

ELECTRONIC DISCLAIMER

STRICTLY PRIVATE AND CONFIDENTIAL

NOT FOR DISTRIBUTION TO PERSONS THAT DO NOT FALL WITHIN THE RELEVANT CATEGORIES OF PERSONS SPECIFIED IN SECTION 2(6) OF THE COMPANIES ACT 2016, AS AMENDED FROM TIME TO TIME ("**COMPANIES ACT**") AND PERSONS TO WHOM AN OFFER OR INVITATION TO SUBSCRIBE THE SRI SUKUK TADAU (AS DEFINED HEREIN) MAY BE MADE AND TO WHOM THE SRI SUKUK TADAU ARE ISSUED WOULD NOT FALL WITHIN PART 1 OF SCHEDULE 6 (OR SECTION 229(1)(b)) OF THE CAPITAL MARKETS AND SERVICES ACT 2007, AS AMENDED FROM TIME TO TIME ("**CMSA**"), OR PART 1 OF SCHEDULE 7 (OR SECTION 230(1)(b)) OF THE CMSA READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA AT ISSUANCE; THEREAFTER, NOT FOR DISTRIBUTION TO PERSONS THAT DO NOT FALL WITHIN THE RELEVANT CATEGORIES OF PERSONS SPECIFIED IN SECTION 2(6) OF THE COMPANIES ACT OR PERSONS TO WHOM AN OFFER OR INVITATION TO PURCHASE THE SRI SUKUK TADAU THAT WOULD NOT FALL WITHIN PART 1 OF SCHEDULE 6 (OR SECTION 229(1)(b)) OF THE CMSA READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA AFTER THE ISSUANCE OF THE SRI SUKUK TADAU.

IMPORTANT: YOU MUST READ THE FOLLOWING DISCLAIMER BEFORE CONTINUING.

This Supplemental Information Memorandum is a supplement to, and has to be read in conjunction with, the Information Memorandum dated 16 June 2017. Save to the extent defined in this Supplemental Information Memorandum, all terms used in this Supplemental Information Memorandum shall have the same meanings as those defined or otherwise attributed meanings in the Information Memorandum dated 16 June 2017. To the extent that the Information Memorandum dated 16 June 2017 is inconsistent with this Supplemental Information Memorandum, the terms of this Supplemental Information Memorandum shall prevail.

Please find attached an electronic copy of the supplemental information memorandum dated 31 July 2017 ("**Supplemental Information Memorandum**"), in relation to the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of Islamic medium term notes ("**SRI Sukuk Tadau**") pursuant to an Islamic medium term notes programme under the Shariah principles of Istisna' and Ijarah of up to RM250.0 million in nominal value ("**SRI Sukuk Programme**") by Tadau Energy Sdn Bhd (Company No. 1148988-K) ("**Issuer**").

The following disclaimer applies to the attached Supplemental Information Memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Supplemental Information Memorandum. By accepting this e-mail and accessing the attached Supplemental Information Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: The Supplemental Information Memorandum is not a prospectus and has not been registered nor will it be registered as a prospectus under the CMSA. In order to be eligible to view the attached Supplemental Information Memorandum or make an investment decision in respect of the SRI Sukuk Tadau, you must be a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to subscribe the SRI Sukuk Tadau may be made and to whom the SRI Sukuk Tadau are issued would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the CMSA or Part 1 of Schedule 7 (or Section 230(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA; thereafter, a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to purchase the SRI Sukuk

Tadau would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA ("**Selling Restrictions**").

By accepting the e-mail and accessing the attached Supplemental Information Memorandum, you shall be deemed to have represented to us (1) that you are a person falling within the Selling Restrictions; and (2) that you consent to the delivery of the attached Supplemental Information Memorandum and any amendments or supplements thereto by electronic transmission.

You are reminded that documents transmitted via this medium may be subject to interruptions, transmission blackout, delayed transmission due to internet traffic, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions. Affin Hwang Investment Bank Berhad (Company No. 14389-U) as the Principal Adviser ("**PA**"), Lead Arranger ("**LA**") and the Lead Manager ("**LM**") of the SRI Sukuk Programme or any person who controls any of them or any of their respective directors, officers, employees, representatives or affiliates have not accepted and will not accept any liability and/or responsibility for any such interruptions, transmission blackout, delayed transmission due to internet traffic, data corruption, interception, unauthorised amendment, tampering, viruses or other technical, mechanical or systemic risks associated with internet transmissions or any consequence thereof.

RESTRICTIONS

The Supplemental Information Memorandum is strictly confidential and does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the SRI Sukuk Tadau or any other securities of any kind by any party in any jurisdiction in which such offer or sale of, or an invitation to subscribe or purchase the SRI Sukuk Tadau would be unlawful prior to qualification under the securities laws of such jurisdictions.

The Supplemental Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the SRI Sukuk Tadau or any other securities of any kind by any party in any Foreign Jurisdiction.

You are reminded that you have accessed the Supplemental Information Memorandum on the basis that you are a person into whose possession of the Supplemental Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the SRI Sukuk Tadau described therein.**

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail, and you may not purchase any SRI Sukuk Tadau by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED SUPPLEMENTAL INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH SUPPLEMENTAL INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION, REPRODUCTION OR ALTERATION OF ANY OF THE CONTENTS OF THIS DOCUMENT AND THE ATTACHED SUPPLEMENTAL INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. BY OPENING AND ACCEPTING THE ATTACHED SUPPLEMENTAL INFORMATION MEMORANDUM YOU AGREE TO THE FOREGOING.

THE FOREGOING IS IN ADDITION TO AND WITHOUT PREJUDICE TO ALL OTHER DISCLAIMERS AND AGREEMENTS WHICH A RECIPIENT OF THE SUPPLEMENTAL INFORMATION MEMORANDUM SHALL BE DEEMED TO HAVE AGREED TO OR BE BOUND BY AS SET OUT IN THE SUPPLEMENTAL INFORMATION MEMORANDUM.

TADAU ENERGY SDN BHD

(Company No. 1148988-K)

SUPPLEMENTAL INFORMATION MEMORANDUM

**PROPOSED ISSUE OF, OFFER FOR SUBSCRIPTION OR
PURCHASE OF, OR INVITATION TO SUBSCRIBE FOR OR
PURCHASE OF ISLAMIC MEDIUM TERM NOTES
PURSUANT TO AN ISLAMIC MEDIUM TERM NOTES
PROGRAMME UNDER THE SHARIAH PRINCIPLES OF
ISTISNA' AND IJARAH OF UP TO RM250.0 MILLION IN
NOMINAL VALUE**

PRINCIPAL ADVISER / LEAD ARRANGER / LEAD MANAGER



**AFFIN HWANG INVESTMENT BANK BERHAD
(Company No. 14389-U)**

A Participating Organisation of Bursa Malaysia Securities Berhad

This Supplemental Information Memorandum is dated 31 July 2017

IMPORTANT NOTICE

This Supplemental Information Memorandum is a supplement to, and has to be read in conjunction with, the Information Memorandum dated 16 June 2017. Save to the extent defined in this Supplemental Information Memorandum, all terms used in this Supplemental Information Memorandum shall have the same meanings as those defined or otherwise attributed meanings in the Information Memorandum dated 16 June 2017. To the extent that the Information Memorandum dated 16 June 2017 is inconsistent with this Supplemental Information Memorandum, the terms of this Supplemental Information Memorandum shall prevail.

