

BTS Group Holdings

PRE-ISSUANCE VERIFICATION LETTER

LOW CARBON TRANSPORT CRITERIA OF THE CLIMATE BONDS STANDARD

Type of engagement: Assurance Engagement

Period engagement was carried out: April 2019

Approved verifier: Sustainalytics

Verifier address: De Entree, 35-37 – 1101BH, P.O. Box 22703 – 1100 DE, Amsterdam, The Netherlands

Pre-issuance Engagement Team: Lili Hocke, lili.hocke@sustainalytics.com, (+31) 202050040; Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 888 72 92

Scope and Objectives

BTS Group Holdings PCL (“BTSG” or the “Company”), has engaged Sustainalytics to review and verify that BTSG’s green bond meets the requirements under the Low Carbon Transport criteria of the Climate Bonds Standard.

BTSG, engages in mass transit, media, property and service businesses in Thailand, particularly Bangkok. The company’s main business line, mass transit, operates and maintains the Sky Train system, an elevated trackwork covering 36 kilometers of train tracks, and the Bus Rapid Transit system with 12 stations through 15 kilometers of dedicated bus lanes in Bangkok. BTSG was founded in 1968 and is headquartered in Bangkok, Thailand.

- In line with Government of Thailand’s environmental goals of reducing the country’s GHG emissions by 20% from the projected business-as-usual level by 2030 or the reduction of approximately 555 MtCO_{2e}, compared to 2005 levels, BTSG has committed to reduce overall energy consumption for its mass transit low-carbon rail system. In addition, BTSG reports that it reduced its scope 1 GHG emissions, by 33% in 2017/18 compared to 2017/16 levels and decreased the fuel consumption from its rapid bus system by 26% in the same period.¹

BTSG intends to issue green bonds in order to finance or refinance, in whole or in part, existing and future projects that improve mobility services and related-infrastructure, namely in:

- (i) Clean transportation
- (ii) Infrastructure supporting the clean transportation operations

Climate Bonds Standards Criteria

Pre-issuance requirements under Climate Bond Standards Version 2.1:

- Low Carbon Transport Standard
 - Public Passenger Transport

Issuing Entity’s Responsibility

BTSG was responsible for providing information and documents relating to:

- The details concerning the selection process for the Nominated Projects
- The details of the Nominated Projects

¹ BTSG Sustainability Report 2017/2018 pg. 92: <http://www.btsgroup.co.th/storage/download/sustainability/sr/bts-sd201718-en.pdf>

- The management systems for internal processes and controls for Nominated Projects, including: tracking of proceeds, managing unallocated proceeds and earmarking funds to Nominated Projects
- The details of commitments for reporting prior to issuance, including: investment areas, management of unallocated proceeds and frequency of periodic Assurance Engagements

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of BTSG's green bond, issued to finance electric mass transportation and related infrastructure, and provided an independent opinion informing BTSG as to the conformance of the green bond with the Pre-Issuance requirements and Low Carbon Transport criteria of the Climate Bonds Standard.

Sustainalytics has relied on the information and the facts presented by BTSG. Sustainalytics is not responsible if any aspect of the Nominated Assets referred to in this opinion including estimates, findings, opinions, or conclusions are incorrect. Thus, Sustainalytics shall not be held liable if any of the information or data provided by BTSG's management and used as a basis for this assessment were not correct or complete.

Sustainalytics makes 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 bond.

Verifier's Responsibility

The work undertaken as part of this engagement included conversations with relevant BTSG employees and review of relevant documentation to confirm the green bond's conformance with the Climate Bonds Certification Pre-Issuance Requirements, which include:

- Conformance of BTSG's green bond with the Climate Bonds Standard Version 2.1;
- Conformance with the Technical Criteria on Low Carbon Transport
- Conformance with the Internal Processes & Controls requirements
- Conformance with Reporting Prior to Issuance requirements

Basis of the Opinion

Sustainalytics conducted the verification in accordance with the Climate Bond Standard Version 2.1 and with the International Standard on Assurance Engagements 3000 – Assurance Engagements other than Audits or Reviews of Historical Information.

Sustainalytics planned and performed the verification by obtaining evidence and other information and explanations that Sustainalytics considers necessary to give reasonable assurance that the BTSG's green bond meets the requirements of the Climate Bond Standard. Upon reviewing evidence and other information, Sustainalytics is of the opinion that BTSG will ensure compliance with Climate Bond Standard requirements.

Conclusion

BTSG's green bond will finance and refinance electric mass transportation, electric feeder transportation and infrastructure related to Low Carbon Transport (clean transportation and infrastructure supporting the clean transportation operations). Based on the limited assurance procedures conducted, nothing has come to Sustainalytics' attention that causes us to believe that, in all material aspects, BTSG's green bond is not in conformance with the Low Carbon Transport Criteria of the Climate Bond Standard Pre-Issuance Requirements.

Schedule 1: Detailed Overview of Nominated Projects

Details of the Nominated Projects are provided below:

Project Name	Project Description	Route Distance	Investment (Jul 17-Nov18)
Pink Line	The Pink Line monorail project is a mass transit system in Bangkok being developed from the Nonthaburi Government Center near Khae Rai junction along Tiwanon and Chaeng Watthana roads to the eastern district of Min Buri.	34 Km	THB 8,609.34 million
Yellow Line	The Yellow Line monorail project is a mass transit system in Bangkok being developed from the Ratchada-Lat Phrao intersection southeast to the Samrong area of Samut Prakan province.	30 Km	THB 8,811.62 million

BTS Group Holdings PCL (BTS), Sino-Thai Engineering and Construction PCL (STEC) and Ratchaburi Electricity Generating Holding PCL (RATCH) established two subsidiary companies, Northern Bangkok Monorail Company Limited (NBM) and Eastern Bangkok Monorail Company Limited (EBM) with a share proportion of 75%, 15% and 10% respectively. These two companies were established for the Pink line (Khae Rai to Min Buri; 34.5 km, 30 stations) and Yellow line (Lad Prao to Samrong; 30.4 km, 23 stations) concessions. NBM and EBM were successfully awarded the concessions and signed the concession agreement from MRTA on 16 June 2017. The 30-year concession is a public private partnership with governmental subsidy covering THB 47bn out of the total THB 96bn project costs.

