

Project Appraisal Memorandum

Project Finance

Medco Energi Internasional Tbk

PT Indonusa Pertiwi

Finance Umbulan Project

MEDC-MEI324-05WATD

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# Part I - Dashboard

## Project

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| --- | --- |
| Project Description | Finance Umbulan Project Description |
| Sector – Sub Sector | WATER & WASTE UTILITY - WATER TRANSMISSION & DISTRIBUTION |
| Project Cost | IDR 650,000,000.00 |
| Project Scope | Cash Deficiency Support Facility  As a common occurrence in newly operating toll road, cash deficiency will likely to occur within the first few years of operations as traffic from revenue will be unable to cover operating expense, interest expense and principal payment. In this case, based on our financial projection, under the base case scenario, ABC is assumed to require cash deficiency support of IDR 800 billion for the first two years of operation and additional IDR 1.6 trillion in the next 9 years. |
| Project Structure | ABC is the BUJT/ Toll Road Concession Holder of ABC Toll Road. ABC was established on 15 June 2006 and is the concession holder of ABC for up to 40 years (until 2057).    On 22 February 2016, DEF through XYZ, as per the direction of Minister of State Owned Enterprise was asked to participate in accelerating the development and construction of Trans Java toll road projects and thus, DEF completed the acquisition of 60% ownership of ABC from the previous shareholders. The remainder 40% is still owned by SMJ. Both DEF and SMJ are existing clients of IIF with good account conduct.    XYZ was incorporated in June 2014 and is the subsidiary of PT DEF (Persero) Tbk, a major state-owned construction company. Currently, XYZ is the owner of 18 toll road concessions with over 1,000 km in length. On February 2017, XYZ welcomed state-owned infrastructure financing company PT Sarana Multi Infrastruktur (SMI) and state-owned pension insurance firm PT Taspen as its shareholders through PINA (Non State Funding Mechanism) by Bappenas. This highlights synergy between State Owned Enterprises (SOEs) and government’s intention in accelerating infrastructure projects.    **SMJ** is the founding company of the **Mitra Jaya Group**(“MJG”)**.** MJG is wholly owned by Mr. Sumitra Gowindasamy (Indonesian Citizen). Based on Globe Asia magazine in June 2016, he is the 92nd richest person in Indonesia with total net worth of USD 430mn. Beside construction and mining business, he has since diversified into palm oil plantations, crude palm oil mill, the packaging industry and ink production.    As of end of June 2018, the project has reached 99% completion with regards to land acquisition and construction progress on average has reached over 80%. The Project was functional starting 8 June 2018 for Idul Fitri holiday.    ABC entered into EPC Contract with DEF for the procurement of construction work Pemalang – Batang toll road package I, II and IV on 31 March 2016 and entered into EPC Contract with SMJ for the procurement of construction work Pemalang – Batang toll road package III on the same day. |
| Deal Strategy | We intend to replace the existing short term loan of DEF with a Senior Loan and a Cash Deficiency Support Facility (“CDS”) in ABC.    It is common for toll road projects to have cash deficiency during first years of operation as traffic needs to ramp up before it can generate enough revenues to cover the costs of operation and payments of principals and interests.    We propose for IIF to participate in the Cash Deficiency Support Facility due to the following reasons:  1. To participate in providing funding of an infrastructure project that is part of Trans Java Toll Road and listed in Acceleration of National Strategic Project;    2. To participate in projects with acceptable risk/reward profile. From risk perspective, although the project is greenfield in nature, we are coming to the project at the time when risks can be considered as minimal. With regards to land acquisition, as of end of June 2018, 99% of total land required has been acquired. Construction progress on average has reached over 80% and the Project is functional (can temporarily be used) starting 8 June 2018 for Idul Fitri holiday only. In addition, ABC is located in a densely populated Central Java and the interconnectivity of toll roads in TransJava toll road will likely to increase traffic volume to ABC;  From return/ reward perspective, comparable return with equity and pari passu collateral, funding and strategic support from Government of Indonesia through Bappenas and strength of sponsors also provide additional comforts for the Project.  While the CDS Facility has 17 year tenor, we view the Facility as quasi equity with acceptable return (13.5% return versus valuation using CAPM with ranges of 13.9% - 14.9%. We also view that given the recent trend of toll road divestment at 1.5x – 2x of project cost, divesting its shares in ABC or its shares in other toll road projects within XYZ will provide reassurance that XYZ will generate enough cash to cover its cash flow needs in the next few years.    3. To continue our support for existing clients by providing project based loan and deepening our relationship with major player in infrastructure sector - XYZ and DEF;    4. To perform our role as a catalyst in the infrastructure financing sector by providing financing type that traditional banks are not able to provide while at the same time making sound judgement in investment.  \* Notes: BOD IC has approved for IIF to participate in the new Senior Term Loan BNI Sindikasi II for ABC in the amount of IDR 200 billion and currently in the final documentation stage. Signing of the Senior Term Loan BNI Sindikasi II is expected on mid August 2018. |

