GREEN FINANCE FRAMEWORK

Tadau Energy Sdn Bhd ("Tadau Energy")

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GLOSSARY

ACMF	ASEAN Capital Markets Forum
APLMA	Asia Pacific Loan Market Association
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
COD	Commercial Operation Date
CSR	Corporate Social Responsibility
EPCC	Engineering, Procurement, Construction & Commissioning
ESG	Environmental, Social, Governance
FSC	Forest Stewardship Council
GBP	Green Bond Principles
GBS	ASEAN Green Bond Standards
GFT	Green Finance Transactions
GFWG	Green Finance Working Group
GHG	Greenhouse Gas
GLP	Green Loan Principles
ICMA	International Capital Market Association
LMA	Loan Market Association
LSTA	Loan Syndications and Trading Association
MARC	Malaysian Rating Corporation Berhad
MTCS	Malaysian Timber Certification Scheme
OPEX	Operating expenditures
PEFC	Programme for the Endorsement of Forest Certification
PPA	Power Purchase Agreement
R&D	Research and Development
RE	Renewable Energy
SESB	Sabah Electricity Sdn Bhd
SPO	Second Party Opinion
SPP	Solar Power Producer
SRI	Sustainable and Responsible Investment
TESB	Tadau Energy Sdn Bhd
UN SDGs	United Nations Sustainable Development Goals

1 INTRODUCTION

1.1 About Tadau Energy

Tadau Energy Sdn Bhd ("**Tadau Energy**" or "**TESB**") is a power generating company, established in 2015, utilizing photovoltaic and other renewable energy technologies with the primary objective of promoting and accelerating the development of renewable and clean energy sources globally.

Tadau Energy is involved in the financing, design, engineering, procurement, construction, installation, testing, commissioning, ownership, operation, and maintenance of a 50MWac large scale solar power plant located in Kudat, Sabah, Malaysia, as well as associated facilities such as the Solar Power Producer ("**SPP**") Interconnection Facility, SPP Interconnector, Sabah Electricity Sdn Bhd ("**SESB**") Interconnection Facility, and SPP Works.

MISSION

We are continually focusing on innovative technology and investment to lead the evolution to a sustainable business future	*We endeavour to be ethically and socially responsible in improving the quality of life for tomorrow's generation*	*We aim to drive digitalization for transformative impact in all areas of business and fundamentally improve our operations and deliver value to customers*

VISION

To be the world's leading company in the provision of trusted business through our performance, people and our core values	*To be a world-class model corporation inspiring the world towards sustainable development for a better future*	*To aspire to inspire our team towards high quality and optimum productivity to maximize our benefits and contributions*
To be a leading sustainable investment Company	*Building smarter energy infrastructure and deliver new technologies*	

CORE VALUES

Empathy	*Integrity*	*Trustworthy*
Inclusion and Diversity	*Productivity*	*Teamwork*
Respect	*Accountability*	*Privacy*

Tadau Energy has been instrumental in developing the nation's renewable energy industry and will continue to do so through the services that it offers.

Tadau Energy
Project Development Tadau Energy ensured the complete and successful delivery of its 50MW Kudat solar power plant by navigating through the challenges present at all stages of development including site surveys, acquisition, planning, financing and realization of the project to maximize the success of its renewable and/or clean energy investment by ensuring project was constructed cost effectively, operates flawlessly, to deliver the most optimal power generation.
Project Management *Tadau Energy provides full management support at every step, from developing solution concepts, delivering initial economic and feasibility studies through defining and implementing engineering design, construction, commissioning, handover and operation which translated to the successful completion and continued maintenance of our 50MW Kudat solar power plant.*
Operation & Maintenance *The team pro-actively manages its 50MW Kudat solar power plants by providing 24/7 monitoring, on-going preventive and corrective maintenance, advanced AI powered data analysis technology, transparent reporting, regular communications and expert commercial advice to ensure optimised yields for the plant and a decrease in downtime.*

1.2 Tadau Energy's Approach to Sustainability

Tadau Energy strives to continually encourage and expedite the development of renewable energy technology so that future generations may live in a better world. Its products and services strive to conserve and utilise energy efficiently, as well as generate clean renewable energy. Tadau Energy seeks to inspire, educate, and assist its clients in achieving their goals of energy independence and environmental stewardship, accompanied by the benefit of enjoying cost stability.