After signing the contract, BTSG provided equity investment to support the Pink and Yellow lines total amount of THB 17.4 billion to support Civil works, Guideway Structure Contract, M&E works, etc. during July 2017 – present.

Schedule 2A: Pre-Issuance General Requirements

Selection of Nominated Projects and Assets:	<p>1.1 Statement on the environmental objectives of the bond</p> <p>1.2 Confirmation that Nominated Projects and Assets meet the Climate Bonds criteria</p> <p>1.3 Document a list of Nominated Projects and Assets</p> <p>1.4 Confirmation that Nominated Projects and Assets will not be nominated to other Climate Bonds</p> <p>1.5 Confirmation that Net Proceeds of the green bond shall not be greater than the value of the Nominated Projects and Assets</p>
Internal Processes and Controls	<p>2.1.1 Tracking of proceeds</p> <p>2.1.2 Managing of unallocated proceeds</p> <p>2.1.3 Earmarking funds to Nominated Projects and Assets</p>

Reporting Prior to Issuance	<p>3.1.1 Investment area of Nominated Projects and Assets</p> <p>3.1.2 Intended types of temporary investments for the management of unallocated proceeds</p> <p>3.1.3 Approach of Verifier</p> <p>3.1.4 Whether periodic Assurance Engagement will be undertaken, and the expected frequency of any periodic Assurance Engagements</p>
-----------------------------	---

Schedule 2B: Conformance to the Pre-Issuance Requirements

Procedure Performed	Factual Findings	Error or Exceptions Identified
Verification of requirements specified under Selection of Nominated Projects and Assets	<p>1.1 The objective of the bond is to primarily use proceeds to finance or refinance Nominated Projects -(i) Clean transportation and (ii) Infrastructure supporting the clean transportation.</p> <p>1.2 The Nominated Projects and Assets meet the Low Carbon Transport criteria of the Climate Bond Standard.</p> <p>1.3 The Nominated Projects and Assets include:</p> <ul style="list-style-type: none"> Nominated Projects relating to -(i) Clean transportation and (ii) Infrastructure supporting the clean transportation. <p>1.4 BTSG's management confirms that the projects shall not be nominated to other Climate Bonds.</p> <p>1.5 BTSG's management confirms that the net proceeds of the bond shall not be greater than the value of the projects.</p>	None
Verification of requirements specified under Internal Processes and Controls	<p>2.1.1 BTSG's management confirms that proceeds will be segregated and tracked in a systematic manner and will be exclusively used to finance Nominated Projects. The net proceeds from the green bond issuance will be deposited in segregated accounts by accounting team via company's internal information systems</p> <p>2.1.2 BTSG's management confirms that unallocated proceeds will be held in cash or cash equivalents in accordance with BTSG's liquidity management policy.</p> <p>2.1.3 BTSG's management has confirmed that the proceeds from the bond will be tracked by the company's Accounting Team through its internal information systems.</p>	None

<p>Verification of requirements specified under Reporting Prior to Issuance</p>	<p>3.1.1 BTSG's management confirms that the proceeds of the transaction will primarily be used to Nominated Projects relating to: -(i) Clean transportation and (ii) Infrastructure supporting the clean transportation</p> <p>3.1.2 BTSG's management confirms that unallocated proceeds shall be held in accordance with BTSG's liquidity management policy.</p> <p>3.1.3 The bond's offer letter confirms that an approved third-party verifier has been appointed to confirm the bond's conformance with pre-issuance requirements of the Low Carbon Transport criteria of the Climate Bonds Standard.</p> <p>3.1.4 The bond's offer letter confirms that an approved third-party verifier will conduct post-issuance assurance exercise within a year's time to reaffirm conformance of the bond with the Low Carbon Transport criteria of the Climate Bonds Standard.</p>	<p>None</p>
---	--	-------------

Disclaimer

© Sustainalytics 2019. All rights reserved.

The intellectual property rights to this Second-Party Opinion (the “Opinion”) are vested exclusively in Sustainalytics. Unless otherwise expressly agreed in writing by Sustainalytics, no part of this Opinion may be reproduced, disseminated, comingled, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings, nor publicly released without the “Green Bond Framework” in conjunction with which this Opinion has been developed.

The Opinion was drawn up with the aim to provide objective information on why the analyzed bond is considered sustainable and responsible, and is intended for investors in general, and not for a specific investor in particular. Consequently, this Opinion is for information purposes only and Sustainalytics will not accept any form of liability for the substance of the opinion and/or any liability for damage arising from the use of this Opinion and/or the information provided in it.

As the Opinion is based on information made available by the client, the information is provided “as is” and, therefore Sustainalytics does not warrant that the information presented in this Opinion is complete, accurate or up to date, nor assumes any responsibility for errors or omissions. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this Opinion shall be construed as to make a representation or warranty, express or implied, regarding the advisability to invest in or include companies in investable universes and/or portfolios. Furthermore, nothing contained in this Opinion shall be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the economic performance and credit worthiness of the bond, nor to have focused on the effective allocation of the funds’ use of proceeds.

The client is fully responsible for certifying and ensuring its commitments’ compliance, implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

