

## SECOND PARTY OPINION (SPO)

---

Sustainability Quality of the Issuer and Sustainability-Linked Securities

Yinson Holdings Berhad

29 September 2021

### VERIFICATION PARAMETERS

---

<b>Type(s) of instruments contemplated</b>	Sustainability-Linked Securities
<b>Relevant standard(s)</b>	Sustainability-Linked Bond Principles, as administered by ICMA
<b>Scope of verification</b>	Sustainability-Linked Financing Framework (as of 18 August 2021)
<b>Lifecycle</b>	Pre-issuance verification
<b>Validity</b>	As long as Yinson's Sustainability-Linked Financing Framework remains unchanged

## CONTENTS

SCOPE OF WORK .....	3
Yinson BUSINESS OVERVIEW .....	3
ISS ESG SPO ASSESSMENT SUMMARY .....	5
ISS ESG SPO ASSESSMENT.....	8
PART 1: KPI SELECTION & SPT CALIBRATION .....	8
PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES .....	25
PART 3: LINK TO YINSON’S SUSTAINABILITY STRATEGY.....	29
ANNEX 1: Methodology .....	32
ANNEX 2: Quality management processes .....	33
About ISS ESG SPO .....	34

## SCOPE OF WORK

Yinson Holdings Berhad (“Yinson”) commissioned ISS ESG to assist with its Sustainability-Linked Securities by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the Key Performance Indicators (KPI) selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer’s business model and sector, and whether the associated targets are ambitious.
2. Yinson’s Sustainability-Linked Financing Framework (August 2021) and structural components of the transaction – benchmarked against the Sustainability-Linked Bond Principles (SLBPs), as administered by the International Capital Market Association's (ICMA).
3. Sustainability-Linked Securities link to Yinson’s sustainability strategy – drawing on Yinson’s overall sustainability profile and related objectives.

## Yinson BUSINESS OVERVIEW

Yinson is one of the largest independent owners and specialist operators of Floating, Production, Storage and Offloading (FPSO) vessels in the world. Headquartered in Malaysia with a global presence, it owns 6 FPSOs and 1 FSO and its main business activity is leasing them to other companies for offshore oil and gas extraction, and operating them on behalf of the owner of the offshore oil and gas fields. To provide context, as of early 2021, there are approximately 200 FPSOs in operation globally, owned by oil majors, specialist contractors such as Yinson and general marine services companies<sup>1</sup>.

In 2019, Yinson launched its Renewables Division to acquire and develop its own renewable energy generation facilities. In 2020, it launched its Green Technologies Division to focus on developing green technologies in the marine, transport and energy business segments. It had announced 2030 carbon neutral and 2050 net zero climate goals, which will be achieved via the roadmap in Fig 1. One of its signature announcements is the development of “zero carbon FPSOs”, ie FPSOs with zero Scope 1 and 2 emissions, for deployment in the future.

<sup>1</sup> <https://www.whitecase.com/publications/insight/fpsos-overcoming-challenges-unlock-potential>

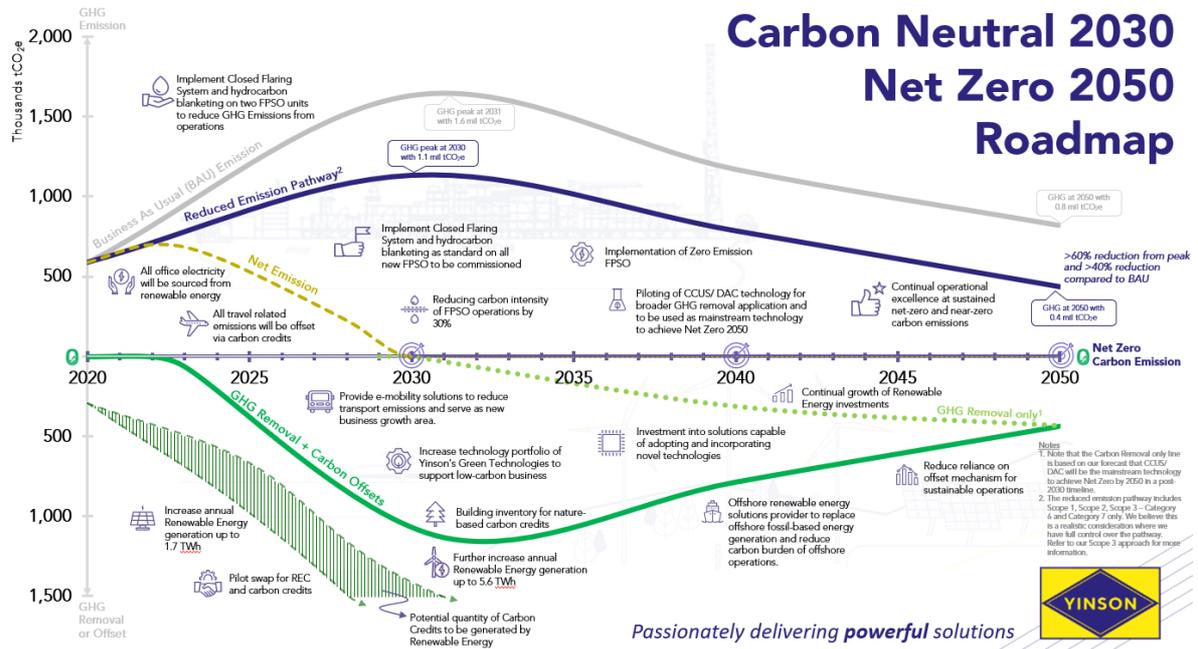


Figure 1 (from Yinson's Framework)

## ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY <sup>2</sup>
<p><b>Part 1A:</b></p> <p><b>KPI selection and SPT calibration</b></p> <p><b>Renewable energy generation of Yinson controlled plants</b></p>	<p><b>KPI selection: Relevant, moderately core and material to issuer’s business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>Ambitious against issuer’s past performance</b></li> <li>• <b>Ambitious against issuer’s sectorial peer group</b></li> <li>• <b>No evidence provided to show ambition against an international standard</b></li> </ul> <hr/> <p>ISS ESG finds that the KPI selected is relevant and material to the issuer’s business model and consistent with its sustainability strategy. It is moderately core because renewable energy generation is a very new business activity for the company and it will become increasingly core to the business in the future, according to the company’s strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.</p> <p>ISS ESG finds that the SPT calibrated by Yinson is ambitious against the company’s past performance. It is ambitious amongst the 8 other industry peers selected by the company, as no other company in the group has announced a strategy to develop its own renewable electricity generation. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan.</p>

<sup>2</sup> ISS ESG’s evaluation is based on the engagement conducted in August – September 2021, on Yinson’s Sustainability-Linked Financing Framework (18 August 2021 version) and on the Indicative ISS ESG Corporate Rating applicable at the SPO delivery date.