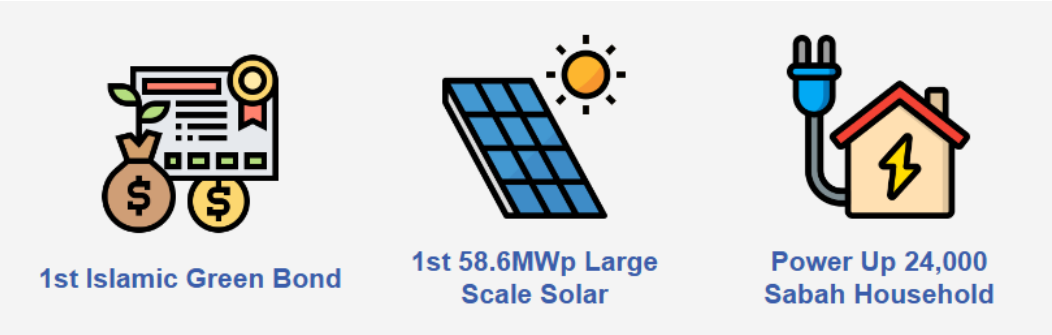
Tadau Energy is committed to contributing to the nation to reduce its dependence on power generated using fossil fuels. Through the use of energy generated from its projects, Tadau Energy's goal is to conserve the environment by providing an environmentally friendly, clean and sustainable power supply, contributing its part in creating a sustainable world.

Tadau Energy's Solar Project

Tadau Energy and SESB signed two (2) Power Purchase Agreements ("**PPAs**") on December 15, 2016, under which Tadau Energy delivers and sells to SESB the Net Electrical Output generated by the solar plant for a period of twenty-one (21) years from the Commercial Operation Date ("**COD**") of Phase 1 and Phase 2 with an aggregate capacity of 50MWac. Phase 1 of the solar plant has a capacity of 2 MWac and Phase 2 has a capacity of 48 MWac. The solar power plants are located at three separate sites all within the district of Kudat in Sabah, Malaysia ("**Kudat Plant**").

The project cost was part-financed via debt on a project financing structure through the issuance of the Tadau SRI Green Sukuk. The Sukuk received a second opinion from Cicero and was rated as Dark

Green, which indicates that the projects supported are realizations today of the long-term vision of a low carbon and climate resilient future.



Tadau Energy believes its Kudat Plant is not only a valuable opportunity to demonstrate its core competencies but also its commitment to sustainable community development through its corporate social responsibility ("**CSR**") plans, which are aligned with Tadau Energy's corporate vision to create a better place for the communities around it.

Tadau Energy believes in placing effort to improve the quality of life for the communities where it operates and building long-term relationships with these communities. Tadau Energy has set a series of agendas to engage in social impact activities aligned with its strategic focus areas of education and supporting local community needs. Below are some of the programmes that Tadau Energy has completed during its operation of its solar power plant located in Kudat, Sabah.

TESB 2021 CSR – "Together, We Fight Covid"

In view of the COVID-19 pandemic which brought hardship to people, TESB arranged donations of necessary items to communities in need. Tadau Energy hopes to do its part to combat the pandemic and extend its assistance in any helpful way, lending a hand to those in need of assistance.

Tadau Energy's objectives are not only limited to educating the local communities on environmental benefits of renewable energy but also funding activities where students and the public can participate. Below are some of the programmes TESB has planned, to build on past experience and success to broaden its touch-points:

- *Building a school and centre for renewable energy design and engineering to improvise a pathway for the local school and education system, at any level*
- *Design renewable energy, including but not limited to solar and hydro study modules for school children to spread awareness about new renewable technology to the next generation as a step towards creating a greener future*
- *Educational trip to the solar power station to understand how solar energy works*
- *Donating solar lamps to selected underprivileged students*
- *Sponsorship of school activities / programs such as science fair / field trip / cultural events*
- *Other community engagement / information sessions / public consultations done at the school*

TESB 2020 CSR – "Education and Beyond"

TESB organized teachers' visitation to the project site, learning first-hand how solar photovoltaic power works, its environmental impact, and the key role that solar plays in helping to create a brighter future for Malaysia's next generation. Being educators of the younger generation who represent our future. Such visitations help bring the renewable energy learning experience into schools and gives it context to help deliver a message for a cleaner, greener tomorrow.