RESPONSIBILITY STATEMENT

This supplemental information memorandum ("**Supplemental Information Memorandum**") has been approved by the directors of Tadau Energy Sdn Bhd (Company No. 1148988-K) ("**Tadau Energy**" or the "**Issuer**") and they collectively and individually accept full responsibility for the accuracy of the information contained in this Supplemental Information Memorandum. The Board of Directors ("**Board**") of the Issuer, after having made all reasonable enquiries and to the best of their knowledge, information and belief, confirms that all information contained in this Supplemental Information Memorandum is true and correct in all material respects. The Board of the Issuer further confirms that there is no omission of a material fact, necessary to make the information contained in this Supplemental Information Memorandum, in light of the circumstances under which it is provided, not misleading, and that the opinions and intentions expressed in the information contained in this Supplemental Information Memorandum are honestly held. Reasonable enquiries have been made by the Board of the Issuer to ascertain that all material facts have been disclosed and to verify the accuracy of all such information and statements. In this context, the Board of the Issuer accepts full responsibility for such information contained in this Supplemental Information Memorandum.

IMPORTANT NOTICE AND GENERAL STATEMENTS OF DISCLAIMER

This Supplemental Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the SRI Sukuk Tadau.

This Supplemental Information Memorandum may not be reproduced, in whole or in part, or used for any other purpose, or shown, given, copied to or filed, in whole or in part, with any other person including, without limitation, any government or regulatory authority except with the prior consent of Tadau Energy or as required under Malaysian laws, regulations or guidelines.

Affin Hwang Investment Bank Berhad ("**Affin Hwang IB**") as the Principal Adviser ("**PA**"), Lead Arranger ("**LA**") and Lead Manager ("**LM**") has not independently verified the information contained in this Supplemental Information Memorandum and does not make any representation, warranty or undertaking, neither expressed or implied with respect to the accuracy or completeness of any of the information contained in this Supplemental Information Memorandum.

To the extent permitted by law, the PA, LA or LM has not accepted and will not accept any responsibility for the information and data contained in this Supplemental Information Memorandum or otherwise in relation to the SRI Sukuk Tadau and to the extent permitted by law, shall not be liable for any consequences of reliance on any of the information or data in this Supplemental Information Memorandum.

The information in this Supplemental Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Supplemental Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information supplied. No person is authorised to give any information or data or to make any representation or warranty other than as contained in this Supplemental Information Memorandum and, if given or made, any such

information, data, representation or warranty must not be relied upon as having been authorised by Tadau Energy, the PA, LA or LM or any other person.

This Supplemental Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation (or with or by any regulatory authorities or other relevant bodies) of any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe for or purchase the SRI Sukuk Tadau or any other securities of any kind by any party in any Foreign Jurisdiction.

This Supplemental Information Memorandum is not and is not intended to be a prospectus. Unless otherwise specified in this Supplemental Information Memorandum, the information contained in this Supplemental Information Memorandum is current as at the date hereof.

The distribution or possession of this Supplemental Information Memorandum in or from certain jurisdictions may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither Tadau Energy nor the PA, LA or LM accepts any responsibility or liability to any person in relation to the distribution or possession of this Supplemental Information Memorandum in or from any Foreign Jurisdiction.

By accepting delivery of this Supplemental Information Memorandum, each recipient agrees to the terms upon which this Supplemental Information Memorandum is provided to such recipient as set out in this Supplemental Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information and data, (b) it is lawful for the recipient to subscribe for or purchase the SRI Sukuk Tadau under all jurisdictions to which the recipient is subject, (c) it has complied with all applicable laws in connection with such subscription or purchase of the SRI Sukuk Tadau, (d) Tadau Energy, the PA, LA or LM and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the SRI Sukuk Tadau, and they shall not have any responsibility or liability in the event that such subscription or purchase of the SRI Sukuk Tadau is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the SRI Sukuk Tadau can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the SRI Sukuk Tadau, and is able and is prepared to bear the economic and financial risks of investing in or holding the SRI Sukuk Tadau, (g) it is subscribing or accepting the SRI Sukuk Tadau for its own account, and (h) it is a person falling within one of the categories of persons to whom an offer or invitation to subscribe the SRI Sukuk Tadau may be made and to whom the SRI Sukuk Tadau are issued would fall within the relevant category of persons specified in Section 2(6) of the Companies Act 2016, as amended from time to time ("**Companies Act**"), and persons to whom an offer or invitation to subscribe the SRI Sukuk Tadau may be made and to whom the SRI Sukuk Tadau are issued would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") or Part 1 of Schedule 7 (or Section 230(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA; thereafter, a person falling within the relevant category of persons specified in Section 2(6) of the Companies Act, and persons to whom an offer or invitation to purchase the SRI Sukuk Tadau would fall within Part 1 of Schedule 6 (or Section 229(1)(b)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Supplemental Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the SRI Sukuk Tadau in relation to any recipient who does not fall within the categories of persons specified in item (h) above.

This Supplemental Information Memorandum or any document delivered under or in relation to the proposed issue, offer and sale of the SRI Sukuk Tadau is not, and should not be construed as, a recommendation by Tadau Energy and/or the PA, LA or LM to subscribe for or purchase the SRI Sukuk Tadau. This Supplemental Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. All information and statements herein are subject to the detailed provisions of the respective agreements

referred to herein and are qualified in their entirety by reference to such documents. The SRI Sukuk Programme will carry risks and each recipient should perform and is deemed to have made its own independent investigation and analysis of Tadau Energy, the issuance of the SRI Sukuk Tadau and all other relevant matters, and each recipient should consult its own professional advisers.

Neither the delivery of this Supplemental Information Memorandum nor the offering, sale or delivery of any SRI Sukuk Tadau shall in any circumstance imply that the information contained herein is correct at any time subsequent to the date stated hereof or if no dates have been specifically stated, subsequent to the date of this Supplemental Information Memorandum or that any other information supplied in connection with the SRI Sukuk Tadau is correct as of any time subsequent to the date indicated in the document containing the same. The PA, LA or LM expressly does not undertake to review the financial condition or affairs of Tadau Energy during the tenure of the SRI Sukuk Tadau or to advise any investor of the SRI Sukuk Tadau (“**Sukukholder**”) of any information coming to their attention unless required by law. The recipient of this Supplemental Information Memorandum or the potential Sukukholders should review, *inter alia*, the most recently published documents incorporated by reference into this Supplemental Information Memorandum when deciding whether or not to purchase any SRI Sukuk Tadau.

This Supplemental Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Supplemental Information Memorandum and other parties with respect to the Malaysian economy, the material businesses which Tadau Energy operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimate and or report thereon derived from such and other third party sources.

This Supplemental Information Memorandum includes “forward-looking statements” and reflects projections of future events which may or may not prove to be correct. These statements include, among other things, discussions of each of Tadau Energy’s business strategy and expectation concerning its position in the Malaysian economy, future operations, profitability, liquidity, capital resources and financial position. All these statements are based on estimates and assumptions made by Tadau Energy that, although believed to be reasonable, are subject to risks and uncertainties that may cause actual events and the future results of Tadau Energy to be materially different from that expected or indicated by such statements and estimates and no assurance can be given that any of such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Supplemental Information Memorandum should not be regarded as a representation or warranty by Tadau Energy, its advisers or any other person that the future plans and objectives as anticipated by the Issuer will be achieved. Any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer.