<p><b>Part 1B:</b></p> <p><b>KPI selection and SPT calibration</b></p> <p><b>Carbon intensity (kg CO2e/boe) of the company's FPSO operations</b></p>	<p><b>KPI selection: Relevant, core and material to issuer's business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>No evidence available on ambition against issuer's past performance</b></li> <li>• <b>Ambitious against issuer's sectorial peer group</b></li> <li>• <b>Currently not benchmarkable against an international standard</b></li> </ul> <p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.</p> <p>ISS ESG finds that the SPT calibrated is ambitious against the 8 other industry peers highlighted by Yinson, because none of the other companies have announced such targets to cover the entirety of the operational emissions of their FPSOs. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil &amp; Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan.</p>
<p><b>Part 1C:</b></p> <p><b>KPI selection and SPT calibration</b></p> <p><b>Carbon intensity (kg CO2e/MWh) of company overall</b></p>	<p><b>KPI selection: Relevant, moderately core and moderately material to issuer's business model and sustainability profile</b></p> <p><b>Sustainability Performance Target (SPT) calibration:</b></p> <ul style="list-style-type: none"> <li>• <b>No evidence available on ambition against issuer's past performance</b></li> <li>• <b>Ambitious against issuer's sectorial peer group</b></li> <li>• <b>Currently not benchmarkable against an international standard</b></li> </ul> <p>ISS ESG finds that the KPI selected is relevant to the issuer's business model. It is moderately core because the renewable energy division is currently a small minority of the issuer's business activities and it will become increasingly core in the future, according to the company's strategy. It is moderately material to the issuer's business model because the reduction of the KPI does not necessarily reduce the issuer's absolute GHG emissions, which is important for overall climate mitigation. The KPI is consistent with Yinson's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.</p> <p>ISS ESG finds that the SPT calibrated is ambitious against its industry peer group as selected by Yinson, as Yinson is only one of two companies in the group of 9, who has announced a public GHG emissions reduction target. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to</p>

calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

**Part 2:**

**Alignment  
with the  
SLBPs**

**Aligned with ICMA Sustainability-Linked Bond Principles, except the SPT ambition levels can only be evaluated by peer comparisons**

The Issuer has defined a formal framework for its Sustainability-Linked Securities regarding the selection of KPIs, calibration of Sustainability Performance Target (SPT), sustainability-linked securities characteristics, reporting and verification. The framework is overall in line with the Sustainability-Linked Bond Principles (SLBPs) administered by the ICMA. However, due to the recent establishment of the KPI data collection for the company, it is not possible to evaluate two of the SPTs on their ambition against the company's past performance. Also, due to the lack of SBTi methodology for the Oil and Gas sector, it is not possible to evaluate the ambition of two of the SPTs against the Paris Agreement and no other external reference or benchmark has been provided to evaluate their ambition.

**Part 3:**

**Link to  
issuer's  
sustainability  
strategy**

**Consistent with issuer's sustainability strategy**

Yinson, through its subsidiaries, mostly provides integrated offshore production and support services through chartering arrangement and the operation of its floating production storage and offloading (FPSO) vessels, and floating storage and offloading (FSO) vessels. The company operates through the Offshore Production, Renewables, Green Technology and Offshore Marine business segments. Because of the nature of its operations, with the Renewable and Green Technology segments still in their initial phases, Yinson's main sustainability challenges are related to its offshore operations and can be summarized in occupational health and safety, environmental incident prevention, greenhouse gas intensity reduction and ethical business practices.

The KPIs selected by the issuer are related to reducing the environmental impact of its operations. This has been defined as the key priority for the issuer in terms of its sustainability strategy and ISS ESG finds that it is a material sustainability topic for the issuer.

ISS ESG finds that this issuance contributes to the issuer's sustainability strategy thanks to the clear link between the KPIs and the key sustainability priority of the issuer. The strategy and SLBs could be further strengthened by establishing clearer linkages between the targets and whether they are aligned with the Paris Climate Agreement, as well as showing more clearly the ambition of the targets compared to past performance.

## ISS ESG SPO ASSESSMENT

### PART 1: KPI SELECTION & SPT CALIBRATION

#### 1.1. Selection of KPI 1

##### KPI selected by the issuer

###### FROM ISSUER'S FRAMEWORK

**KPI:** Renewable energy generation of Yinson controlled plants

###### KPI Calculation methodology:

The power generated from Yinson controlled renewable energy plants will be measured; with readings taken from energy meters.

###### SPT:

Year	2021 (Baseline)	2025	2030	2050
Generation (GWh)	300	1,700	5,600	22,400

**Scope:** Total amount of the Group's power generation from renewable energy sources (wind, solar and wave, and any other non-fossil fuel source of generation deriving from natural resources, excluding, from the avoidance of doubt, energy from nuclear fission) to produce electricity.

##### Materiality and relevance

The environmental impact of oil and gas activities is considered a key ESG issue faced by the Oil & Gas Equipment/Services sector according to key ESG standards<sup>3</sup> for reporting and ISS ESG assessment.

ISS ESG finds that the renewable energy generation KPI selected by the issuer is:

- **Relevant** to Yinson's business because the zero or low carbon electricity generation can be considered as offsets for the company's Scope 1 emissions, although such offsetting does not result in overall climate mitigation efforts.
- **Moderately core** to the issuer's business because the generation of renewable energy is a very new activity and not yet a key business activity for the company. In the future, according to Yinson's business strategy, it will play an increasingly core role in the company. If later, the market demand for the company's oil and gas services decline, the company is able to replace those lost revenues with its renewables business. Therefore, the growing renewable energy business can reduce climate transition risks to the company, as the world economy reorients towards renewable energy.

<sup>3</sup> Key ESG Standards include SASB and TCFD, among others.

- **Material** to Yinson from an ESG perspective as it is one of the key ESG issues faced by Yinson's industry and Yinson has identified that the energy transition and decarbonisation of the economy is its key priority.

### Consistency with overall company's sustainability strategy

In October 2019, Yinson established its Renewables Division, to acquire and develop renewable electricity (wind, solar, and other) generation. In early 2021, the company had 140MW of installed capacity of solar generation, with another 190MW under development<sup>4</sup>. It has identified a further potential 5GW of capacity for future development. The company's recent foray into renewable energy generation is a clear sign of the company's embrace of the opportunities brought about by the energy transition. In its FYE 2021 report, the company had announced its rapid growth in renewables generation capacity as part of its climate strategy. The company's renewable energy generation is for export, ie to be sold to users outside of the company's organization boundary. The company's largest operational consumers of energy, the FPSOs, are not able to connect to land based electricity sources.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

### Measurability

- **Material scope and perimeter:** The KPI selected covers all of the company's renewable energy generation.
- **Quantifiable:** The KPI selected is measurable and quantifiable. The amount of renewable energy generated by facilities under the company's control will be measured by energy meters and is relatively straightforward to track.
- **Externally verifiable:** The KPI selected is externally verifiable because the renewable energy generation is calculated in accordance with common industry standards and conventions. Yinson commits to getting external verification of this KPI for the purpose of the SLB reporting.
- **Benchmarkable:** The amount of renewable energy generation as measured in GWh is a very common metric, using widely used industry standards and is easily benchmarkable.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant and material to the issuer's business model and consistent with its sustainability strategy. It is moderately core because renewable energy generation is a very new business activity for the company and will become increasingly core to the business in the future, according to the company's strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.