TESB has hosted 70 students and 1 lecturer from Politeknik Kota Kinabalu, Sabah at its project site with the institute including renewable energy (mainly on solar power systems) as a topic of study. It was a meaningful visit with the students being exposed to the operation of a solar power plant system.

TESB 2019 CSR – "Light Up the Village"

TESB 2019 CSR targeted to light up the lives of more than 1000 villagers without access to electricity living in the rural areas of Sabah by providing solar powered lamps and educating on the basics of the workings of a solar systems.

2 TADAU ENERGY'S GREEN FINANCE FRAMEWORK

In support of Tadau Energy's sustainability strategies and implementation, this Green Finance Framework (the "**Framework**") has been established to demonstrate how Tadau Energy intends to enter into Green Finance Transactions ("**GFTs**") to fund projects, which will deliver most positive environmental impacts that enables the sustainability journey for Tadau Energy.

Tadau Energy's Framework defines the GFTs for the Use of Proceeds format of new and/or existing specific investments, assets and projects that adhere to the eligibility criteria on a case-by-case basis, retaining full flexibility in terms of specific sustainability objectives and projects that Tadau Energy intends to support. This Framework may also on a case by case basis be applied to GFTs undertaken by any entities related to Tadau Energy.

The GFTs' may be issued in any currency and for any tenor and may include other terms and conditions (including covenants) to reflect the financing strategy and plans of Tadau Energy, as well as the outcome of the commercial discussions between the Issuer/Borrower and Manager/Arranger/Lender. The GFTs may be issued in any jurisdiction and market reflecting Tadau Energy's current and future business needs.

This Framework adopts the principles and guidelines set by the International Capital Market Association[1] ("**ICMA**"), ASEAN Capital Markets Forum[2] ("**ACMF**"), Securities Commission Malaysia ("**SC**")[3], Loan Market Association ("**LMA**")/Asia Pacific Loan Market Association ("**APLMA**")/Loan Syndications and Trading Association ("**LSTA**")[4] as specified below. These documents provide a set of voluntary guidelines that recommend transparency and disclosure to promote integrity in the development of the sustainable finance market. With respect to Sukuk/Bonds, issuance will be aligned with the following frameworks or as they may be subsequently amended:

- Green Bond Principles ("**GBP**") 2025 issued by ICMA;
- ASEAN Green Bond Standards ("**GBS**") 2018 issued by ACMF; and
- SRI Sukuk Framework 2019 issued by SC.

Loan transactions will be aligned with the Green Loan Principles ("**GLP**") developed by LMA, APLMA and LSTA as of 2025 or as they may be subsequently amended.

The Framework may be updated from time to time to include other sustainable debt instruments that may be issued in the future.

Tadau Energy's Framework for Use of Proceeds is based upon the four core components of the above-mentioned market guidelines, principles and standards:

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

[1] Available at: https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/
[2] Available at: https://www.theacmf.org/initiatives/sustainable-finance
[3] Available at: https://www.sc.com.my/api/documentms/download.ashx?id=84491531-2b7e-4362-bafb-83bb33b07416
[4] Available at: https://www.lma.eu.com/sustainable-lending/resources

For Sukuk transactions, the issuer must ensure that the proceeds are utilised for Shariah-compliant purposes only. For the avoidance of doubt, Tadau Energy will comply with internationally recognised sustainability best practices on the use of proceeds arising for such Sukuk transactions, subject to the exclusion list in the Annexure.

The additional exclusion categories/ineligible project shall be aligned with the ACMF's ASEAN GBS (e.g. fossil fuel generations projects) and the SC's SRI Sukuk Framework (e.g., activities that pose a negative social impact related to alcohol, gambling tobacco and weaponry).

2.1 Use of Proceeds

Tadau Energy is committed that the proceeds of each transaction will be used exclusively for financing and/or refinancing projects, in whole or in part, assets or activities that meet the eligibility criteria set out below.

