



Independent Limited Assurance Report

Based on Green Bond Principles, 2018 and the
ASEAN Green Bond Standards, 2018

RATCH Group Public Company Limited

29 September 2020

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Introduction

RATCH Group Public Company Limited is proposing to issue a green bond and has appointed KPMG to provide independent assurance on their Green Financing Framework ("framework"). This reports our opinion on conformance of their framework with the Green Bond Principles, 2018 and the ASEAN Green Bond Standards, 2018.

Assurance Standard

We conducted our engagement in accordance with requirements of 'Limited Assurance' as per International Standard on Assurance Engagements ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Scope

The scope of assurance included information on material aspects of the framework based on the requirements of the Green Bond Principles, 2018 and the ASEAN Green Bond Standards, 2018 as listed below:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Approach

We planned and performed our work to obtain all the evidence, information and explanations that we considered necessary to obtain a meaningful level of assurance in relation to the above scope. The procedures we performed, which are set out in more detail below, were based on our professional judgment and included, as appropriate, inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies and agreement or reconciliation with underlying records. We believe that the procedures we have performed and the evidence we have obtained are sufficient and appropriate to provide a basis for our limited assurance conclusion.

To reach our conclusion we:

- Conducted interviews with management and key staff of Issuer responsible for the green bond to obtain an understanding of the processes, systems and controls in place for management of bond proceeds;
- Checked the Issuer's Green Financing Framework that includes processes, systems and controls in place for management of bond proceeds; investment areas for green bond proceeds and intended types of temporary investment instruments for the management of unallocated proceeds; and
- Checked the list of nominated projects which are proposed to be associated with the green bond and their conformance with the eligible green project categories specified in the Green Bond Principles, 2018 and the ASEAN Green Bond Standards, 2018.

Exclusions

Our assurance process was subject to the following limitations as we have not been engaged to:

- Determine which, if any, recommendations should be implemented
- Provide assurance on information outside the defined reporting boundary and period
- Verify the Issuer's financial statements & economic performance
- Verify the Issuer's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects provided by the Issuer

Independence

The assurance was conducted by a multidisciplinary team including professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard. Our work was performed in compliance with the requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. KPMG has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. The firm applies ISQC 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We comply with the applicable independence and other ethical requirements of the IESBA code.

Management's responsibility

The Management of the Issuer is responsible for ensuring that the Issuer and their green bond complies with the requirements of the Green Bond Principles, 2018 and the ASEAN Green Bond Standards, 2018. This responsibility includes designing, implementing and maintaining systems and processes relevant for the management of green bond proceeds.

The Management of the Issuer is also responsible for preventing and detecting fraud and for identifying and ensuring that Issuer complies with laws and regulations applicable to its activities.

Our responsibility

Our responsibility is to report in the form of an independent limited assurance conclusion in relation to the above scope based on the procedures performed and the evidence obtained. We conducted our engagement with a multidisciplinary team which included professionals with suitable skills and experience in auditing environmental, social and economic information in line with the requirements of ISAE 3000 standard.

This assurance report is made solely to Issuer in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to Issuer those matters we have been engaged to state in this assurance report and for no other purpose. Our assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Issuer for any purpose or in any context. Any party other than Issuer who obtains access to our assurance report or a copy thereof and chooses to rely on our assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Issuer for our work, for this independent limited assurance report, or for the conclusions we have reached.

Conclusion

The following conclusion is based on the work performed, evidence obtained and the scope of our assurance engagement described above.

Nothing has come to our attention to suggest that the Green Financing Framework to be used for issuance of green bonds by the Issuer, is not, in all material respects, conforming to the requirements of the Green Bond Principles, 2018 and the ASEAN Green Bond Standards, 2018.

The nominated projects and assets that are proposed to be associated with the Issuer's green bond offering.

Depending on financing requirements, the actual list of projects to which bond proceeds are allocated may change, however these details would be captured in the post-issuance assessment.