## Borrower

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| Project Company | Medco Energi Internasional Tbk | | | |
| Project Sponsors | |  |  |  | | --- | --- | --- | | Project Company | Project Sponsors | % ownership | | Medco Energi Internasional Tbk | PT Sumber Mitra Jaya (“SMJ”) | 40.00 | | PT XYZ (”XYZ”) | 60.00 | | PT Indonusa Pertiwi | Medco Energi 2 | 70.33 | | | | |
| Ultimate Beneficial Owner | PT DEF (“DEF”) – IIF 3 rating | | | |
| Rating | IIF Rating | External Rating | S&E Category | LQC/BI Checking |
| IIF5  Rating Date: 07 Dec 2018 | S&P: AAA  Moodys: Aaa  Fitch: AAA  Pefindo: idAAA | A-II | 2 - Special Mention / Dalam Perhatian Khusus |
| Other Information | Maximum 222 (two hundred twenty two) months since the Facility Agreement Date or 60 (sixty) months since the full repayment of facility according to: (i) Syndication Credit Facility Agreement (Conventional) No. 37 dated 24 May 2017; (ii) Syndication Credit Facility Agreement (Sharia) No. 38 dated 24 May 2017; and (iii) Other Syndication Credit Agreement which will be signed to finance the project where Lender could participate (afterwards will be called together “**Syndication Credit Facility**”), whichever comes first. | | | |