<sup>4</sup> Annual Report 2021, page 44

## 1.2. Calibration of SPT 1

### SPT set by the issuer

#### FROM ISSUER'S FRAMEWORK<sup>5</sup>

##### Sustainability Performance Target:

Year	2021 (Baseline)	2025	2030	2050
Generation (GWh)	300	1,700	5,600	22,400

**SPT Trigger:** the amount of renewable electricity generation in FY Ending 2025, 2030, 2050

**SPT Observation Date:** 31/1/2025, 31/1/2030, 31/1/2050

**FY Ending 2021 Baseline:** 300 GWh of electricity generation

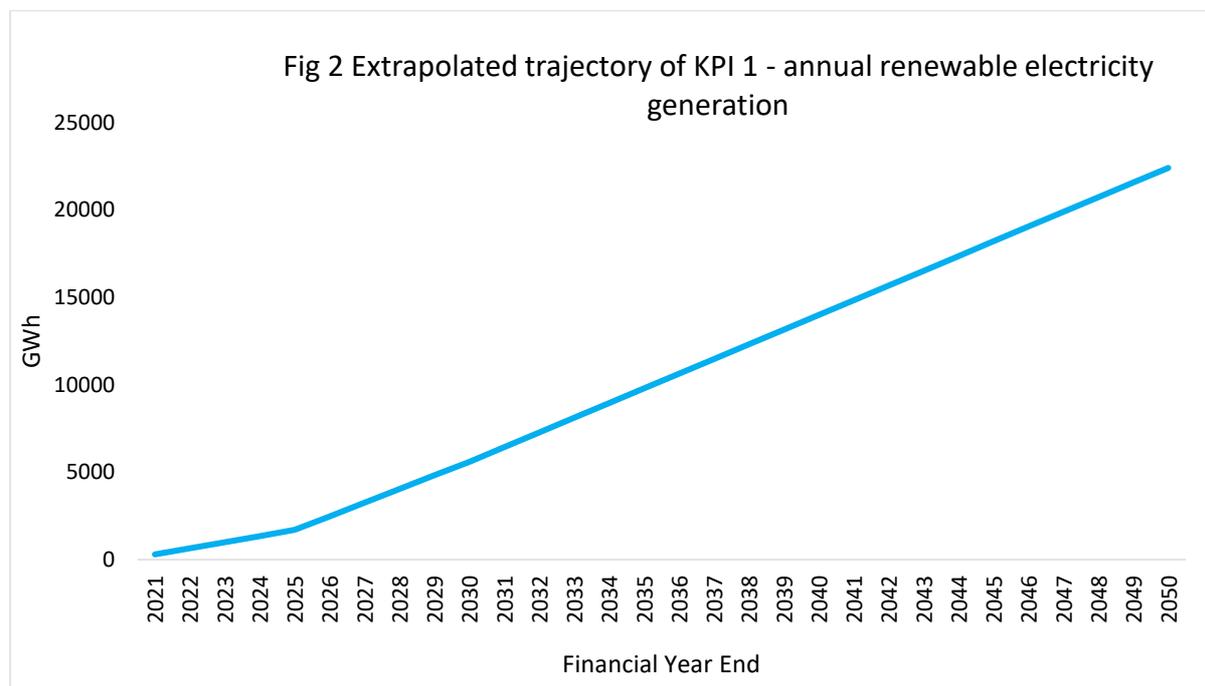
**Rationale:** The SPTs are estimated as both achievable and ambitious as part of company's transition strategy and decarbonisation roadmap.

**Factors that support the achievement of the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

**Risks to the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

<sup>5</sup> This table is displayed by the issuer in its Sustainability-Linked Financing Framework and have been copied over in this report by ISS ESG for clarity.

## Ambition



### Against company's past performance

No explicit historical data has been provided in the Framework prior to the baseline year of Financial Year Ending (FYE) 2021 because the company's Renewables Division was established only in October 2019. Since then, the company has invested into two solar plants in India<sup>6</sup> and aims to invest into 3GW of installed capacity by 2023, which would be an rapid achievement and shows ambition in a completely new business activity. This projected trend is shown in Figure 2.

Another way to evaluate the ambition of the SPT is to compare the projected electricity generation with the energy consumption of the company's FPSOs as well as the total energy consumption of the company. In FYE 2021, the company's FPSOs, OSVs and offices used a total of 2,603 GWh of energy from fossil fuel sources. By comparison, by 2025, the company will generate an annual amount of 300 GWh of renewable energy, which is approximately 10% of the 2021 energy consumption figure.

Overall, the SPT is ambitious against past performance, as the company is starting from zero very recently.

### Against company's sectorial peers

Yinson is classified in the Oil & Gas Equipment/Services sector of the ISS ESG Universe. As this sector contains data on 83 companies, many of which are not a specialist FPSO owner / operator such as Yinson, a peer comparison has not been conducted against the whole group. Instead, ISS ESG conducted a benchmarking of the SPT 1 set by Yinson against the 8 other industry peers that Yinson has highlighted are its main competitors, as owners of FPSOs. None of the other peers have announced a specific strategy for developing renewable electricity as a new business activity and therefore there are no similar targets set by its peers.

<sup>6</sup> Annual Report 2021 page 44

ISS ESG notes that other companies, such as the oil majors (including Royal Dutch Shell and Total) operate FPSOs as well, and also own their own renewable energy generation facilities. However, the oil majors are not considered as Yinson's peers and are not included in the comparison.

ISS ESG concludes that the SPT set by the issuer is ambitious and the first of its kind, amongst the industry peer group highlighted by Yinson.

### Against international targets

No relevant international or external reference to benchmark the ambition of the SPT against has been provided. While a multitude of projections and science based scenarios exist for how the renewable energy supply may grow in the near future, it is not possible to evaluate the ambition of the SPT by conducting a meaningful benchmarking.

### Measurability & comparability

- **Historical data:** Whilst 3 years of historical data has not been explicitly provided in the Framework as per the SLBP recommendations, it is clear that the KPI was zero or near zero prior to FYE 2021, as this new business was launched in October 2019
- **Benchmarkable:** The amount of renewable energy generation as measured in GWh is a very common metric, using electricity meters and is easily benchmarkable against data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

### Supporting strategy and action plan

According to its own statements, Yinson has carefully studied the renewable energy generation market both in Asia and globally to identify the global market trends and growth potential. It will be increasing its investments in this area both through acquisitions of operational facilities as well as developing its own generation sites. It has already developed expertise in the market and has considered the long term prospects for the market through to 2050.

It is not possible to determine the robustness of its action plan and whether it can enable the achievement of the specific SPTs. However, the renewables electricity generation market is generally mature and well understood. Therefore it would be reasonable to expect that Yinson has a well-considered business plan to develop the renewables division, particularly as it has committed to making it an effective standalone business unit within the company<sup>7</sup>.

**Opinion on SPT calibration:** ISS ESG finds that the SPT calibrated by Yinson is ambitious against the company's past performance. It is ambitious amongst the peer group selected by the company, as no other company in the group has announced a strategy to develop its own renewable electricity generation. It is not possible to conduct a meaningful benchmarking of the SPT's ambition against an international reference. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan.

<sup>7</sup> Annual Report 2021, p48

### 1.3. Selection of KPI 2

#### KPI selected by the issuer

##### FROM ISSUER'S FRAMEWORK

- **KPI:** Carbon intensity (kg CO<sub>2</sub>e/boe) of the company's FPSO operations

- **KPI Calculation methodology:**

##### Numerator

The numerator is based on the total Scope 1 and 2 GHG emissions emanating from all of the company's FPSOs. The Scope 1 emissions include the emissions from the combustion processes (such as power generation and flaring) and hydrocarbon venting (including fugitive emissions). The FPSOs currently do not have any Scope 2 emissions as they operate offshore and are not connected to land based electricity sources.

##### Denominator

The denominator is derived from the measurement of the oil and gas production on all of the company's FPSO operating units. The common unit for the denominator is barrel of oil equivalents (boe).

##### Calculation

An equity share approach will be used to determine the allocation of emissions associated to the FPSOs over which it has joint ownership with other companies.

- **SPT:**

Year	2021 (Baseline)	2025	2030	2050
kg CO <sub>2</sub> e/boe	16.3	16.2	11.4	8.0

- **Rationale:** In addition to eliminating flaring from production as well as utilising other technical solutions for reduction of carbon emissions, Yinson also aims to reduce carbon intensity from its operations through the development of FPSOs with zero Scope 1 and 2 emissions. Yinson has developed a concept for such FPSOs which incorporates both future and existing technologies to support the its ambition of leading the way in decarbonising the FPSO industry.

- **Scope:** All of the company's FPSOs.

#### Materiality and relevance

The environmental impacts of oil and gas activities are considered a key ESG issue faced by the Oil & Gas Equipment/Services sector according to key ESG standards<sup>8</sup> for reporting and ISS ESG assessment. The impacts includes the emissions resulting from the flaring of natural gas which

<sup>8</sup> Key ESG Standards include SASB and TCFD, among others.

happens during the oil and gas production process, vented and fugitive natural gas emissions, as well as the consumption of the extracted natural gas used to power the FPSO operations. These emissions are substantial. For example, the carbon intensity in Financing Year Ending (FYE) 2021 was 16.3kg CO<sub>2</sub>e/boe. In comparison, the typical total carbon footprint, including production, refining and consumption of a barrel of oil is in the range of 400-500kg CO<sub>2</sub>e/barrel, depending on the type of oil and gas production and refining involved<sup>9</sup>. Therefore, the carbon intensity of the FPSO's operation is about 4% of the total carbon footprint of the oil.