Dr. Aznan Hasan, as the Shariah adviser (“**Shariah Adviser**”), has reviewed and confirmed the structure and mechanism of the SRI Sukuk Tadau and their compliance with the applicable Shariah principles. However, the approval is only an expression of the view of the Shariah Adviser based on his extensive experience in the subject. Investors are reminded that, as with any Shariah views, differences in opinion are possible. Investors are advised to obtain their own independent Shariah advice as to whether the structure meets their individual standards of compliance.

ACKNOWLEDGEMENT

Tadau Energy hereby acknowledges and authorises the PA, LA or LM to circulate or distribute this Supplemental Information Memorandum on its behalf in respect of or in connection with the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the SRI Sukuk Tadau to prospective investors and that no further evidence of authorisation is required.

STATEMENTS OF DISCLAIMER – SECURITIES COMMISSION MALAYSIA

This Supplemental Information Memorandum is not a prospectus and is not intended to be a prospectus and will not be lodged as a prospectus with the Securities Commission Malaysia (“SC”). However, a copy of this Supplemental Information Memorandum, upon finalisation, has been lodged as an information memorandum for the purposes of Sections 229 and/or 230 of the CMSA with the SC, which takes no responsibility for its contents.

The proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of the SRI Sukuk Tadau in this Supplemental Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the lodgement of information and documents in relation to the SRI Sukuk Programme to the SC in accordance with the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by the SC on 9 March 2015 (effective on 15 June 2015) and revised on 16 January 2017 (as may be amended from time to time) (“LOLA Guidelines”).

The structure of the SRI Sukuk Programme has been endorsed by the Shariah Advisory Council of the SC. Information and documents in relation to the SRI Sukuk Programme has been lodged with the SC pursuant to the LOLA Guidelines. Each recipient of this Supplemental Information Memorandum acknowledges and agrees that the lodgement of the SRI Sukuk Programme with the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the SRI Sukuk Tadau.

The SC, who takes no responsibility for the contents of this Supplemental Information Memorandum, shall not be liable for any non-disclosure on the part of Tadau Energy and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Supplemental Information Memorandum.

EACH SRI SUKUK TADAU WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH SUKUK TADAU ISSUE ON ITS OWN MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS ARE ADVISED TO NOTE THAT THIS SUKUK TADAU IS TRANSFERABLE AND TRADABLE. IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE SUBSCRIBING OR PURCHASING THE SRI SUKUK TADAU.

CONFIDENTIALITY

This Supplemental Information Memorandum and its contents are strictly confidential and the information herein contained is given to the recipient strictly on the basis that the recipient shall ensure the same remains confidential. Accordingly, this Supplemental Information Memorandum and its contents, or any information, which is made available to the recipient in connection with any further enquiries, must be held in complete confidence.

This Supplemental Information Memorandum is submitted to prospective investors specifically in reference to the SRI Sukuk Tadau and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the PA, LA or LM.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, Tadau Energy or the PA, LA or LM may, at its discretion, apply for any remedy available whether at law or in equity, including without limitation, injunctions. Tadau Energy and the PA, LA or LM are entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard on a full indemnity basis. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient’s professional advisers, directors, employees and any other persons who may receive this Supplemental Information Memorandum (or any part of it) from the recipient.

The PA, LA or LM may at any time request any recipient to return this Supplemental Information Memorandum and all reproductions whether in whole or in part any other information in connection therewith and where such a request is made, the recipient must return this Supplemental Information Memorandum and all reproductions whether in whole or in part and any other information in connection therewith to the PA, LA or LM as soon as reasonably practicable after the said request from the PA, LA or LM.

PRIVACY NOTICE

Affin Hwang IB is committed to comply with the Personal Data Protection Act 2010 which came into force on 15 November 2013.

Affin Hwang IB is required to issue Privacy Notice to any person for the use and processing of personal information of such person. The Privacy Notice is available at Affin Hwang IB's website: www.affinhwang.com.

In respect of a person which is a body corporate, the consent and authority of their directors, shareholders, authorised signatories and officers are deemed to have been duly obtained to provide the personal data (as defined under the Personal Data Protection Act 2010) as required by Affin Hwang IB.

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Save to the extent defined in this Supplemental Information Memorandum, all terms used in this Supplemental Information Memorandum shall have the same meanings as those defined or otherwise attributed meanings in the the Information Memorandum dated 16 June 2017.

1.1 Amendments to the Information Memorandum

1.1.1 Amendments to the Definitions and Abbreviations

Each of the following definitions in the Definitions and Abbreviations of the Information Memorandum are hereby deleted in its entirety and substituted with the following:

“Operation and Maintenance Agreement 1” or “O&M Agreement 1” : the operation and maintenance agreement dated 28 June 2017 entered into between Tadau Energy and the O&M Contractor for the operation and maintenance of Unit 1 and includes any amendments, variations and/or supplementals made or entered into from time to time;

“Operation and Maintenance Agreement 2” or “O&M Agreement 2” : the operation and maintenance agreement dated 28 June 2017 entered into between Tadau Energy and the O&M Contractor for the operation and maintenance of Unit 2 and includes any amendments, variations and/or supplementals made or entered into from time to time;

1.1.2 Amendments to Section 1.5 (Key Project Documents)

Section 1.5 (Key Project Documents) of the Information Memorandum is hereby deleted in its entirety and substituted with the following:

“1.5 KEY PROJECT DOCUMENTS

The key Project Documents are as follows:

Project Documents	Contracting Counterparties	Date of agreement
PPA 1	Tadau Energy and SESB	15 December 2016
PPA 2	Tadau Energy and SESB	15 December 2016
EPC Contract 1	Tadau Energy and the EPC Contractor	24 January 2017
EPC Contract 2	Tadau Energy and the EPC Contractor	24 January 2017
Operation and Maintenance Agreement 1	Tadau Energy and the O&M Contractor	28 June 2017
Operation and Maintenance Agreement 2	Tadau Energy and the O&M Contractor	28 June 2017

Lease Agreement – (Site Bak Bak)	Tadau Energy and JS Premier Corporation Sdn Bhd	28 December 2016
Lease Agreement – (Site Yong East)	Tadau Energy and one (1) registered proprietor	16 December 2016
Lease Agreement – (Site Yong West 1)	Tadau Energy and one (1) registered proprietor	16 December 2016
Lease Agreement – (Site Yong West 2)	Tadau Energy and one (1) registered proprietor	16 December 2016
Lease Agreement – (Site Yong West 3)	Tadau Energy and two (2) registered proprietors	8 March 2017
Lease Agreement – (Site Yong West 4)	Tadau Energy and two (2) registered proprietors	8 March 2017
Lease Agreement – (Site Yong West 5)	Tadau Energy and one (1) registered proprietor	8 March 2017

For details, please refer to Section 4.5 of this Information Memorandum.”

1.1.3 Amendments to Section 1.6.5 (Rating)

Section 1.6.5 (Rating) of the Information Memorandum is hereby deleted in its entirety and substituted with the following:

“RAM had vide its letter dated 22 June 2017 assigned a long-term rating of AA₃ with a stable outlook to the SRI Sukuk Programme.”

