

Tenaga Nasional Berhad (“TNB”) Transition Finance Framework – FAQs

No.	Questions	Answer
1.	What does TNB’s Transition Finance Framework entail?	<p>TNB’s Transition Finance Framework is a document in which TNB outlines the alignment of its debt financing instruments with the core components of reference principles such as those set by the International Capital Market Association (“ICMA”), ASEAN Capital Markets Forum (“ACMF”), Securities Commission Malaysia (“SC”), Loan Market Association (“LMA”)/Asia Pacific Loan Market Association (“APLMA”)/Loan Syndications and Trading Association (“LSTA”). TNB summarizes the relevant information within the context of its overarching sustainability strategy.</p> <p>TNB’s Transition Finance Framework has been prepared in alignment with the following guidelines, principles, standards, frameworks:</p> <ul style="list-style-type: none"> • ICMA’s Green Bond Principles 2021, Social Bond Principles 2023 and Sustainability Bond Guideline 2021; • ICMA’s Guidance on Green, Social and Sustainability Sukuk 2024; • ACMF’s ASEAN Green Bond Standards 2018, ASEAN Social Bond Standards 2018 and ASEAN Sustainability Bond Standards 2018; • SC’s Sustainable and Responsible Investment (“SRI”) Sukuk Framework; and • LMA, APLMA, LSTA’s Green Loan Principles 2023 and Social Loan Principles 2023 <p>TNB’s Transition Finance Framework has also been developed in line with the recommendations of the Climate Transition Finance Handbook 2023 (“CTFH”) as published by ICMA.</p> <p>In addition, it also references the ASEAN Taxonomy for Sustainable Finance Version 2 and the ASEAN Transition Finance Guidance.</p>
2.	What is the purpose of TNB’s Transition Finance Framework?	<p>TNB views sustainable finance as an enabler towards achieving its Net Zero Emission by 2050 aspiration. The aim is to align TNB’s corporate sustainability commitments to its financing to meet its goals. In support of TNB’s sustainability strategies and its implementation, the establishment of the Transition Finance Framework is to demonstrate how TNB and its subsidiaries intend to enter into Sustainable Finance Transactions (“SFTs”) to fund projects, which will deliver most positive societal and environmental impacts that enables the Energy Transition Plan under Reimagining TNB 2025 (RT2025) corporate strategy.</p> <p><i>Note: SFTs refers to any financial instruments that incorporate environmental, social and governance (“ESG”) considerations to support sustainable outcomes.</i></p>

3.	What types of financial instruments can be issued under TNB's Transition Finance Framework?	<p>Under the Transition Finance Framework, TNB will be able to undertake SFTs in different types of Use of Proceeds financing instruments and currencies, but are not limited to, the following:</p> <ul style="list-style-type: none"> • SRI Green, Social and Sustainability (“GSS”) and Transition Sukuk; • GSS and Transition Bonds; or • GSS and Transition Loans.
4.	What are the eligible categories under TNB's Transition Finance Framework?	<p>There are three broad categories under TNB's Transition Finance Framework namely Green, Transition and Social.</p> <p>Projects that are eligible under Green category:</p> <ul style="list-style-type: none"> • Renewable Energy • Energy Efficiency • Green Buildings • Clean Transportation <p>Projects that are eligible under Transition category:</p> <ul style="list-style-type: none"> • Low Carbon Power Generation <p>Projects that are eligible under Social category:</p> <ul style="list-style-type: none"> • Affordable basic infrastructure/services • Employment Generation • Access to essential service e.g., Education
5.	What is ICMA's Climate Transition Finance Handbook (“CTFH”)?	<p>The Climate Transition Finance Handbook acts as additional guidance for issuers seeking to utilise green bonds, sustainability bonds or sustainability-linked bonds towards the achievement of their climate transition strategy. When raising funds for climate transition-related purposes, issuers are encouraged to reference the recommendations outlined in the Climate Transition Finance Handbook in their reporting.</p>
6.	Is there a Second Party Opinion (“SPO”) rendered on TNB's Transition Finance Framework?	<p>TNB has obtained an independent SPO from Morningstar Sustainalytics, a globally recognized leader in ESG risk, ratings and data for investors, to review the Transition Finance Framework, its transparency and governance as well as its alignment to the core components of the relevant guidelines, principles, standards and frameworks (including the CTFH) with TNB's overall corporate strategy.</p> <p>The SPO report is available on TNB's website.</p>
7.	What benefits does TNB Transition Finance Framework offer to its shareholders and other stakeholders?	<p>TNB's Transition Finance Framework serves to align TNB and its subsidiaries' financing to its corporate sustainability commitments. The Framework provides transparency and disclosures in terms of the relevant governing and decision-making processes employed by TNB in undertaking SFTs taking into consideration relevant environmental and social risk management in accordance with available best market practices in support of TNB's overall</p>

		sustainability strategy and Energy Transition Plan, thereby promoting overall credibility of such transactions undertaken.
8.	What is TNB's Sustainability Journey?	<p>TNB's integrated sustainability strategy combines sustainability pillars - Environment, Social, Governance and Economic ("ESG") matters with its corporate strategy – Reimagining TNB 2025 ("RT2025"), which enable TNB to contribute to the United Nations Sustainable Development Goals ("UN SDGs"). TNB prioritised eight (8) UN SDGs to deliver sustainable value that empowers the people and communities.</p> <p>In 2021, TNB has pledged to achieve Net Zero Emissions aspiration by 2050. This target is integral to TNB's Sustainability Pathway 2050 ("SP2050") – a roadmap which sets out TNB's sustainability commitments and has subsequently enabled the Group to set forth its Energy Transition Plan in 2022.</p>
9.	What is TNB's Energy Transition Plan?	TNB's Energy Transition Plan is an extension of the RT2025, focusing on three (3) strategic pillars supported by key enablers in shifting from fossil-based energy mix to greener energy sources. These initiatives cut across the electricity value chain, from transitioning power generation to cleaner sources; enhancing the Develop Energy Transition Network enabling more green solutions; and facilitating consumer participation in the energy transition, including through digitalization and electrification.