The list of testing procedures carried out are provided in Appendix A and B.

KPMG PHOONCHAI AUDIT LTD.

KPMG Phoomchai Audit Ltd.
Bangkok
29 September 2020

Appendix A

Assessment of Issuer's Green Financing Framework against Green Bond Principles (GBP), 2018

Requirements to be fulfilled as per GBP 2018	KPMG Assessment
1. Use of Proceeds	
(a) Legal documentation describes utilization of the bond proceeds for Green Projects	<p>The Issuer has prepared a Green Financing Framework which lays down their mechanism of fund raising from Green Bonds. It also includes a decision-making process to determine the eligibility of the nominated projects and assets.</p> <p>The Eligible Green Projects are identified and selected based on qualification of the projects.</p>
(b) Green Project categories that will be financed through the bond proceeds should provide clear environmental benefits	<p>The environmental objectives of the bond are to use the proceeds in a manner that is consistent with the Issuer's sustainable values. The Issuer's process for evaluation and selection of nominated projects and assets assesses their eligibility with respect to these criteria.</p> <p>The Issuer's process for evaluation and selection of nominated projects and assets assesses their eligibility with respect to these criteria.</p>
(c) Environmental benefits of the Green Projects will be assessed and, where feasible, quantified by the issuer	The Issuer conducts an environmental appraisal for its projects which involves consideration of the key environmental impacts associated with these projects.
(d) Reporting on estimate of share of financing vs. re-financing from bond proceeds, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green Projects. (Recommended by GBP)	The Issuer has estimated that the bond proceeds would be used for financing (18%) and re-financing (82%) for eligible projects. For refinancing including renewable energy and clean transportation projects with expected look-back period of 2 years.
(e) Reporting on which investments or project portfolios may be refinanced (Recommended by GBP)	The Issuer has estimated that the bond proceeds would be used for re-financing including renewable energy and clean transportation projects.
2. Process for Project Evaluation and Selection	
(a) Issuer should outline the following:	
i) Process to determine how the projects fit within the eligible Green Projects categories identified	The Issuer has prepared a Green Financing Framework which lays down their mechanism of fund raising from Green Bonds. The Issuer will use the bond proceeds for financing and refinancing the eligible green projects. The nominated projects and assets that are proposed to be associated with the Issuer's green bond offering.

Requirements to be fulfilled as per GBP 2018	KPMG Assessment
ii) Related eligibility criteria	The proceeds from the green bond will be used to finance and re-finance its eligible projects which is in line with the list of broad categories for green projects recognized by GBP, 2018.
iii) Environmental sustainability objectives	The Issuer has outlined Environmental sustainability objectives in Green Financing Framework.
(b) The GBP recommends positioning the above information within the context of the Issuer's overarching objectives, strategy, policy and / or processes applied to identify and manage potentially material environmental and social risks associated with the projects (Recommended by GBP)	The Issuer has presented the information within the context of the Issuer's overarching objectives, strategy, policy and processes relating to environmental sustainability.
(c) The GBP encourage a high level of transparency and recommend that an issuer's process for project evaluation and selection be supplemented by an external review	The Issuer has appointed a third party assurance provider to provide assurance service on the green bond in accordance with GBP 2018.
3. Management of Proceeds	
(a) The net proceeds of Green Bonds should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner	Net proceeds from the bond will be transferred to the dedicated green finance account. The funds in the separate account will be used to finance and refinance related to the eligible projects.
(b) The net proceeds of the Green Bonds should be attested to by the issuer in a formal internal process linked to the issuer's lending and investment operations for Green Projects	Net proceeds from the bond will be transferred to the dedicated green finance account. The funds in the separate account will be used to finance and refinance related to the eligible projects.
(c) Formal internal process to track net bond proceeds that is linked to the lending and investment operations for Green Projects	The Issuer has an internal tracking system which shall be used to monitor, establish and account for the allocation of the proceeds for such Eligible Green Projects.
(d) Process to check balance of proceeds are reduced by amounts matching eligible green investments or loan disbursements made during that period	Issuer's dedicated green finance account will be periodically adjusted to match allocations to eligible Green Projects made during each period.
(e) List of intended types of temporary investment instruments for the balance of unallocated proceeds	The unallocated proceeds will be kept in temporary liquid instruments in the form of cash and/or invest in other short-term liquid instruments.
(f) The GBP recommend that an issuer's management of proceeds be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the Green Bond proceeds	The Issuer plan to appoint a third party assurance provider to provide assurance service on the use of proceeds in accordance with GBP 2018.