1.1.4 Insertion of a new Section 1.9 (Green Sukuk)

A new Section 1.9 (Green Sukuk) is hereby inserted under Section 1 (Executive Summary) of the Information Memorandum as follows:

“1.9 GREEN SUKUK

The Center for International Climate and Environmental Research - Oslo (“**CICERO**”) has provided a second opinion (“**Second Opinion**”) on the Issuer’s green Sukuk framework for the Project (“**Tadau Energy Green Sukuk Framework**”). Cicero Second Opinions are graded dark green, medium green or light green, reflecting the climate and environmental ambitions of the sukuk and the robustness of the governance structure of the Sukuk Framework. The aim of CICERO’s Second Opinion on the Tadau Energy Green Sukuk Framework is to assess Tadau Energy Green Sukuk Framework’s ability to support the Issuer’s stated objective of promoting the transition to low-carbon and climate resilient growth.

Cicero has rated the Tadau Energy Green Sukuk Framework as “Dark Green” based on its overall assessment of project type and policies guiding the implementation of Tadau Energy Green Sukuk Framework. CICERO allocates “Dark Green” shading for projects and solutions that are realizations of the long-term vision of a low carbon and climate resilient future. Typically,

this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities.

For further information, please refer to the Cicero’s Second Opinion on Tadau Energy Green Sukuk Framework dated 24 July 2017 as attached in Appendix 6 of this Information Memorandum.”

1.1.5 Amendments to Section 4.2 (Construction Schedule of Solar PV Plants)

Section 4.2 (Construction Schedule of Solar PV Plants) of the Information Memorandum is hereby deleted in its entirety and substituted with the following:

“4.2 CONSTRUCTION SCHEDULE OF SOLAR PV PLANTS

Tadau Energy has entered into the EPC Contracts with the EPC Contractor for the design, engineering, procurement, construction, installation, testing and commissioning of the Solar PV Plants, SPP Interconnection Facility, SPP Interconnector, SESB Interconnection Facility and SPP Works on a turnkey basis for all-inclusive, non-escalating lump sum, fixed contract price and otherwise in accordance with the EPC Contracts on an agreed completion date for the Solar PV Plants.

Details of the key milestones and construction schedule of the Solar PV Plants are as follows:

Milestones	Unit 1	Unit 2
Effective Date of the PPAs	14 March 2017	14 March 2017
Commencement of construction *	28 April 2017	31 August 2017 [#]
Guaranteed Completion Date **	28 May 2017	6 November 2017
Initial Operation Date ***	19 June 2017	15 February 2018
Scheduled COD ***	30 June 2017	31 March 2018

Notes:

- * *Being the date of commencement of construction works*
- ** *As set out in the EPC Contract 1 and EPC Contract 2, respectively*
- *** *As set out in the PPA 1 and PPA 2, respectively*
- # *Being the expected date of commencement of construction*

The construction works of Unit 1 commenced on 28 April 2017. As at the date of this Supplemental Information Memorandum, Unit 1 is completed and is currently undergoing the requisite tests pursuant to the PPA 1, and COD is targeted to take place on 15 August 2017. The installation of solar PV modules was completed on 31 May 2017 while the installation of the transformer and inverters was completed on 5 June 2017. The Commencement Date for Unit 2 has been extended to 31 August 2017 by SESB vide its letter dated 28 July 2017, subject to Tadau Energy submitting its revised conceptual design report in relation to the 48 MWac Project to SESB by 7 August 2017. Tadau Energy expects to be able to submit the aforementioned conceptual design report by 4 August 2017.”

1.1.6 Amendments to Section 4.5.1.2 (PPA 2)

Section 4.5.1.2 (PPA 2) of the Information Memorandum is hereby amended as follows:

1.1.6.1 Item (vi) (Critical Milestones) of Section 4.5.1.2 is hereby deleted in its entirety and substituted with the following:

“(vi) Critical Milestones

Critical milestones in the PPA 2 are as below:

- (a) the PPA 2 Financial Closing Date shall occur on or before 10 May 2017. The **“PPA 2 Financial Closing Date”** means the date on which the PPA 2 Financing Documents relating to the financing or refinancing for the total construction costs of the 48 MWac Project have been entered into by Tadau Energy and the Financing Parties, and all of the conditions precedent for the initial drawdown under such PPA 2 Financing Documents have been satisfied by Tadau Energy or waived by the Financing Parties thereunder;
- (b) the Commencement Date under the PPA 2, being the date notified by Tadau Energy to SESB on which the construction work at Site Yong East, Site Yong West and Site Bak Bak has started (**“PPA 2 Commencement Date”**) shall occur no later than 10 April 2017;
- (c) each of the Project Documents (being the PPA 2, the EPC Contract 2, the O&M Agreement 2, the PPA 2 Sites Agreement and such other agreements as mutually agreed) shall be in full force and effect and all conditions precedent to their effectiveness shall be satisfied or waived no later than 10 April 2017; and
- (d) the PPA 2 Initial Operation Date shall occur no earlier than 15 February 2018.

Notwithstanding the above, the failure to meet any of the critical milestones set out above does not in itself amount to an event of default by Tadau Energy under the PPA 2.

The PPA 2 Financial Closing Date has been extended to 20 July 2017 vide the letter issued by SESB dated 11 July 2017.

The Commencement Date for Unit 2 has been extended to 31 August 2017 by SESB vide its letter dated 28 July 2017, subject to Tadau Energy submitting its revised conceptual design report in relation to the 48 MWac Project to SESB by 7 August 2017. Tadau Energy expects to be able to submit the aforementioned conceptual design report by 4 August 2017.”

1.1.7 Amendments to Section 4.5.4.1 (Operations and Maintenance Agreement 1)

Section 4.5.4.1 (Operations and Maintenance Agreement 1) of the Information Memorandum is hereby amended as follows:

1.1.7.1 Item (i) (Overview) of Section 4.5.4.1 is hereby deleted in its entirety and substituted with the following:

“(i) Overview

The O&M Agreement 1 was entered into on 28 June 2017 between Tadau Energy and the O&M Contractor, whereby the Issuer has appointed the O&M Contractor to execute the works under the O&M Agreement 1; namely, the provision or procurement and the performance of all the works, services, supplies and other activities necessary to operate and maintain Unit 1 and any ancillary or related facilities, in accordance with the O&M Agreement 1.”

1.1.8 Amendments to Section 4.5.4.2 (Operations and Maintenance Agreement 2)

Section 4.5.4.2 (Operations and Maintenance Agreement 2) of the Information Memorandum is hereby amended as follows:

1.1.8.1 Item (i) (Overview) of Section 4.5.4.2 is hereby deleted in its entirety and substituted with the following:

“(i) Overview

The O&M Agreement 2 was entered into on 28 June 2017 between Tadau Energy and the O&M Contractor, whereby the Issuer has appointed the O&M Contractor to execute the works under the O&M Agreement 2; namely, the provision or procurement and the performance of all the works, services, supplies and other activities necessary to operate and maintain Unit 2 and any ancillary or related facilities, in accordance with the O&M Agreement 2.”

1.1.9 Amendments to Section 6.3.1 (Completion Delay)

Section 6.3.1 (Completion Delay) of the Information Memorandum is hereby deleted in its entirety and substituted with the following:

“6.3.1 Completion Delay

The timely completion of the Solar PV Plants is dependent upon, amongst others, the performance of the EPC Contractor in completing the same in accordance with the agreed dates in order for Tadau Energy to meet the respective COD for each of the Solar PV Plants.