As the oil and gas that is extracted belongs to Yinson's customers and not to Yinson, Yinson does not sell or derive revenues from the sale of the oil and gas itself. Therefore, the consumption emissions of the oil and gas are not considered as part of Yinson's Scope 3 emissions, according to the GHG Protocol. The operational emissions related to the extraction of the oil and gas, which includes the energy required for the operations as well as flared and vented methane, are included as part of the company's Scope 1 emissions.

ISS ESG finds that KPI selected by the issuer is:

- **Relevant** to Yinson's business as its FPSO operations are highly GHG-emitting and directly under the company's control.
- **Core** to the issuer's business as reducing the emissions intensity of the oil and gas production process would involve key processes and operation, such as changing equipment or processes to reduce flaring and venting of methane.
- **Material** to Yinson from an ESG perspective as the FPSO's GHG emissions is one of the key ESG issues faced by Yinson and reducing them is key to reducing the company's environmental impact. The GHG emissions from the FPSOs form 92.2%<sup>10</sup> of the company's total reported Scope 1, 2 and 3 GHG emissions.

### Consistency with overall company's sustainability strategy

In 2020, Yinson identified climate change and the energy transition as key priorities for the company<sup>11</sup>. It announced a range of commitments and actions with quantitative targets for 2030 and 2050. These included limiting the carbon intensity of its FPSOs as well as reducing the company's emissions generally.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

### Measurability

- **Material scope and perimeter:** The KPI selected covers all of the emissions from the FPSOs which the company wholly owns and a proportionate share of the emissions from the FPSOs over which the company has joint ownership. It therefore includes the emissions from the

<sup>9</sup> <https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references>

<sup>10</sup> Annual Report 2021 reported emissions data

<sup>11</sup> Annual Report 2021

FPSOs the company operates on the behalf of clients, as well as the emissions from the FPSOs it leases to clients who operate them themselves

- **Quantifiable:** The KPI selected is measurable and quantifiable. The Scope 1 and 2 emissions of the FPSOs are reported in accordance with the GHG Protocol and standard conversion factors, such as the IPCC AR5 conversion factors. Industry conventions, such as ultrasonic flowmeters on the flare header and the API Compendium of greenhouse gas emissions methodologies for the oil and gas industry, are used for measuring methane related emissions. The quantities of oil and gas barrel equivalents are measured using standard industry practices.
- **Externally verifiable:** The KPI selected is externally verifiable thanks to the various standards and protocols mentioned above. The issuer commits to getting external verification of this KPI, for the purpose of the SLB reporting.
- **Benchmarkable:** By referring to appropriate standards and methodologies for GHG accounting and estimates of methane related emissions, the KPI is comparable with the data reported by other companies who operate FPSOs.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.

#### 1.4. Calibration of SPT 2

##### SPT set by the issuer

###### FROM ISSUER’S FRAMEWORK<sup>12</sup>

###### Sustainability Performance Target:

Year	2021 (Baseline)	2025	2030	2050
kg CO2e/boe	16.3	16.2	11.4	8.0

**Sustainability Performance Target Trigger:** the total carbon intensity (kg CO2e/boe) for the Financial Year Ending 2025, 2030, 2050.

**SPT Observation Date:** 31/1/2025, 31/1/2030, 31/1/2050

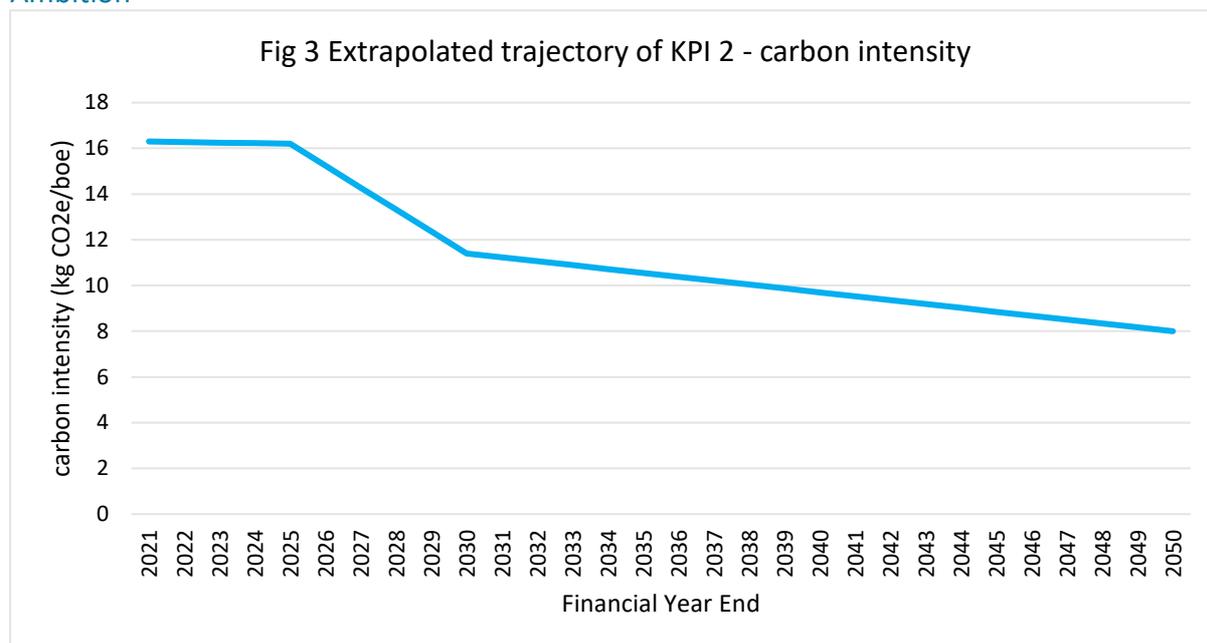
**Rationale:** It is perfectly aligned with the company’s strategy to be carbon neutral by 2030 and to reach net zero by 2050, steepening the carbon intensity reduction curve.

<sup>12</sup> This table is displayed by the issuer in its Sustainability-Linked Financing Framework and have been copied over in this report by ISS ESG for clarity.

**Factors that support the achievement of the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

**Risks to the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

**Ambition**



**Against company’s past performance**

The baseline year of Financial Year Ending (FYE) 2021 is the first year in which the company has collected data for this KPI. Therefore it is not possible to conduct an evaluation of the SPT’s ambition against the company’s past performance. Figure 3 shows the projected trend for this KPI.

**Against company’s sectorial peers**

Yinson is classified in the Oil & Gas Equipment/Services sector of the ISS ESG Universe. As this sector contains data on 83 companies, many of which are not a specialist FPSO owner / operator such as Yinson, a peer comparison has not been conducted against the whole group. Instead, ISS ESG conducted a benchmarking of the SPT 2 set by Yinson against the 8 other industry peers that Yinson has highlighted are its main competitors, as lessors and operators of FPSOs.

None of the other peers have announced a specific target for the total operational emissions reductions of its FPSOs, in the way that Yinson has. Of the 8 other companies, 2 have reduction targets for the flaring of methane or hydrogen from its platforms, but not for the total operational emissions of the FPSO. Two other companies also have general plans for introducing net zero vessels and platforms in the near future, but those plans are indicative and not legally binding targets in the way that the SPT is bound to the SLB transaction. Therefore, those plans cannot be directly compared to Yinson’s simple and clearly defined SPT.

Therefore in simple comparison terms, the SPT 2 set by Yinson is more ambitious than its peers, because none of the peers have emissions targets with a set timeline for its FPSOs which cover the entirety of the operational emissions of its FPSOs.