Tadau Energy complies with the relevant ESG standards and recognised best practices relating to the Eligible Projects. The use of proceeds for the financing and/or refinancing of projects based on the Eligibility Criteria and Eligible Projects will be amended, from time to time, by the Green Finance Working Group ("**GFWG")**, to better align this Green Finance Framework with Tadau Energy's sustainability goals, as set out below.

In order to be earmarked as eligible, Eligible Projects must align with all of the following criteria:

i. **Eligible Types of Investments**
   - Eligible Projects may include the value of fixed assets ("**Assets**"), investments and capital expenditures ("**CAPEX**") and/or operating expenditures ("**OPEX**") meeting the eligibility criteria outlined below
   - Research and Development ("**R&D**") expenditures related to Eligible Project categories

ii. **Financing and Refinancing**
   - New financing is defined as allocated amounts to Eligible Projects financed within or after the issuance year and refinancing is defined as allocated amounts to Eligible Projects financed prior to the issuance year

iii. **Lookback[5] Period**
   - Assets and CAPEX will qualify for refinancing without specific look-back period, while OPEX qualify with a maximum 36 months look-back period prior to the issuance year

[5] "Look-back period" refers to a maximum period in the past that an Issuer will look back to identify assets/earlier disbursements to such Eligible Projects that will be included in the allocation and impact reporting.

2.1.1 Eligible Projects

Eligible Project Category	Eligibility Criteria	Alignment with UN SDGs
Renewable and/or Clean Energy Sustainability Benefits: Climate change mitigation	Construction, development, acquisition, maintenance, and/or operation of facilities, systems and equipment of renewable and/or clean energy including but not limited to: ▪ Solar power (including all photovoltaic installations whether ground mounted, roof mounted or floating) ▪ Wind facilities (onshore and offshore projects including floating wind turbines) ▪ Hydro power (including all hydro installations whether mini or large) satisfying one of the following criteria: ○ Facilities that became, or will become operational after 2019: ▪ Life-cycle emissions below 50g CO_2e/kWh, or ▪ Power density is greater than 10 W/m^2, or ▪ Run-of-river without artificial reservoir or low storage capacity ○ Facilities that became operational before 2019: ▪ Life-cycle emissions below 100g CO_2e/kWh, or ▪ Power density is greater than 5 W/m^2, or ▪ Run-of-river without artificial reservoir or low storage capacity ▪ Biomass power (including biomass via combined heat & power facilities, pyrolysis and gasification facilities amongst others) which are not derived from palm, peat and non-sustainably produced crops ▪ Bioenergy (including facilities for the production of biofuel and biogas) satisfying the following criteria: ○ Feedstock used is certified by credible schemes ○ For electricity production: life-cycle GHG emission intensity below 100gCO_2e/kWh ▪ Green hydrogen (including facilities for the production of green hydrogen)	
Energy Efficiency Sustainability Benefits: Sustainable Cities and Communities	Construction, development, acquisition, maintenance, and/or operation of facilities, systems and equipment of Energy Efficiency including but not limited to: ▪ Smart grids and energy storage solutions (including all energy storage systems whether lithium-ion based or otherwise)	
Pollution Prevention and Control Sustainability Benefits: Climate change mitigation	Construction, development, acquisition, maintenance, and/or operation of facilities and equipment of feedstock and/or products which reduce and/or remove carbon emissions including but not limited to: ▪ Facilities that capture carbon using biological waste feedstock for biochar production to be used as fertilizer in agriculture, as well as other soil improvement products	

Environmentally Sustainable Management of Living Natural Resources and Land Use Sustainability Benefits: Climate change mitigation, Protection and restoration of biodiversity and ecosystems	Investments and expenditures towards the acquisition, maintenance, and management of forests certified under one of the following schemes, if applicable: ▪ Forest Stewardship Council ("**FSC**"); or ▪ Programme for the Endorsement of Forest Certification ("**PEFC**"); or ▪ Malaysian Timber Certification Scheme ("**MTCS**"); or ▪ Any other relevant certification in relation to the projects. <u>Examples of eligible projects:</u> ▪ Regeneration of forests and plantations harvested by Tadau group of companies ▪ Wood harvesting of FSC/PEFC/MTCS-certified forests (e.g. labor cost) ▪ Silvicultural operations (e.g. soil preparation, planting, pre-commercial thinning) ▪ Fertilisation (e.g. labor costs) ▪ Infrastructure to facilitate sustainable forest management ▪ Restoration of native forests and conservation of biodiversity ▪ Production of wood pellets from FSC/PEFC/MTCS-certified forests ▪ Digitalization and automation of forest management	