## Proposal

|  |  |  |
| --- | --- | --- |
| Purpose | Cash Deficiency Support Facility  To finance any cash deficiency incurred from Project after Commercial Operating Date (“COD”) of the Project. | |
| Approval Authority | BOC-IC | |
| Facility | |  |  | | --- | --- | | Type | Amount | | Senior Term Loan | IDR 55,000,000.00 | | Bridging Finance | IDR 45,000,000.00 | | Working Capital | IDR 47,500,000.00 | | Cash Deficiency Support | IDR 55,500,000.00 | | Remarks : Lorem Ipsum is simply dummy text of the printing and typesetting industry. Lorem Ipsum has been the industry's standard dummy text ever since the 1500s, when an unknown printer took a galley of type and scrambled it to make a type specimen book. It has su | | | |
| Group Exposure | IDR 570,000,000.00 | |
| Remarks | IIF currently have exposure in both ABC’s Sponsors SMJ and DEF.  For SMJ group, the proposed transaction will increase SMJ’s group exposure to become IDR570 bn    For DEF group, after the proposed transaction DEF’s group exposure will become IDR 645 bn which includes IDR 165 bn in Waskita Sangir Energy and IDR120bio in Senior Term Loan Facility of ABC).    IDR 800 bn in DEF due in 30 April 2018 and was extended until its final maturity in 31 October 2018. In the FA Addendum to DEF, there is a clause that DEF must make mandatory prepayment should IIF is to enter into a lending agreement with party from DEF group. We are proposing an adjustment to the clause and requesting that mandatory prepayment must be made prior to first drawdown made by ABC (instead of prior to signing of the Facility Agreement). | |
| Tenor | 19 year(s) 20 month(s) | |
| Average Loan Life | 21 year(s) 22 month(s) | |
| Pricing | Interest Rate | Amounting to annual interest rate of Syndication Credit Facility (”**Syndication Interest Rate**”) + 3% (three percent) p.a.    Syndication Interest Rateequals to Reference rate (LPS) + 4.25% p.a.    Payment of the Interest Rate shall be paid with the followings conditions:     1. During Grace Period:  * Interest rate at[3% (three percent)] p.a shall be paid during the Grace Period; and * Interest Rate at unpaid Syndication Interest Rate will be [compunded or capitalized] - which will be calculated using Syndication Interest Rate + 3% (three percent) p.a (”**Accumulated Syndication Interest Rate**”) and shall be paid by Borrower after the Grace Period.  1. After Grace Period:  * Syndication Interest Rate + 3% (three percent) per annum, added with the payment of Accumulated Syndication Interest Rate in pro-rata. |
| Commitment Fee | [1]% p.a. of the undrawn Facility Amount. Commitment fee is calculated based on daily average of undrawn portion during Availability Period.  Commitment Fee shall be paid monthly at the end of each month during Availability Period, at the latest 5 (five) Business Days after the end of each month. |
| Facility/Upfront Fee | [2]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. |
| Structuring Fee | [3]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. |
| Arranger Fee | [4]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. |
| Collateral | Cross collateral with the collateral for Senior Lender. Additionally, the collateral is pari passu with Lender to be elaborated further in the Security Sharing Agreement, which includes:     1. Toll Road Concession Rightsbased on the Toll Concession Agreement of ABC, which irrevocable power of attorney to the Lender to appoint third parties as a toll road operator; 2. All operational invoices and revenues from the operation of the toll road (other ventures pertaining to the Project) to be secured with fiduciary over receivables; 3. Pledge of Borrower’s accounts and its related Power of Attorney, including but not limited to Revenue Account, Debt Service Reserve Account, Debt Service Account, Operational Account, and Excess Cash Account (“**Project Account**”); 4. Proceeds from Insurance Claims, to be secured with fiduciary over proceeds of insurance claim; 5. Proceeds of bank guarantee claim to be secured with fiduciary over proceeds of bank guarantee claim; 6. Corporate Guarantee from PT Sumber Mitra Jaya; 7. Corporate Guarantee from PT XYZ; 8. Pledged of ABC shares owned by sponsors along with power of attorney to vote and power attorney to sale shares;     (Collectively referred to as the ”**Security Document**”).    [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] | |
| Other Conditions | ABC will incorporate IIF mandatory clauses and Corrective Action Plan of the Project in separate side letter to be signed by IIF and ABC. We have been in discussion with the Borrower and a draft of the side letter has been presented to ABC for their review.    The side letter will include statement from ABC that they will be in compliance with:  Corrective Action Plans for Social and Environmental;  IIF’s Principles;  IIF’s Procurement procedure;    ABC will also ensure that they will not be involved/ participate in Sanctionable Practices (either directly or indirectly). | |
| Exception to IIF Policy | Please refer to part II. G for rationales to proposal.    Per portfolio monitoring guideline, the limit for IIF-4 rating is IDR 491 billion. Thus, proposing IDR 600 billion Cash Deficiency Support Facility along with the previously approved IDR 200 billion Senior Term Loan Facility will require asking for waiver from BoC-IC. | |
| Review Period | Semi-Annual | |

## Recommendation

Key Investment Consideration

* **Participate in providing funding of an infrastructure project that is part of Trans Java Toll Road and listed in Acceleration of National Strategic Project**

We are financing the Project which is considered key for the Government’s initiatives in rolling out the toll road infrastructure across Indonesia. The operational schedule of the Project has been accelerated by the Government.