If Tadau Energy fails to achieve COD on or before the Scheduled COD of Unit 1 (i.e. 30 June 2017) due to default of Tadau Energy or its contractors or agents under the PPA 1, Tadau Energy shall be liable to pay SESB a compensation amount equal to RM1,000.00 per day for each day of delay, commencing from the Scheduled COD of Unit 1 until the earlier of (i) the COD

of Unit 1; (ii) the date on which the PPA 1 is terminated by SESB; or (iii) 180 days after the Scheduled COD of Unit 1.

Total compensation payable by Tadau Energy shall not exceed RM180,000.00. The failure to achieve the COD of Unit 1 within 180 days from the Scheduled COD of Unit 1 shall constitute an event of default under the PPA 1.

As at the date of this Supplemental Information Memorandum, Unit 1 is completed, and the Initial Operation Date (as defined in PPA 1) is expected to be achieved by 1 August 2017. The works outstanding for achieving commercial operation of Unit 1 are mainly in relation to the testing and commissioning of Unit 1. Tadau Energy expects COD for Unit 1 to be achieved on 15 August 2017. Nevertheless, Tadau Energy reserves the right to claim any Delay LDs (as defined below) from the EPC Contractor, to be determined by Tadau Energy after the completion of Unit 2.

The PPA 2 specifies the Scheduled COD of Unit 2 is 31 March 2018. If Tadau Energy fails to achieve COD of Unit 2 on or before the Scheduled COD of Unit 2 due to default of Tadau Energy or its contractors or agents under the PPA 2, Tadau Energy shall pay SESB a compensation amount equal to RM24,000.00 per day for each day of delay, commencing from the Scheduled COD of Unit 2 until the earlier of (i) the COD of Unit 2; (ii) the date on which the PPA 2 is terminated by SESB; or (iii) 180 days after the Scheduled COD of Unit 2.

The failure to achieve the COD of Unit 2 beyond 180 days from the Scheduled COD of Unit 2 shall constitute an event of default under the PPA 2.

However, the aforementioned risk is mitigated, amongst others, by the following:

- Experience of the EPC Contractor and guarantee from parent company

The EPC Contractor is a wholly-owned subsidiary of CPI Power Engineering Co. Ltd. (“**CPIPEC**”) which in turn is wholly-owned by State Power Investment Corporation (“**SPIC**”). SPIC, a state-owned investment company, is an integrated energy group with total installed capacity of 107.4 gigawatt for 2016, comprising thermal, hydro, nuclear, solar and wind power, Clean energy accounted for 40.06% of the total installed capacity. In respect of solar power generation, SPIC is involved in almost the entire industry chain which includes research and development, planning and design, manufacturing of polysilicon, cells and modules, project construction and training.

Although the EPC Contractor has no operating history in Malaysia and was established pursuant to securing the EPC Contracts, the construction works and all technical aspects of the Project will be carried out by the technical and support teams from CPIPEC. CPIPEC is an experienced EPC Contractor who had completed installation of solar PV plants with an aggregate installed capacity of about 940 MW since 2009 and another seven (7) solar PV plants with an aggregate installed capacity of 631 MW under construction, all of which are

located in China and expected to be commissioned by 2017. In addition, pursuant to the EPC Contracts, CPIPEC has provided a Parent Company Guarantee in which it has guaranteed the performance of all of the EPC Contractor's obligations and/or liabilities under the EPC Contracts. However, there is no assurance that the EPC Contractor would be able to familiarise itself with the local construction requirements/standards to ensure timely completion of the Solar PV Plant.

- Current progress of the work done at the Solar PV Plants

The Independent Technical Adviser, based on its report dated 16 June 2017, has opined that:

- In respect of the Unit 2, there could be a medium risk of a three (3) months delay to the Guaranteed Completion Dates and while there is a low risk of a delay of one (1) month or greater to the Scheduled COD of Unit 2; and
- In respect of Unit 1, likelihood of delay to COD of a month or less is high, potentially arising from the works in relation to the interconnection facilities as well as the review and approval by SESB for Unit 1 and the related interconnection facilities. Nevertheless, the Scheduled COD of Unit 1 of 30 June 2017 is achievable with concerted efforts and expedient approvals from SESB in respect thereto.

- Delay Liquidated Damages

Liquidated damages are payable by the EPC Contractor ("**Delay LDs**") for each day of delay of works beyond the respective Guaranteed Completion Dates that is not a result of a Force Majeure Event (as referred in the EPC Contracts) or extension of time under circumstances as specified in Section 4.5.2 of this Information Memorandum. In this regard, the EPC Contractor shall pay the following:

EPC 1 - RM6,000 for each day of delay of the works; and

EPC 2 - RM144,000 for each day of delay of the works.

The Delay LDs are capped at 15% of the Contract Price for the respective EPC Contracts. The Independent Technical Adviser, based on its report, has opined that the Delay LDs is able cover the cost of delay under the PPAs.

- Guaranteed Completion under the EPC Contracts

The risk of delay in completion is mitigated as the Guaranteed Completion Date of Unit 1 is about 32 days before the Scheduled COD of Unit 1 while the Guaranteed Completion Date of Unit 2 is about 144 days before the Scheduled COD of Unit 2. This will provide some buffer to handle unforeseen issues/circumstances that may arise during the construction, testing and commissioning of the Solar PV Plants.

- Project Monitoring and Management

The construction progress, testing and commissioning as well as verification of such results will be subject to strict monitoring of the Sponsor, Tadau Energy and Fichtner GmbH & Co KG, the owners' engineer. The Independent Technical Adviser will review the construction progress report on a quarterly basis and will highlight any issues. As such, potential delays and issues can be identified at an early stage and the actual delay is expected to be managed by Tadau Energy. Close liaison and engagement with SESB on a monthly basis and on-demand basis at the design and implementation stage will mitigate interconnection risk and meeting the requirements of SESB.”

1.1.10 Amendments to section 6.3.19 (Land Use)

Section 6.3.19 (Land Use) of the Information Memorandum is hereby deleted in its entirety and substituted with the following:

“6.3.19 Land Use

The Project Lands are required to be rezoned for light industrial use for the purposes of the Project.

In respect of Site Yong East, a public notice for the proposed rezoning to Site Yong East was issued in a local newspaper by the Kudat Town Board and no objection has been received in respect of the proposed rezoning, which is currently pending a recommendation from the Kudat Town Board and subsequently final approval from the Central Town and Country Planning Board (“**Central Board**”) of *Jabatan Perancang Bandar dan Wilayah Negeri Sabah* (“**JPBW**”). Tadau Energy expects to receive the final approval at the next meeting of the Central Board.

Tadau Energy is currently liaising with the Department of Town and Country Planning of JPBW for the proposed rezoning of Site Yong West and Site Bak Bak.

There is a risk that an objection may be made against the proposed rezoning in respect of Site Yong West and Site Bak Bak, as well as a risk that the Central Board will not provide its final approval in respect of the rezoning of the Project Lands, in which case, the Project Lands may not be rezoned. Any contravention by Tadau Energy of the applicable laws and regulations in respect of the aforementioned rezoning shall carry a penalty of a fine or imprisonment.