2.1.2 Exclusion List

Tadau Energy's utilisation of proceeds for green projects shall be excluded from financing projects or activities related to the following industries below ("**Exclusion List**"), and as aligned with the ACMF's ASEAN GBS (e.g. fossil fuel generations projects), and the SC's SRI Sukuk Framework:

(a) Luxury sectors (precious metals / precious minerals / artworks and antiques wholesale or brokerage);
(b) Child labour or forced labour;
(c) Gambling;
(d) Adult entertainment;
(e) Weapons and military contracting;
(f) Alcohol;
(g) Tobacco;
(h) Fossil-fuel generation related activities (including extraction, exploration, production, power generation or transport of fossil fuels); and
(i) Production or trade in any product or activity deemed illegal under international conventions and agreements, or subject to international bans

2.2 Process for Project Evaluation and Selection

Tadau Energy has established processes and procedures to ensure that projects are properly identified and assessed in compliance with this Framework. Under the direction of Tadau Energy's Board of Directors, a GFWG will be set up to review, evaluate, and advise on eligible projects that are aligned with Tadau Energy's broader strategy. In respect to this Framework, the GFWG will be responsible for:

- Overseeing the Framework implementation and allocation process including reviewing and approving allocation;
- Reviewing, enhancing, reworking and amending the Eligibility Criteria, Eligible Projects, and the Eligible Project Categories, from time to time, to better align with this Green Finance Framework and Tadau Energy's sustainability goals while adhering to the Exclusion List;
- Reviewing, selecting, validating and monitoring the pool of Eligible Projects, based on the categories and Eligibility Criteria as specified in the Framework; and
- Reviewing and validating the relevant reports, including the Allocation and Impact Reports for the annual reporting.

Eligibility Criteria include a set of both exclusion criteria and selection of environmental criteria which the Eligible Project must meet to be financed or refinanced by green financing instruments.

To address the relevant environmental and social risks associated with the Eligible Projects, Tadau Energy has developed comprehensive policies including Environmental Health & Safety Manual to identify and manage any potential risks.

The **step-by-step process** for evaluation and selection of Eligible Projects uses internal expertise as follows:

1. Project team to identify and GFWG to assess projects that satisfy the Eligibility Criteria outlined in this Framework and in accordance with Tadau Energy's sustainability objectives and strategies including assessment of the project's environmental and social risks.

2. Before any new green financing is raised, the GFWG will convene and review the assets/projects to confirm that they meet the Eligibility Criteria for inclusion.

3. In the case of Eligible Projects that no longer comply with the Eligibility Criteria, the GFWG will convene and determine the reallocation of proceeds to finance other Eligible Projects, compliant with the Framework as soon as practicable.

The GFWG will be responsible for managing any future updates of the Framework, including any expansion of the Eligibility Criteria under the use of proceeds. Any changes to the Framework will have to be approved by the CEO and published on Tadau Energy's website: https://tadau.com.my/.

2.3 Management of Proceeds

The proceeds from each GFTs will be deposited in designated accounts and be earmarked to Eligible Projects. Tadau Energy will monitor and manage the allocation of proceeds through its internal systems during the tenor of the GFTs. Pending the utilisation of issuance proceeds, Tadau Energy may invest the proceeds in Shariah-compliant permitted investments comprising:

- Islamic treasury bills, Islamic money market instruments and Sukuk issued by Bank Negara Malaysia or the Government of Malaysia;
- Shariah compliant deposits and investment accounts with licensed Islamic financial institutions and/or development financial institutions in Malaysia, with a short term rating of at least MARC-1 and/or a long term rating of at least AA by MARC or their equivalent;
- Islamic principal guaranteed structured investments approved by Bank Negara Malaysia and issued by licensed financial institutions with a short-term rating of MARC-1 by MARC or its equivalent and a minimum long-term rating of AA by MARC or its equivalent or their local or foreign equivalents;
- Islamic banker acceptances, Islamic bills, and other Islamic money market instruments issued by licensed financial institutions, with a short term rating of at least MARC-1 and a minimum long term rating of AA by MARC or their equivalent; and/or
- Islamic unit trust that invests in all or any of the above with the prior written approval of the credit rating agency.