Requirements to be fulfilled as per GBP 2018	KPMG Assessment
4. Reporting	
(a) The issuer should make, and keep, readily available up to date information on:	
i) The use of proceeds to be renewed annually until full allocation, and as necessary thereafter in the event of new developments	The Issuer has maintained an Excel sheet with internal monitoring on the use of proceeds for projects eligible under Green Bonds Principles.
ii) List of projects to which proceeds have been allocated iii) Brief description of the projects iv) Amounts allocated to projects	The Issuer has documented the nominated projects and assets proposed to be associated with the bond. These are as follows: The nominated projects and assets that are proposed to be associated with the Issuer's green bond offering including renewable energy and clean transportation. The amount allocated to these projects will be verified once the bond is issued.
v) Expected impact of projects (using qualitative performance indicators and quantitative performance indicators, where feasible) with key underlying methodology and / or assumptions used in the quantitative determination	The Issuer plans to report the estimated environmental and social impacts arising from the implementation of the Eligible Green Projects in the form of Impact report. The impact report will also provide information on the methodology and assumptions used for calculation of the impact metrics.
vi) Regular reporting of the achieved impacts by the Issuer (Recommended by GBP)	The Issuer plans to report the estimated environmental and social impacts arising from the implementation of the Eligible Green Projects in the form of Impact report.
vii) Voluntary guidelines aiming at a harmonized framework for impact reporting exist for energy efficiency, renewable energy, water and wastewater projects	The Issuer plans to report on the estimated environmental and social impacts arising from the implementation of the Eligible Green Projects. Some of these indicators are; <ul style="list-style-type: none"> • Expected annual renewable energy generation • Reduced and/or avoided GHG emissions

Appendix B

Assessment of Issuer's Green Financing Framework against the ASEAN Green Bond Standards (ASEAN GBS), 2018

Requirements to be fulfilled as per ASEAN GBS 2018	KPMG Assessment
3. Criteria for ASEAN Green Bonds	
3.1 (i) Must be an ASEAN Issuer; or (ii) In the case of a Non-ASEAN Issuer, the eligible Green Projects must be located in any of the ASEAN countries.	The Issuer is located in Thailand, an ASEAN member country.
3.2 ASEAN Green Bonds issuances must be originated from any of the ASEAN member countries.	The Issuer is originated from Thailand, an ASEAN member country.

Requirements to be fulfilled as per ASEAN GBS 2018	KPMG Assessment
4.1 Use of proceeds	
4.1.1 The utilisation of proceeds from the ASEAN Green Bonds must be described in the documentation for issuance of the ASEAN Green Bonds.	The Issuer has prepared a Green Financing Framework which lays down their mechanism of fund raising from Green Bonds. It also includes a decision-making process to determine the eligibility of the nominated projects and assets. The Eligible Green Projects are identified and selected based on qualification of the projects.
4.1.2 In relation to 4.1.1, the Issuer must disclose the following information: (i) The categories of eligible Green Projects to which the ASEAN Green Bonds proceeds will be allocated; and/or (ii) The information on specific Green Projects in the case where the Issuer has identified the specific Green Projects to which the ASEAN Green Bonds proceeds will be allocated.	The nominated projects and assets that are proposed to be associated with the Issuer's green bond offering including renewable energy and clean transportation.
4.1.3 All designated Green Projects must provide clear environmental benefits, which will be assessed and where feasible, quantified by the Issuer.	The Issuer conducts an environmental appraisal for its projects which involves consideration of the key environmental and social impacts associated with these projects.