However, an objection may only be made by a person or public body affected by the proposed rezoning, and who would be required to send a statement of objection to the Kudat Town Board setting out the nature and reason for such objection. It is unlikely that there will be cause for objection for the proposed rezoning of Site Yong West and Site Bak Bak, especially in view of the fact that there was no objection in respect of the rezoning of Site Yong East. In addition, the proposed rezoning is for electricity supply for Sabah, and as such, it is also highly unlikely that the Central Board will not grant the final approval for the rezoning of any of the Project Lands.”

1.1.11 Insertion of a new Appendix 6 (CICERO Second Opinion on Tadau Energy Green Sukuk Framework)

A new Appendix 6 (CICERO Second Opinion on Tadau Energy Green Sukuk Framework), as set out in Appendix 1 herein, is hereby inserted after Appendix 5 of the Information Memorandum.

2.1 Change of Senior Management of Tadau Energy and the Sponsor in Sections 2.5 and 3.6 of the Information Memorandum

Since the date of the Information Memorandum, Mr. Tony Hoo Swee Seong Mun, who is set out as a member of the senior management for Tadau Energy and the Sponsor in sections 2.5.1 and 3.6.1 respectively in the Information Memorandum, has resigned from Tadau Energy Sdn Bhd and Kagayaki Energy Sdn Bhd, and his position in Tadau Energy Sdn Bhd and Kagayaki Energy Sdn Bhd has been filled by Mr. Brandon Lim Kian Guan and Ms. Candy Too Siew Toong.

Ms. Candy Too Siew Toong, aged 35, a Malaysian, is a member of the Association of Chartered Certified Accountants (ACCA) and the Malaysian Institute of Accountants (MIA). She has more than 16 years of work experience in the finance and corporate departments of several private limited companies in Malaysia across various industries, such as construction, retail and hotel.

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APPENDIX 1

CICERO SECOND OPINION ON TADAU ENERGY GREEN SUKUK FRAMEWORK

‘Second Opinion’ on Tadau Energy’s Green Sukuk Framework

24.July 2017

Summary

Tadau Energy's Green Sukuk Framework provides a sound framework for climate-friendly investments. The proceeds will support solar power development in Malaysia, which is a key technology supporting the transition to a low-carbon and climate-resilient society.

Tadau Energy is a private limited company established with the special purpose of constructing and operating solar projects. Tadau Energy has two shareholders, Kagayaki Energy and Edra Solar. The proceeds from the Green Sukuk will be used to finance one project comprised of two solar photovoltaic power plants in the district of Kudat. The issuer has no plans for additional projects under this framework.

Renewable projects, while key to a low carbon future, raise potential concerns regarding site selection, supply-chain emissions and local environmental impact during the construction phase and operations. Tadau Energy has informed us that they take life-cycle criteria into account when selecting suppliers, that they have a process for site selection that includes environmental consideration and that they have taken some steps to manage the local environmental impacts of the project construction. However, no Environmental Impact Assessment or independent review of Tadau Energy's environmental management has been undertaken.

The issuer has presented CICERO with relevant pieces of documentation, but no overarching policies or strategies that the special purpose company will follow. This lack of documentation presents some challenge when assessing the project. The issuer will report on use of proceeds through annual certificates, which are only available through the trustees of the sukuk or rating agencies. Transparency is key to build trust in the Green Sukuk market; CICERO encourages the issuer to adopt open and transparent communication practices to preserve investor confidence. CICERO notes that the issuer has not committed to impact reporting.

Based on the overall assessment of project type and the policies guiding the implementation Tadau Energy's Green Sukuk Framework is rated CICERO Dark Green.



°CICERO
Dark Green

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1 Introduction and background

As an independent, not-for-profit, research institute, CICERO (Center for International Climate and Environmental Research - Oslo) provides Second Opinions on institutions' framework and guidance for assessing and selecting eligible projects for green bond or sukuk investments and assesses the framework's robustness in meeting the institutions' environmental objectives. The Second Opinion is based on documentation of rules and frameworks provided by the institutions themselves (the client) and information gathered during meetings, teleconferences and e-mail correspondence with the client.

CICERO is independent of the entity issuing the bond or sukuk, its directors, senior management, and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO has established the Global Expert Network on Second Opinions (ENSO), a network of independent non-profit research institutions on climate change and other environmental issues, to broaden the technical expertise and regional experience for Second Opinions. CICERO works confidentially with other members in the network to enhance the links to climate and environmental science, building upon the CICERO model for Second Opinions. In addition to CICERO, ENSO members currently include Basque Center for Climate Change (BC3), International Institute for Sustainable Development (IISD), Stockholm Environment Institute (SEI), and Tsinghua University's Institute of Energy, Environment and Economy. A more detailed description of CICERO can be found at the end of this report. ENSO encourages the client to make this Second Opinion publically available. If any part of the Second Opinion is quoted, the full report must be made available.

CICERO's Second Opinions are normally restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO does not validate or certify the climate effects of single projects, and thus, has no conflict of interest in regard to single projects. CICERO is neither responsible for how the framework or mechanisms are implemented and followed up by the institutions, nor the outcome of investments in eligible projects.

This note provides a Second Opinion of Tadau Energy Sdn Bhd (Tadau Energy) Green Sukuk Framework and policies for considering the environmental impacts of their projects. The aim is to assess the Tadau Energy Green Sukuk Framework as to its ability to support the objective of promoting the transition to low-carbon and climate resilient growth.

This Second Opinion is based on the green bond or sukuk framework presented to CICERO by the issuer. Any amendments or updates to the framework require that CICERO undertakes a new assessment. CICERO takes a long-term view on activities that support a low-carbon climate resilient society. In some cases, activities or technologies that reduce near-term emissions result in net emissions or prolonged use of high-emitting infrastructure in the long-run. CICERO strives to avoid locking-in of emissions through careful infrastructure investments and moving towards low- or zero-emitting infrastructure in the long run. Proceeds from green bonds may be used for financing, including refinancing, new or existing green projects as defined under the mechanisms or framework. CICERO assesses in this Second Opinion the likeliness that the issuer's categories of projects will meet expectations for a low carbon and climate resilient future.

Expressing concerns with 'shades of green'

CICERO Second Opinions are graded dark green, medium green or light green, reflecting the climate and environmental ambitions of the bonds or sukuk and the robustness of the governance structure of the Green Bond or Sukuk Framework. The grading is based on a broad qualitative assessment of each project type, according to what extent it contributes to building a low-carbon and climate resilient society.

This Second Opinion will allocate a 'shade of green' to the Green Sukuk framework of Tadau Energy:

- **Dark green** for projects and solutions that are realizations today of the long-term vision of a low carbon and climate resilient future. Typically, this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities.
- **Medium green** for projects and solutions that represent steps towards the long-term vision, but are not quite there yet.
- **Light green** for projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision (e.g. energy efficiency in fossil-based processes).
- **Brown** for projects that are irrelevant or in opposition to the long-term vision of a low carbon and climate resilient future.

The project types that will be financed by the green bond or sukuk primarily define the overall grading. However, governance and transparency considerations also factor in, as they can give an indication whether the institution that issues the green bond or sukuk will be able to fulfill the climate and environmental ambitions of the investment framework.