### Against international targets

#### Paris Agreement

Whilst the decarbonisation of the company's overall emissions is along the general direction of the Paris Agreement and other decarbonisation pathways, such as by the IEA and other international organisations, no specific reference has been provided for comparing the SPT levels with international targets or science based trajectories.

It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. Yinson has developed an internal decarbonisation roadmap (as shown in Fig 1) that involves various decarbonisation levers with quantified emissions reductions. It has announced that it will be "carbon neutral" by 2030 and "net zero" by 2050, with the main difference between those two terms being the use of offsets between 2030 to 2050, and no more carbon offsetting by 2050 and after. The plan has not received any verification by an external organization or shown by Yinson to be benchmarkable against an external science based scenario or reference.

It is to be noted that the decarbonisation roadmap and SPT imply that Yinson will continue with its current business model of providing FPSOs for oil and gas production in 2050 whilst the IEA's "Net Zero by 2050: A Roadmap for the Global Energy Sector"<sup>13</sup> calls for large reductions in oil and gas production much earlier than 2050.

### Measurability & comparability

- **Historical data:** No historical data is available as the baseline year is the first time the company reported its GHG emissions.
- **Benchmarkable:** By referring to commonly acknowledged GHG accounting standards and protocols, the level of the SPT is easily comparable with the data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

### Supporting strategy and action plan

The company is expecting its GHG emissions to increase with the growth of the company's FPSO operations. Therefore a carbon intensity KPI has been chosen, rather than an absolute one. The reduction of the KPI will involve the following actions, which are included in the decarbonisation roadmap in Fig 1:

<sup>13</sup> <https://www.iea.org/reports/net-zero-by-2050>

- Closed flaring systems (also known as flare gas recovery system) and hydrocarbon blanketing schemes to be applied on existing and new FPSOs based on outcome of Yinson's internal Best Available Technology (BAT) assessment
- Zero Emission FPSOs post-2030 which will feature electrification of operations and implementation of cogeneration technologies along with carbon capture, utilisation and storage ("CCUS") technologies as and when commercially feasible.
- Before CCUS matures after 2030, offsets will be used to reduce the company's net emissions.
- With these measures, the company aims to reduce its FPSO emission intensity per barrel of oil equivalent by 30% by 2030 and by another 30% by 2050. The company is committed to Zero Emission FPSOs and will limit the uptake of FPSO projects post-2030 which require regular flaring and do not offer opportunities for development of Zero Emission FPSOs .

ISS ESG notes that the company is not replacing its current fleet of FPSOs with lower carbon and operationally more efficient ones in the near term. There is also the expectation that CCUS technologies will mature and be available at scale soon after 2030, as part of the company's decarbonisation roadmap, which may not necessarily become reality.

The company has commitments to not begin new FPSO projects which involve regular levels of flaring or which conflict with the development of Zero Emission FPSOs.

Yinson has shown to ISS ESG some confidential details of the projected emissions reductions and expected timelines for various decarbonisation levers and actions included in the strategy. It shows that the company has carefully considered the required investments and available technologies. However, their internal plan has not received validation or support by an external organization, such as the Science Based Targets Initiative (SBTi).

**Opinion on SPT calibration:** *ISS ESG finds that the SPT calibrated is ambitious against the 8 other industry peers highlighted by Yinson, because none of the other companies have announced such targets to cover the entirety of the operational emissions of their FPSOs. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan.*

### 1.5. Selection of KPI 3

#### KPI selected by the issuer

##### FROM ISSUER'S FRAMEWORK

- **KPI:** Carbon intensity (kg CO<sub>2</sub>e/MWh) of company overall

- **KPI Calculation methodology:**

##### Numerator

The numerator is based on Yinson's Scope 1 and Scope 2 GHG emission. The Scope 1 emissions will consist of the GHG emissions from Yinson's normal combustion processes and hydrocarbon venting across the company. The Scope 2 emissions will cover indirect emissions due to energy purchased and generated from sources outside the company's organization boundary, such as usage of grid electricity in the company's offices.

##### Denominator

The denominator is based on Yinson's measured electricity generation, which is the sum of electricity generated from the FPSO generators plus the electricity generated by the company's growing renewable energy generation (which is included in KPI 1).

##### Calculation

An equity share approach will be used to determine the allocation of emissions associated to the FPSOs over which it has joint ownership with other companies.

- **SPT:**

Year	2021 (Baseline)	2025	2030	2050
Absolute carbon intensity (kg CO <sub>2</sub> e/MWh)	279.1	192.5	136.7	23

- **Rationale:** Yinson expects that renewable energy demand will continue to grow significantly and provide opportunity for the company to expand its generation of renewable energy. This expansion would allow the Renewables Division to help lower company wide energy generation emission intensity figures.

- **Scope:** The company's electricity generation is split across the company's Renewables Division and the generation activities onboard the FPSOs which are powered by the natural gas that is extracted by the FPSOs.

#### Materiality and relevance

The environmental impacts of oil and gas activities are considered a key ESG issue faced by the Oil & Gas Equipment/Services sector according to key ESG standards<sup>14</sup> for reporting and ISS ESG

<sup>14</sup> Key ESG Standards include SASB and TCFD, among others.

assessment. As mentioned in Section 1.3 for KPI 2, the Scope 1 emissions emanating from the company's FPSO electricity generation is high, because they are powered by natural gas turbines, which use the gas extracted by the FPSO. The company is aiming to reduce the group's emissions intensity by increasing the amount of renewable electricity generation within its own organization boundary.

ISS ESG finds that this KPI selected by the issuer is:

- **Moderately relevant** to Yinson's business as whilst the company's FPSO's operational GHG emissions are significant and a key ESG issue, its wider emissions beyond the FPSOs is less so. As the decarbonisation of the FPSOs is already covered by the KPI 2, KPI 3 is more about the decarbonisation of the company generally, which is less of a priority for the company than the decarbonisation of its FPSOs. As mentioned in Section 1.3 for the selection of KPI 2, the Scope 1 emissions relating to the operations of the FPSOs equates to 92.2% of the company's total reported Scope 1, 2 and 3 emissions in FY Ending 2021.
- **Moderately core** to the issuer's business, because the KPI is primarily related to the expansion of the renewable energy business to grow the denominator in the calculation. Therefore, similar to KPI 1, the renewable energy generation activities of Yinson is currently very minor compared to the overall business and does not affect the company's key processes or operations. In the future, according to Yinson's business plan, the renewable energy business grows and this KPI can become increasingly core to the company.
- **Moderately material** to Yinson from an ESG perspective, because of the following:
  - The carbon intensity metric does not show whether the absolute amount of GHG emissions emanating from the FPSO operations will be reduced, which is the most significant ESG issue for the company. The KPI can improve significantly by combining large amounts of renewable electricity generation with comparatively little decarbonisation of the FPSO operations, which does not address the absolute amount of GHG emissions from the company.
  - Also, the KPI addresses the direct operations of the business, but not the whole Corporate Value Chain, because it does not cover the Scope 3 emissions of the company. Further analysis of the company's Scope 3 emissions is not necessary at this point, other than to say they do not include the downstream users of the oil and gas products because Yinson does not own the well or the oil and gas. The company has not completed its GHG Inventory for its Scope 3 emissions. In the Annual Report FYE 2021, it mentions business air travel as the only quantified category for its Scope 3 emissions.

### Consistency with overall company's sustainability strategy

In 2020, Yinson announced that the reduction of its GHG emissions and the increase of renewable energy generation as its strategic goals. This KPI is a combination of both of those goals. ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

## Measurability

- **Material scope and perimeter:** The KPI selected covers all of the electricity generation that is used by the company; both the generation that is purchased from outside the company's boundary and the generation that is owned by the company.
- **Quantifiable:** The KPI is calculated based on direct readings of the energy meters associated with the various electricity generation assets, as well as the GHG Protocol and commonly used conversion factors (eg IPCC AR5 conversion factor for the global warming potential of methane) for calculating the estimates of the GHG emissions.
- **Externally verifiable:** As the calculation methodology for the KPI is clearly explained and based on commonly used industry standards, the data can be externally verified by a qualified assurance provider. Yinson commits to getting external verification of this KPI, for the purpose of the SLB reporting.
- **Benchmarkable:** The use of the carbon intensity of electricity generation metric, based on industry standards and commonly used industry practices, is a commonly reported metric and can be compared to data reported by other companies.