Requirements to be fulfilled as per ASEAN GBS 2018	KPMG Assessment
<p>4.1.4 In the event that all or a proportion of the proceeds are or may be used for refinancing, it is recommended that Issuers provide an estimate of the share of financing and refinancing, and where appropriate, also clarify which investments or project portfolios may be refinanced, and, to the extent relevant, the expected look-back period for refinanced Green Projects.</p>	<p>The Issuer has estimated that the bond proceeds would be used for financing (18%) and re-financing (82%) for eligible projects. For refinancing including renewable energy and clean transportation projects with expected look-back period of 2 years.</p>
<p>4.1.5 Green Bond Categories</p>	<p>The nominated projects and assets that are proposed to be associated with the Issuer's green bond offering including renewable energy and clean transportation.</p>
<p>4.1.6 For clarification, fossil fuel power generation projects are excluded from the ASEAN GBS.</p>	<p>Use of proceeds is not proposed to include fossil fuel power generation projects.</p>
<p>4.2 Process for Project Evaluation and Selection</p>	
<p>4.2.1 The Issuer of ASEAN Green Bonds must clearly communicate to investors:</p> <ul style="list-style-type: none"> (i) The environmental sustainability objectives; (ii) The process by which the Issuer determines how the projects fit within the eligible Green Project categories identified above; and (iii) The related eligibility criteria, including, if applicable, exclusion criteria or any other process applied to identify and manage potentially material environmental and social risks associated with the Green Projects. 	<p>The Issuer has communicated environmental sustainability objectives, the process how the projects fit within the eligible Green Project categories and the related eligibility criteria to investors under Green Financing Framework.</p>
<p>4.2.2 The Issuer must establish the process for project evaluation and selection prior to the issuance of the ASEAN Green Bonds and disclose the same to investors in the documentation for the issuance of the ASEAN Green Bonds.</p>	<p>The process for project selection and evaluation has been defined and presented in the Green Financing Framework prior to issuance.</p>
<p>4.2.3 Issuers are encouraged to position this information within the context of the Issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability. Issuers are also encouraged to disclose any green standards or certifications referenced in project selection.</p>	<p>The Issuer has presented the information within the context of the Issuer's overarching objectives, strategy, policy and processes relating to environmental sustainability.</p>
<p>4.2.4 It is recommended that the Issuer's process for project evaluation and selection be supported by an external review.</p>	<p>The Issuer has appointed a third party assurance provider to provide assurance service on the green bond in accordance with ASEAN GBS, 2018.</p>