2 Brief Description of Tadau Energy's Green Sukuk Framework and rules and procedures for climate-related activities

Tadau Energy is a Malaysian private limited company established with the special purpose of constructing and operating solar projects. Tadau Energy has two shareholders, Kagayaki Energy and Edra Solar. Kagayaki Energy is a Malaysian renewable energy and sustainable technology investment firm. Edra Solar is a wholly owned subsidiary of Edra Power Holdings, which is an independent power producer with a diversified portfolio of renewable and fossil fuel power plants. Edra Power Holdings is a subsidiary of CGN, a Chinese energy company that constructs and operates nuclear and renewable plants.

The Green Sukuk is being issued by Tadau Energy to fund a solar project in the Sabah region in Malaysia. The sukuk will follow Islamic banking and financing principles, specifically the concepts endorsed by the Shariah Advisory Council of the Securities Commission Malaysia.¹ For the purpose of this Second Opinion, the Green Sukuk framework created by Tadau Energy was assessed against the Green Bond Principles, voluntary process guidelines for issuers².

Policies:

Tadau Energy was established for the purpose of constructing and operating the solar plants, as such they do not have comprehensive corporate governance. The issuer has informed us that their goal is to contribute to Malaysia's commitments under the Paris Agreement and to support the Malaysian government's vision to reduce dependency on diesel and to replace diesel power generation with renewable energy. The issuer has also informed us that they actively work to reduce the consumption of natural resources in their work, and have installed a rooftop solar PV system on their office building as part of the implementation.

During the supplier selection process, Tadau Energy has relied on guidance from their shareholders. The issuer has informed us that they have considered environmental criteria during these processes, and have been guided by the practices and policies of their shareholders.

Selection:

The proceeds from the Green Sukuk will be used to finance solar photovoltaic power plants within the district of Kudat. The framework specifies one project comprised of two specific power plants to be financed, with no plans for additional projects under this framework. Two power purchase agreements (PPAs) have been entered into with the utility Sabah Electricity Sdn Bhd (SESB) for 2MW and 48MW, respectively. Under the agreements, SESB will be the sole off-taker of the electricity generated from the plants.

The planned total capacity of 50 MW is to be located on three sites within Kudat. The issuer has informed us that the location was chosen for the area's high solar radiation, and all sites are located within 8 km of the

¹ Sukuk as defined in Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework issued by Securities Commission Malaysia. <https://www.sc.com.my/legislation-guidelines/lodge-and-launch-framework/>

² The 2017 Green Bond Principles: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

interconnection facilitates. Tadau Energy has signed lease agreements with the landowners. Tadau informed us that they took environmental considerations in site selection, choosing sites with appropriate topography to reduce the need for leveling, and avoiding sites of high ecological value. As per local regulation, the sites were required to be rezoned to light industrial use. As a part of this process, outside consultants prepared rezoning reports (Planning briefs).

The EPC contractor appointed is SPIC Energy Malaysia Sdn Bhd. SPIC Energy Malaysia Sdn Bhd is a wholly owned subsidiary of CPI Power Engineering Co. Ltd., which in turn is a wholly owned by State Power Investment Corporation. State Power Investment Corporation is an integrated energy group based in China and one of China's largest state-owned energy providers. During the construction and operation of the project, the EPC contractor must comply with local environmental law and certain specific requests from the issuer. The EPC contractor also follows its own health, safety and environmental management system.

Management of proceeds:

In line with the Green Bond Principles³, the Green Sukuk proceeds will be placed in a designated disbursement account. The account is jointly controlled and operated by the agent bank and Tadau Energy. Funds will be withdrawn from the disbursement account based on project documentation submitted by Tadau Energy to the agent bank. Examples of documentation include invoices from suppliers and certification of progress billings from EPC Contractor by the Independent Technical Advisor, Jacobs Engineering Group Malaysia Sdn Bhd. The issuer has informed us that during the construction of the plant and post issuance of the sukuk, the Independent Technical Advisor will provide certification on the progress billings from the EPC Contractor supporting each release of funds from the Disbursement Account. Upon completion of the project and fulfillment of all payment obligations to the EPC Contractor, the disbursement account will be closed and balances will be transferred to the revenue account.

Pending the utilization of proceeds, Tadau Energy will invest the proceeds in Shariah-compliant short-term investments.

Transparency and Accountability:

As per the local guidelines, Tadau Energy will report to sukuk holders on:

- a) The original amount earmarked for the solar power project financed by the Green Sukuk
- b) The amount utilized for the project financed by the Green Sukuk
- c) The amount unutilized and where such unutilized amount is placed or invested pending utilization
- d) The impact objective of the project financed by the Green Sukuk, to the extent feasible

Tadau Energy will include the above information in the annual certificate to the sukuk trustee acting on behalf of sukuk holders, and also disclose this information to the rating agency. The reporting will not be reviewed or verified. The issuer has not committed to impact reporting, but will report on the impact objective to the extent feasible. The issuer has informed us that the impact objective underlying the project financed by the Green Sukuk is that Tadau Energy is committed to contributing to reducing the nation's dependence on fossil fuel based power. Through the use of energy generated from this project, Tadau Energy's goal is to conserve the environment by providing an environmentally friendly, clean and sustainable power supply and being part of creating a sustainable world.

³ The 2017 Green Bond Principles: <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

The issuer has confirmed that they are committed to setting up a website as a channel for public communication. They are committed to publishing information about the project as well as this second opinion on the site within six months of issuance.

The table below lists the documents that formed the basis for this Second Opinion:

Document Number	Document Name	Description
1	TADAU ENERGY SDN BHD – GREEN SUKUK FRAMEWORK	The Green Sukuk framework
2	CPI Power Engineering Co. Ltd., Occupation, healthy, safety and environment responsibility management regulation	The occupation, health, safety and environmental management system that the EPC contractor will adhere to
3	Product Carbon Footprint Report of JA Solar	Assessment of the life cycle analysis of the PV solar panel manufacturer
4	Huawei Evaluation Report of Environmental Directives Compliance	Environmental Compliance report completed on behalf of the solar inverter manufacturer
5	Planning brief for rezoning of C.L. 055022485, C.L.055026830 and C.L. 055022529 at Jalan Tai Cheong of Kudat District (Yong West sites)	Rezoning report for three lots of land recommending rezoning to light industrial use
6	Planning brief for rezoning of C.L. 055025824 and C.L. 055322953 at Kudat Old Settlement (Yong East sites)	Rezoning report for two lots of land recommending rezoning to light industrial use
7	Planning brief for rezoning of C.L. 055028192 at Jalan Bak-Bak of Kudat District (Bak-Bak sites)	Rezoning report for a lot of land recommending rezoning to light industrial use

8	Public Notice of proposal to rezone C.L. 055025824 and C.L. 055322953 from “Public”, “Community facilities” and “Commercial” to Industrial Zone	Copy of the public notice of rezoning posted in local newspaper
9	Company profile of Kagayaki Energy	Overview of the corporate strategy of Kagayaki Energy
10	Edra, subsidiary of CGN	Overview of Edra and parent company CGN
11	Sustainable Development Report, 2013 – 2015 for the Upstream Ayeyawady Confluence Basin Hydropower Co., Ltd.	CSR report produced by the EPC contractor parent company for hydro project development in Myanmar (currently suspended)
12	2MW Site Progress Photographs	Before and after photos from the Yong East Site construction site
13	The Start, Kudat set to be model for renewable energy generation	Press coverage of the project
14	National Renewable Energy Policy & Action Plan	The Malaysian government’s policy on renewable energy

Table 1. Documents reviewed

3 Assessment of Tadau Energy Green Sukuk framework and environmental policies

Overall, the Tadau Energy Green Sukuk framework provides a sound framework for climate-friendly investments.

