number or percentage of clean vehicles in fleet</li> <li>• Number of charging infrastructure points installed</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Number of buildings connected by district cooling network</li> <li>• % energy saving achieved from the baseline</li> <li>• Annual energy savings achieved in MWh/GWh/GJ/TJ</li> <li>• Energy Efficiency Factor (kwh/kWrh or kwh/Refrigerant Ton ["RT"])</li> <li>• Installed Capacity (RT)</li> </ul>
<b>Green Buildings</b>	<ul style="list-style-type: none"> <li>• Number and m<sup>2</sup> of Gross Building Area of Green Buildings certified and the certification label and level achieved</li> <li>• Annual GHG emissions avoided in tons of CO<sub>2</sub> equivalent</li> <li>• Energy performance of kWh/ m<sup>2</sup> of Gross Building Area annually</li> <li>• Energy use avoidance</li> </ul>
<b>Renewable Energy</b>	<ul style="list-style-type: none"> <li>• Renewable energy generation in MWh</li> <li>• Annual GHG emissions avoided in tons of CO<sub>2</sub> equivalent</li> </ul>

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 DNV Business Assurance Singapore Pte. Ltd. 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 updated Green Financing Framework has been developed with thanks to:



**BNP PARIBAS**

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