**Opinion on KPI selection:** ISS ESG finds that the KPI selected is relevant to the issuer's business model. It is moderately core because the renewable energy division is currently a small minority of the issuer's business activities and it will become increasingly core in the future, according to the company's strategy. It is moderately material to the issuer's business model because the reduction of the KPI does not necessarily reduce the issuer's absolute GHG emissions, which is important for overall climate mitigation. *The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.*

### 1.6. Calibration of SPT 3

#### SPT set by the issuer

##### FROM ISSUER'S FRAMEWORK<sup>15</sup>

##### Sustainability Performance Target:

Year	2021 (Baseline)	2025	2030	2050
Absolute carbon intensity (kg CO <sub>2</sub> e/MWh)	279.1	192.5	136.7	23

**Sustainability Performance Target Trigger:** the total carbon intensity (kg CO<sub>2</sub>e/MWh) for the Financial Year Ending 2025, 2030, 2050.

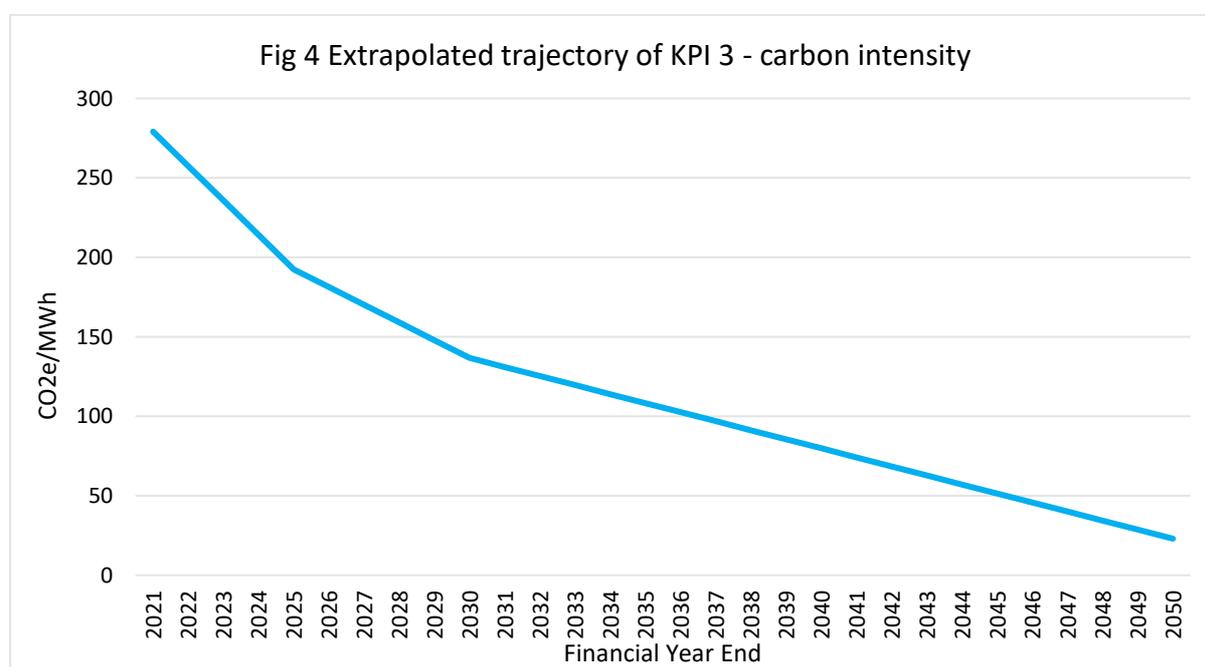
**SPT Observation Date:** 31/1/2025, 31/1/2030, 31/1/2050

<sup>15</sup> This table is displayed by the issuer in its Sustainability-Linked Financing Framework and have been copied over in this report by ISS ESG for clarity.

**Factors that support the achievement of the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

**Risks to the target:** Specific details will be provided in the bond documentation for specific SLB transactions. Possible examples provided now include M&A activities or drastic regulatory changes.

### Ambition



### Against company’s past performance

The baseline year of Financial Year Ending (FYE) 2021 is the first year in which the company has collected the data to calculate this KPI. Therefore it is not possible to conduct an evaluation of the SPT’s ambition against the company’s past performance. Figure 4 shows the projected trend of this KPI.

### Against company’s sectorial peers

Yinson is classified in the Oil & Gas Equipment/Services sector of the ISS ESG Universe. As this sector contains data on 83 companies, many of which are not a specialist FPSO owner / operator such as Yinson, a peer comparison has not been conducted against the whole group. Instead, ISS ESG conducted a benchmarking of the SPT 3 set by Yinson against the 8 other industry peers that Yinson has highlighted are its main competitors, as owners of FPSOs.

Of the 8 other companies, one has a target to reduce its absolute Scope 1 and 2 GHG emissions by 2035. None of the other 7 companies have a target to reduce its overall Scope 1 or 2 emissions (they may have flaring targets and indicative plans to launch a zero emissions FPSO, as described in

Section 1.4 Calibration of SPT 2). Without further investigation of Yinson's or this peer's expected volumes of oil and gas production by 2035 (which at this point will have some uncertainty), it is not possible to have a reliable comparison of Yinson's SPT 3 with the peer's absolute emissions target. It is sufficient to say that the SPT 3 is ambitious amongst its peer group, as Yinson is only 1 of 2 companies amongst a peer group of 9 companies, to have a publicly announced emissions target.

#### Against international targets

Similarly, to the Section 1.4 for Calibration of SPT 2, no evidence has been provided to conduct an evaluation against international targets, such as the Paris Agreement or science based trajectories.

ISS ESG notes that the decarbonisation roadmap and SPTs do imply that Yinson will continue with its current business model of providing FPSOs for oil and gas production in 2050 whilst the IEA's "Net Zero by 2050: A Roadmap for the Global Energy Sector"<sup>16</sup> calls for large reductions in the oil and gas production by then.

#### Measurability & comparability

- **Historical data:** No historical data is available as the baseline year is the first time the company reported its GHG emissions.
- **Benchmarkable:** The use of industry standards such as the GHG Protocol, standard conversion factors such as the IPCC AR5 conversion factor for methane's global warming potential (GWP) and commonly used industry practices for measuring electricity generation, the SPT can be compared directly to data reported by other companies.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

#### Supporting strategy and action plan

As mentioned in the action plan for SPT 1, the company launched its Renewables Division in October 2019 and since then has rapidly invested in a number of solar and wind farms.

In order to fully decarbonise its Scope 2 emissions relating to its offices and land based assets, Yinson intends to use the Climate Group's "RE100"<sup>17</sup> commitment and methodology to do so. For the Scope 2 emissions from any facilities which cannot apply the RE100 commitment, the company will use verified carbon credits from its Renewables Division to offset. ISS ESG notes that such offsets are not best practice for achieving or setting targets, as for example explained by the SBTi<sup>18</sup>.

Otherwise, a consideration of Yinson's strategy and action plan to decarbonise its Scope 1 and 2 emissions is included on page 19 in Section 1.4 for the Calibration of SPT 2.

As noted in Section 1.4 for the Action Plan for SPT 2, ISS ESG notes that the company is not replacing its current fleet of FPSOs with lower carbon and operationally more efficient ones in the near term. There is also the expectation that CCUS technologies will mature and be available at scale soon after 2030, as part of the company's decarbonisation roadmap, which may not come to reality.