The framework and procedures for Tadau Energy’s Green Sukuk investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects, whereas the weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where issuers should be aware of potential macro-level impacts of investment projects.

Eligible projects under the Green Sukuk Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide certainty to investors that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Category	Eligible project types	Green Shading and some concerns
Renewable energy	Solar power <ul style="list-style-type: none"> • The financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation, and maintenance of solar photovoltaic plants • Associated interconnection facilities 	Dark Green <ul style="list-style-type: none"> ✓ Solar power is key to a low-carbon transition. Supportive activities for solar power generation include e.g. financing, design, and interconnection. ✓ Potential concerns regarding supply-chain emissions partially addressed through the use of life cycle criteria in supplier selection ✓ Potential concerns regarding site selection partially addressed through selection process and re-zoning reports. An Environmental Impact Assessment (“EIA”) could have provided assurance to

-
- investors of the environmental soundness of the site selection and construction phase
 - ✓ All construction projects can have adverse local environmental impacts
-

Table 2. Eligible project categories

Strengths

Selection

The Green Sukuk proceeds will fund solar power, a key technology for the low-carbon transition. The issuer has informed us that fossil fuel lock-in is not applicable to their framework.

Supplier selection: CICERO is encouraged by the issuer’s claim to include environmental considerations in supplier selection. Tadau Energy has informed us that one of their criteria for supplier selection is whether the suppliers have taken a lifecycle approach to assess the environmental impact of their products. The manufacturer of solar panels has conducted a simplified lifecycle assessment (LCA)⁴ covering stages such as raw materials acquisition, production, transportation, use, disposal, and recycling. Documentation of an environmental evaluation was also presented for the solar inverter manufacturer. CICERO notes that while the issuer explained that life cycle criteria were taken into account, no documentation was presented to show how the issuer took this information into consideration.

Site Selection: Tadau Energy has informed us that they have a process for site selection that includes environmental considerations. Kudat is one of the cities with the highest irradiance in Malaysia, and all sites are located in proximity to SESB interconnection facilities. Potential sites were identified after posting advertisements in local newspapers, and lease agreements have been signed with landowners. Tadau Energy explained that they avoid activities in or near protected areas. The areas surrounding potential sites were also assessed to identify areas where the usage of the sites for a solar power plant would not create an undue disturbance. The topography and the terrain of the sites were assessed as suitable for construction of solar power plants.

As required by local law, the sites were required to be rezoned to “light industrial zones”. A consultant was hired to provide rezoning reports. These rezoning reports provide details of the prior land use. According to the reports, 126 acres of land was zoned for agricultural use, and the prior use was oil palm plantations. Of these, 72 acres of the oil palm plantation was currently not in active use and left vacant. The remaining sites of approximately 18 acres were vacant land zoned as a combination of public zone, community facilities zone, commercial zone and primary school zone. A public notice for the proposed rezoning was posted in a local newspaper by the Kudat Town Board. The issuer has informed us that no objection has been voiced for of the proposed rezoning.

Management of local environmental impacts: Tadau has taken some steps to manage the local environmental impacts of the project construction. They have requested that the EPC Contractor refrains from major excavating and filling to maintain the original site terrain. The issuer has also informed us that they work to identify the

⁴ The calculations were conducted by the global technical services organization TUV SUD

environmental, health and safety risks associated with the solar plant's operations, and implement appropriate measures.

The EPC contractor also follows its own health, safety, and environmental management system during the construction and operation of the project. The system outlines responsibilities and procedures for that implementation of laws, regulation, and requirements from the project owner. In addition, the EPC contractor has a process for identifying and methodology for assessing environmental risks, and a process for implementing control measures.

Weaknesses

Transparency and Accountability:

Overall, Tadau Energy's Green Sukuk framework provides a sound framework for climate-friendly investments. However, the Green Sukuk framework is unclear on transparency and reporting. The framework states that the issuer shall provide annual reporting, via newsletters, website updates, annual report or other communication channels to the investors. While the issuer will report on use of proceeds through annual certificates, these are only available through the trustees of the sukuk or rating agencies⁵. CICERO is encouraged by the issuers' commitment to establishing a website with information about the project. Transparency is key in order to build trust in the Green Sukuk market and CICERO therefore encourages the issuer to follow best practice and make the annual reports publicly available. CICERO also notes that the issuer has not committed to impact reporting.

Pitfalls

The issuer has presented CICERO with relevant pieces of documentation, but no overachieving policies or strategies that the special purpose company will follow. This lack of documentation presents some challenges when assessing the project. CICERO encourages the issuer to adopt open and transparent communication practices to preserve investor confidence.

Policies

While the issuer has been forthcoming in explaining internal processes, no substantial environmental policies were presented for Tadau Energy's operations. CICERO strongly encourages documented environmental policies and strategies, and encourages these to be publically disclosed.

Selection:

Renewable power plants, while positive for the climate, can be controversial from a land-use and local environmental impact perspective⁶. The issuer has informed us that there were no prior inhabitants on the sites and that there is no publicly voiced opposition towards the project.

Tadau Energy relies heavily on local environmental law and the EPC contractors' own policies to manage local environmental impacts. CICERO notes that Malaysia is not on the Equator Principle list of Designated Countries. Designated Countries are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural

⁵ Ad hoc reporting may be also be announced on the FAST website, if required. Fully Automated System for Issuing /Tendering (FAST) maintained by a subsidiary of Bank Negara Malaysia (Malaysian Central Bank), whereby all ringgit-denominated corporate bond or sukuk must be issued and/or tendered

⁶ These concerns are more pronounced with large-scale hydro, including the Upstream Ayeyawady Confluence Basin Hydropower, in which the EPC contractor's parent company has a key role.

environment.⁷ While not required by law, an Environmental Impact Assessment (“EIA”) would have provided assurance to investors of the environmental soundness of the site selection and construction phase.

Impacts beyond the project boundary

Due to the complexity of how socio-economic activities impact the climate, a specific project is likely to have interactions with the broader community beyond the project borders. These interactions may or may not be climate-friendly, and thus need to be considered with regards to the net impact of climate-related investments.

⁷ List of Designated Countries <http://www.equator-principles.com/index.php/ep3/designated-countries>

4 References

IPCC (2013). Climate Change 2013: The Physical Science Basis, Fifth Assessment Report, Intergovernmental Panel on Climate Change

Appendix

About CICERO

CICERO Center for International Climate Research is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international climate cooperation. We collaborate with top researchers from around the world and publish in recognized international journals, reports, books and periodicals. CICERO has garnered particular attention for its work on the effects of manmade emissions on the climate and the formulation of international agreements and has played an active role in the UN's IPCC since 1995.

CICERO is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO received a Green Bond Award from Climate Bonds Initiative for being the biggest second opinion provider in 2016 and from Environmental Finance for being the best external review provider (2017).

CICERO Second Opinions are graded dark green, medium green and light green to offer investors better insight in the environmental quality of green bonds. The shading, introduced in spring 2015, reflects the climate and environmental ambitions of the bonds in the light of the transition to a low-carbon society.

CICERO works with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions. Led by CICERO, ENSO is comprised of trusted research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University and the International Institute for Sustainable Development (IISD). ENSO operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

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