Requirements to be fulfilled as per ASEAN GBS 2018	KPMG Assessment
<p>4.2.5 The Issuer must make the following publicly available on a website designated by the Issuer at the time of the issuance and throughout the tenure of ASEAN Green Bonds:</p> <p>(i) The process for project evaluation; (ii) The use of proceeds; and (iii) External review report on the process (if any).</p>	<p>The Issuer proposes to make the process for project evaluation, the use of proceed and external review report publicly available on the Issuer’s website.</p>
<p>4.3 Management of Proceeds</p>	
<p>4.3.1 Prior to the issuance of the ASEAN Green Bonds, the Issuer must disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the process for managing the net proceeds from the ASEAN Green Bonds.</p>	<p>The net proceeds of Green Financing instruments will be transferred to the dedicated green finance account of the Issuer for allocation to existing and new investments associated with nominate projects and assets.</p>
<p>4.3.2 The net proceeds of the ASEAN Green Bonds, or an amount equal to these net proceeds, must be credited into a sub-account, moved to a sub-portfolio or otherwise tracked by the Issuer in an appropriate manner and attested to by a formal internal process linked to the Issuer’s lending and investment operations for Green Projects. The total amount deployed from the net proceeds for the eligible Green Projects need not occur simultaneously.</p>	<p>The Issuer has an internal tracking system which shall be used to monitor, establish and account for the allocation of the proceeds for such Eligible Green Projects.</p>
<p>4.3.3 As long as the ASEAN Green Bonds are outstanding, the balance of the tracked net proceeds must be periodically adjusted to match allocations to eligible Green Projects made during that period.</p>	<p>The Issuer’s dedicated green finance account will be periodically adjusted to match allocations to eligible Green Projects made during each period.</p>
<p>4.3.4 The Issuer must also disclose to investors in the documentation for the issuance of the ASEAN Green Bonds the intended types of temporary placement for the balance of unallocated net proceeds.</p>	<p>The Issuer has disclosed that temporary placement for the balance of unallocated net proceeds will be kept in temporary liquid instruments, cash and/or invest in other short-term liquid instruments.</p>
<p>4.3.5 It is recommended that the Issuer’s management of proceeds be supplemented by the use of an auditor, or other third party, to verify the internal tracking method and the allocation of funds from the ASEAN Green Bonds proceeds</p>	<p>The Issuer plans to appoint a third party assurance provider to provide assurance service on the use of proceeds in accordance with ASEAN GBS, 2018.</p>
<p>4.3.6 Where the Issuer appoints an auditor or other third party to verify the Issuer’s management of proceeds, the Issuer must make the report produced by the auditor or other third party publicly available on a website designated by the Issuer at the time of the issuance of the ASEAN Green Bonds.</p>	<p>The verification report will be made available for investors on the Issuer’s website</p>

Requirements to be fulfilled as per ASEAN GBS 2018	KPMG Assessment
4.4 Reporting	
<p>4.4.1 Issuers must report to investors at least on an annual basis and are encouraged to make more frequent reporting on the use of proceeds until full allocation, and on a timely basis in the case of material developments. The annual report should include a list of the projects to which the ASEAN Green Bonds proceeds have been allocated, as well as a brief description of the projects and the amounts allocated, and their expected impact.</p>	<p>The Issuer plans to disclose the allocation of the amount equal to the net proceeds, on an annual basis starting one year from the first Green financing instrument issuance, until the full allocation of the net proceeds to Eligible Green Project Portfolio, and as necessary in the event of any material changes.</p>
<p>4.4.2 Where confidentiality agreements, competitive considerations, or a large number of underlying projects limit the amount of detail that can be made available, the Issuer may present the information in generic terms or on an aggregated portfolio basis (e.g. percentage allocated to certain project categories).</p>	<p>The Issuer plans to manage confidentiality obligations with regards to Green Financing Framework reporting.</p>
<p>4.4.3 It is recommended that Issuers use qualitative performance indicators, and where feasible, quantitative performance measures (e.g. energy capacity, electricity generation, greenhouse gas emissions reduced/avoided, number of people provided with access to clean power, decrease in water use, reduction in the number of cars required, etc.) and disclose the key underlying methodology and/or assumptions used in the quantitative determination.</p>	<p>The Issuer plans to report the estimated environmental and social impacts arising from the implementation of the Eligible Green Projects in the form of Impact report. The impact report will also provide information on the methodology and assumptions used for calculation of the impact metrics.</p>
<p>4.4.4 It is recommended that the Issuer's annual reporting on the use of proceeds be supplemented by a confirmation of such use of proceeds by an external reviewer along with any relevant updates of the external review.</p>	<p>The Issuer plans to engage an external verifier to provide the assessment on the alignment of the allocation of funds with Framework's criteria until the full allocation of the proceeds.</p>
<p>4.4.5 The Issuer must provide to investors the annual reporting and the external review on the annual reporting, if any, through a website designated by the Issuer and/or annual reports throughout the tenure of the ASEAN Green Bonds.</p>	<p>The verification report will be made available to investors on the relevant section of the Issuer's website.</p>