<sup>16</sup> <https://www.iea.org/reports/net-zero-by-2050>

<sup>17</sup> <https://www.there100.org/>

<sup>18</sup> <https://sciencebasedtargets.org/faqs#does-the-sbti-accept-all-approaches-to-reducing-emissions>

Yinson has shown to ISS ESG some confidential details of the projected emissions reductions and expected timelines for various decarbonisation levers and actions included in the strategy. It shows that the company has carefully considered the required investments and available technologies. However, their internal plan has not received validation or support by an external organization, such as the Science Based Targets Initiative (SBTi).

**Opinion on SPT calibration:** *ISS ESG finds that the SPT calibrated is ambitious against its industry peer group as selected by Yinson, as Yinson is only one of two companies in the group of 9, who has announced a public GHG emissions reduction target. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.*

## PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

### Rationale for Framework

#### FROM ISSUER'S FRAMEWORK

Yinson believes the issuance of SLBs will support its efforts to achieve its climate transition strategy and reinforce its commitment towards a low emissions future. Such instruments represent the next step in aligning Yinson's business and financing with its commitments and values by creating a direct link between its climate and funding strategies.

Yinson's commitments towards the climate transition strategy is based on its climate-related risk assessment (in alignment with Task Force on Climate-related Financial Disclosures (TCFD) framework) and possible policy, market and reputation risks associated with operating in the Oil & Gas sector.

**Opinion:** ISS ESG considers the Rationale for Issuance description provided by Yinson as aligned with the SLBPs. The issuer has clearly elucidated its energy transition strategy and explained that it will be supported by the issuance of the SLBs.

### 2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in Section 1 of this report.

**Opinion for KPI 1:** ISS ESG finds that the KPI selected is relevant and material to the issuer's business model and consistent with its sustainability strategy. It is moderately core because renewable energy generation is a very new business activity for the company and will become increasingly core to the business in the future, according to the company's strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.

**Opinion for KPI 2:** ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.

**Opinion for KPI 3:** ISS ESG finds that the KPI selected is relevant to the issuer's business model. It is moderately core because the renewable energy division is currently a small minority of the issuer's business activities and it will become increasingly core in the future, according to the company's strategy. It is moderately material to the issuer's business model because the reduction of the KPI does not necessarily reduce the issuer's absolute GHG emissions, which is important for overall climate mitigation. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers a material scope of the operations and activities of Yinson.

## 2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in Section 1 of this report.

### **Opinion for SPT 1: ISS ESG**

ISS ESG finds that the SPT calibrated by Yinson is ambitious against the company's past performance. It is ambitious amongst the peer group selected by the company, as no other company in the group has announced a strategy to develop its own renewable electricity generation. It is not possible to conduct a meaningful benchmarking of the SPT's ambition against an international reference. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

### **Opinion for SPT 2: ISS ESG**

ISS ESG finds that the SPT calibrated is ambitious against the 8 other industry peers highlighted by Yinson, because none of the other companies have announced such targets to cover the entirety of the operational emissions of their FPSOs. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan.

### **Opinion for SPT 3: ISS ESG**

ISS ESG finds that the SPT calibrated is ambitious against its industry peer group as selected by Yinson, as Yinson is only one of two companies in the group of 9, who has announced a public GHG emissions reduction target. There is no evidence available to evaluate the SPT's ambition against past performance, because the baseline year is the first time that the company has collected the relevant data to calculate the KPI. It is not possible to benchmark the SPT against the Paris Agreement because the SBTi methodology for the Oil & Gas sector is currently in development and not available. The company has not provided alternative external benchmarks or references to science based scenarios to show that its decarbonisation plan or SPT is aligned with the Paris Agreement. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan.

## 2.3. Sustainability-Linked Securities Characteristics

### **FROM ISSUER'S FRAMEWORK**

In the event that Yinson fails to satisfy the specified SPT(s) as of the relevant Sustainability Performance Target Observation Date, the implications to the Sustainability-Linked Instrument could include, but not limited to:

1. A coupon / profit rate step-up could be triggered, such adjustment could be pro-rated based on the degree of failure to satisfy SPT(s); or
2. Increased redemption fee

Characteristics of each Sustainability-Linked Instrument, such as the correlation between maturities and observation dates, quantum of margin adjustment and/or redemption fee adjustment, will be commensurate to reflect prevailing market conditions and investors' requirements.

The achievement by Yinson of the specified SPT(s) as of the relevant Sustainability Performance Target Observation Date might trigger a margin adjustment and/or redemption adjustment, in the form of a discount, applicable to interest periods following such reference date.

The financial/structural implications cannot be applied more than one time over the life of a given Sustainability-Linked transaction.

The exact mechanism and impacts of the achievement or failure to satisfy the specified SPT(s) will be detailed for each Sustainability-Linked Instruments' pre-issuance document(s). The pre-issuance document(s) will also detail the KPI definition, calculation methodologies, SPT(s) and trigger events, remedy mechanism(s) in the event SPT(s) cannot be calculated or observed in a satisfactory manner, and relevant terms and conditions taking into consideration potential exceptional or force majeure events.

Any future SLBs with the same KPI(s) and SPT Observation Date must utilize an SPT of equal or greater ambition. In addition, at the time of issuance of such an SLB, any outstanding SLBs would have their equivalent SPT adjusted to reflect the greater ambition for three key reasons:

1. To enable the increase of ambition over time and allow Yinson to adapt to new circumstances.
2. To avoid the coexistence of SLBs with different SPTs at the same dates for the same KPIs.
3. To facilitate reporting, avoiding the need to validate the KPI against multiple targets.

**Opinion:** ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Yinson as aligned with the SLBPs. The issuer gives a detailed description of the potential variation of the financial characteristics of the instruments. The additional mention of adjusting the SPTs for outstanding SLBs when new SLBs are issued is welcome.

## 2.4. Reporting

FROM ISSUER'S FRAMEWORK

Yinson's various SPTs will be reported by Yinson at least on an annual basis on its website and/or in its Annual Reports.

Yinson will make its best effort to report:

- i. Up-to-date information on the performance of the selected KPI, including the baseline where relevant;
- ii. Up-to-date information on the SPT outlining the performance against the SPT and the related impact, and timing of such impact, on a financial instrument performance;
- iii. Any relevant information enabling investors to monitor the progress of the SPT; and
- iv. A verification assurance report relative to the reporting including the above points.

Information may also include when reasonably feasible and available:

- i. Qualitative or quantitative explanation of the contribution of the main factors, including M&A activities, behind the evolution of the performance/KPI on an annual basis;
- ii. Illustration of the positive sustainability impacts of the performance improvement; and/or
- iii. Any re-assessments of KPIs and/or restatement of the SPT and/or pro-forma adjustments of baselines or KPI scope, if relevant.

**Opinion:** ISS ESG considers the Reporting description provided by Yinson as aligned with the SLBPs. There is a commitment to annual public reporting and timely updates to the KPI, as well relevant information for monitoring the KPI progress. ISS ESG notes the importance of disclosure on the extra information when possible.

## 2.5. Verification

### FROM ISSUER'S FRAMEWORK

In addition to the Annual Report, the score of each selected KPI against each SPT will be verified by an External Verifier.

"External Verifier" means any qualified provider of third party assurance or attestation services appointed by the Company, to review the indicators.

The External Verifier will provide a Limited Assurance.

**Opinion:** ISS ESG considers the Verification description provided by Yinson as aligned with the SLBPs as well as best market practice. The KPIs will receive verification on an annual basis, and the verification reports of the KPI will be publicly disclosed.