In case of asset divestment or cancellation of a project, Tadau Energy will reallocate proceeds to finance other Eligible Projects, compliant with the Framework on a best effort basis as soon as practicable. Tadau Energy will aim to fully allocate the proceeds of any green financing instruments within 36 months or any other period as determined by the Project team and GFWG from time to time.

2.4 Reporting

As long as there are any GFTs outstanding, Tadau Energy is committed to publishing relevant information regarding its GFTs, including allocation reporting and impact reporting, in a report, which will be made available on Tadau Energy's website at https://tadau.com.my/ on an annual basis. Any material developments, such as modification of the Framework, will also be reported in a timely manner on Tadau Energy's website. Such information will be provided on an annual basis until all the net proceeds have been allocated.

Allocation Reporting

i. The amount issued and outstanding for the GFTs;
ii. The total value of Eligible Projects;
iii. A description of the Eligible Projects including a breakdown of the allocated amounts by Eligible Project categories on an aggregated basis by year of implementation, where appropriate;
iv. The amount and/or percentage of new and existing projects (share of financing and refinancing); and
v. The amount unutilised and where such unutilised amount is placed or invested pending utilisation.

Impact Reporting

Where feasible and to the extent possible, Tadau Energy will provide qualitative and quantitative performance measures associated with each category of Eligible Projects including respective calculation methodology and key assumptions. Examples of impact reporting indicators may include, but are not limited to:

Eligible Green Project Category	Example of Impact Metrics
Renewable and/or Clean Energy	• Renewable energy installed capacity (MW) • Annual GHG emissions reduced/avoided (tCO_2e) • Annual renewable energy generation (MWh)
Energy Efficiency	• Annual energy savings (MWh) • Annual GHG emissions reduced/avoided (tCO_2e)
Pollution Prevention and Control	• Annual GHG emissions reduced/avoided/removed (tCO_2e) • Annual absolute (gross) amount of biochar produced (in tonnes) • Market share of green and sustainable feedstock and/or products against conventional feedstock and/or products (%)
Environmentally Sustainable Management of Living Natural Resources and Land Use	• Total land area certified by FSC/PEFC/MTCS (ha)[6] and/or • Annual GHG emissions sequestered (tCO_2e

2.5 External Review

To allow investors to follow the information related to GFTs, Tadau Energy's green finance instruments are supported by external reviews, depending on the type of instruments.

Pre-Issuance Review

Tadau Energy has obtained an independent Second Party Opinion ("**SPO**") from MARC Ratings Berhad ("**MARC**") to review the Green Finance Framework, its transparency and governance as well as its alignment to the components of the ICMA's GBP, ACMF's ASEAN GBS, SC's SRI Sukuk Framework and LMA's GLP, with Tadau Energy's overall corporate strategy.

The SPO report is available on MARC's website**: [insert link]** and also available on Tadau Energy's website: https://tadau.com.my/.

2.6 Update and Amendment of the Framework

Tadau Energy may review this Framework from time to time, including its alignment to updated versions of the relevant Principles as and when available in the market and where applicable, Tadau Energy may procure an updated SPO from MARC or such any other qualified SPO provider pursuant to the revision.

[6] The relevant certification for certifiable areas under Environmentally Sustainable Management of Living Natural Resources and Land Use will be sought and applied for.

3 ANNEXURE

Criteria for Non-Shariah Compliant Business Activities / Products / Goods:

1. Riba bearing financial institutions
2. Non-Shariah compliant entertainment and gambling establishments
3. Non-halal food, beverage and animal-based related activities
4. Other suspicious/immoral related activities
5. Unlicensed/illegal products including drugs, hazardous chemicals, weapons and explosive products
6. Tobacco-based product or weed (including hookahs)
7. Other activities deemed non-compliant according to Shariah principles as determined by the Shariah Advisory Council ("**SAC**")