## PART 3: LINK TO YINSON'S SUSTAINABILITY STRATEGY

**Methodological note:** Please note that Yinson is not part of the ISS ESG Corporate Rating Universe. Thus, the sustainability profile is an assessment conducted by the analyst in charge of the Oil & Gas Equipment/Services sector based on publicly available information exclusively. No direct communication between the issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

### Industry classification:

**Oil & Gas Equipment/Services<sup>19</sup>**

### Key Issues of the industry:

- Environmental impacts of oil and gas activities
- Sustainable product design
- Labor standards, worker safety and incident prevention
- Ethical business practices, government relations and prevention of corruption

### Indicative ESG risk and performance assessment

Yinson Holdings Berhad (Yinson), through its subsidiaries, mostly provides integrated offshore production and support services through chartering arrangement and the operation of its floating production storage and offloading (FPSO) vessels, and floating storage and offloading (FSO) vessels. The company operates through the Offshore Production, Renewables, Green Technology and Offshore Marine business segments. Because of the nature of its operations, with the Renewable and Green Technology segments still in their initial phases, Yinson's main sustainability challenges are related to its offshore operations and can be summarized in occupational health and safety, environmental incident prevention, greenhouse gas intensity reduction and ethical business practices.

To address occupational safety, the company has implemented a health and safety management system certified to the ISO 45001 standard for its offshore production operations, which constitute the bulk of its activities. The effectiveness of the management system in this business segment is confirmed by a comparatively low accident rate among the workforce in recent years, with no fatalities registered. Reasonable assessment based on the published information found that the safety management covers the most exposed segments of the company in terms of Health and Safety, whilst there is no clear information on the employee accident rate or fatalities for other business units. Little information is disclosed on the company's safety standards for product design. However, support is offered to clients in terms of vessel management, repair and maintenance. From a business ethics perspective, Yinson's code of conduct and connected policies are designed to address and limit the exposure of the company to relevant issues, such as corruption, conflicts of interest, anti-trust violations and insider dealings. Relevant measures to ensure compliance have been established.

Regarding its environmental risks, the company has adopted an ISO 14001 certified environmental management system with the aim of ensuring a full and continuous environmental impact monitoring and control of its offshore production operations. Yinson is also actively committed to face climate

<sup>19</sup> As per ISS ESG industry classification

change, having established a 30% emission intensity reduction target by 2030 for its production assets, and the double goal of becoming carbon neutral by 2030 and net zero by 2050. Nevertheless, as SBTi is unable to validate targets for the Oil & Gas sector, and the company has not yet made a public commitment to establishing an SBTi-approved target in the next two years, it cannot be ascertained at the point of assessment, whether the target is in line with the international commitment to limit global warming to well below 2°C. Furthermore, some information is available on the company's strategy to improve the energy efficiency of its products and address several other relevant issues linked to its environmental impacts, such as offshore spill prevention and contingency planning, biodiversity protection and final fleet disposal.

### **Indicative product portfolio assessment**

#### **Social impact of the product portfolio:**

Being mainly a provider of offshore support and production services for oil companies, Yinson has currently no products with significant impacts on global social objectives. The company's overall product portfolio is therefore considered to be neutral.

#### **Environmental impact of the product portfolio:**

The company owns the 140 MW Badhla solar plants and has secured a contract to build, own and operate a 190 MW solar plant in the Nokh Solar Park, all assets located in India. However, from the analysis of the company's revenue breakdown, it emerges that the Renewable segment does not account for a significant revenue share yet. Therefore, selling electricity generated from renewable sources does not currently constitute one of the main businesses of the company but, considering the important investments made in this field and future development plans, this scenario is likely to change. Regarding its offshore business segments, Yinson charters and operates 7 production vessels and a fleet of 4 support vessels which provide services in different phases of oil and gas production processes, generating (almost) the totality of the company's revenue from these activities. While gas services are considered neutral regarding their contribution to global sustainability objectives, oil-related services have a negative impact on the mitigation of climate change and sustainable energy use.

### **Controversy Assessment**

#### **1. Company screening:**

The analyst in charge of producing the report conducted a high level controversy assessment, based on public information exclusively. There is no indication of the company being involved in any of the below mentioned controversies.

#### **2. Industry risks:**

Based on a review of controversies in the period of 1 January 2019 – 23 August 2021, the greatest risk reported against companies operating in the Oilfield Services / Equipment industry relate to activities of business malpractice and activities that may have adverse impacts on labour rights. This is closely followed by activities related to the environment. The top three issues that have been reported against companies within the industry are as follows: alleged failure to prevent bribery, failure to respect the right to just and favourable conditions of work and failure to respect the right to safe and healthy working conditions. This is closely followed by the alleged failure to mitigate climate change impacts, failure to assess environmental impacts and failure to prevent workplace discrimination.

## DISCLAIMER

1. Validity of the SPO: For as long as Yinson's Sustainability-Linked Financing Framework remains unchanged
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
5. We would point out that this SPO, in particular the images, text and graphics contained therein, and the layout and company logo of ISS ESG and ISS-ESG are protected under copyright and trademark law. Any use thereof shall require the express prior written consent of ISS. Use shall be deemed to refer in particular to the copying or duplication of the SPO wholly or in part, the distribution of the SPO, either free of charge or against payment, or the exploitation of this SPO in any other conceivable manner.

The issuer that is the subject of this report may have purchased self-assessment tools and publications from ISS Corporate Solutions, Inc. ("ICS"), a wholly-owned subsidiary of ISS, or ICS may have provided advisory or analytical services to the issuer. No employee of ICS played a role in the preparation of this report. If you are an ISS institutional client, you may inquire about any issuer's use of products and services from ICS by emailing [disclosure@issgovernance.com](mailto:disclosure@issgovernance.com).

This report has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. While ISS exercised due care in compiling this report, it makes no warranty, express or implied, regarding the accuracy, completeness or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes. In particular, the research and scores provided are not intended to constitute an offer, solicitation or advice to buy or sell securities nor are they intended to solicit votes or proxies.

ISS is an independent company owned by entities affiliated Genstar Capital ("Genstar"). ISS and Genstar have established policies and procedures to restrict the involvement of Genstar and any of Genstar's employees in the content of ISS' reports. Neither Genstar nor their employees are informed of the contents of any of ISS' analyses or reports prior to their publication or dissemination. The issuer that is the subject of this report may be a client of ISS or ICS, or the parent of, or affiliated with, a client of ISS or ICS.

© 2020 | Institutional Shareholder Services and/or its affiliates

## ANNEX 1: Methodology

### ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g. known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

### Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Securities Framework of Yinson, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance. ISS ESG reviewed the alignment of the concept of Yinson's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

### Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPT against Yinson's own past performance (according to Yinson's reported data), against Yinson's Oil & Gas Refining & Marketing peers (as per ISS ESG Peer Universe and other data), and against international benchmarks such as the Paris agreement and the UN SDGs (according the ISS ESG proprietary methodology). Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Yinson.

## ANNEX 2: Quality management processes

### SCOPE

Yinson commissioned ISS ESG to compile a Sustainability-Linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Bond, as well as the issuer's sustainability strategy.

### CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles

### ISSUER'S RESPONSIBILITY

Yinson's responsibility was to provide information and documentation on:

- Framework

### ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Bond to be issued by Yinson based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Yinson took place in August – September 2021.

### ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

## About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

**Federico Pezzolato**

SPO Business Manager EMEA/APAC

[Federico.Pezzolato@isscorporatesolutions.com](mailto:Federico.Pezzolato@isscorporatesolutions.com)

+44.20.3192.5760

**Miguel Cunha**

SPO Business Manager Americas

[Miguel.Cunha@isscorporatesolutions.com](mailto:Miguel.Cunha@isscorporatesolutions.com)

+1.917.689.8272

For Information about this Sustainability-Linked Instrument SPO, contact: [SPOOperations@iss-esg.com](mailto:SPOOperations@iss-esg.com)

### Project team

**Project lead**

Carman Mak  
Associate  
ESG Consultant

**Project supervision**

Viola Lutz  
Associate Director  
Deputy Head of Climate Services