* **A project with acceptable risk/ reward profile**

Although the project is greenfield in nature, we are coming to the project at the time when risks can be considered as minimal. With regards to land acquisition, as of end of June 2018, 99% of total land required has been acquired. Construction progress on average has reached over 80% and the Project was functional starting 8 June 2018 for Idul Fitri holiday. In addition, ABC is located in a densely populated Central Java and the interconnectivity of toll roads in TransJava toll road will likely to increase traffic volume to ABC. As the first and only arterial road in Pemalang, ABC is well positioned to get traffic.

While the CDS Facility has 17 year tenor, we view the Facility as quasi equity with acceptable return (13.5% return versus valuation using CAPM with ranges of 13.9% - 14.9%. We also view that given the recent trend of toll road divestment at 1.5x – 2x of project cost, divesting its shares in ABC or its shares in other toll road projects within XYZ will provide reassurance that XYZ will generate enough cash to cover its cash flow needs in the next few years.

Pari passu collateral, funding and strategic support from Government of Indonesia through Bappenas and strength of sponsors also provide additional comforts for the Project.

* **Continue our support for existing clients and major players in infrastructure sector by providing project based loan**

By providing facilities to ABC, we continue our support to DEF through XYZ and Sumber Mitra Jaya who have been our client since 2016 and 2017 respectively.

* **Performing IIF role as a catalyst - Cash Deficiency Support Facility**

By providing a product not readily available in the market, CDS, we help ABC to become more bankable and allow IIF perform its role as a catalyst in the infrastructure financing sector by providing financing type that traditional banks are not able to provide while at the same time making sound judgement in investment.

Recommendation

Based on the assessment, we recommend for IIF to participate in the Cash Deficiency Support Facility of IDR [600] billion with 17.5 year tenor and to approve the new terms and conditions set out in the proposed Indicative Term Sheets.

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| --- | --- | --- |
| Account Responsible | Deal Team | CIO |
| |  | | --- | | Atika Putri Astrini | | Edo Yuliandra | | Eduard Rixson Batubara | |  | | Hilda Savitri |

# Part II – Project Analysis

1. **Background**

The Umbulan Bulk Water Supply System Project (“**Project**”) intends to develop a bulk water transmission system from Umbulan spring water, Tapak spring water, and Rejoso River to 5 Perusahaan Daerah Air Minum (“**PDAM**”, regency drinking water company) in East Java Province. The PDAMs are located in Surabaya, Pasuruan city, Pasuruan Municipality, Sidoarjo Municipality, and Gresik Municipality. The production capacity is expected at 4,000 lps that will be distributed through c.92.3 km transmission pipeline with 16 offtake points.

This Project has actually been discussed since about 40 years ago, as the abundant spring water is wasted (i.e. only c.440 lps is currently used, out of 4,000 lps available water flow) whilst there is a real need for drinking water supply in those regencies. On March 2016, GoI included Umbulan Project as part of national strategic infrastructure project, and intend to accelerate the development through inclusion of this Project in Presidential Regulation no. 3/2016.

Umbulan Project is prepared by East Java Provincial Government (“**EJPG**”) with PT Sarana Multi Infrastructure (“**SMI**”) as its advisor. The Project is structured as Public-Private-Partnership (“**PPP**”) project, with the Build-Operate-Transfer (“BOT”) scheme. EJPG is to provide monthly payment to the appointed project company, in which EJPG’s payment obligation is guaranteed by Indonesia Infrastructure Guarantee Fund (“**IIGF**”). In addition, the Project has been awarded with Viability Guarantee Fund (“**VGF**”) from Ministry of Finance (“**MOF**”).

EJPG has conducted the tender to select the project developer & operator, and the bidding resulted with PT MATA AIR UMBULAN (“**MAU**”; or “**Project Company**”) as the appointed winner. On 21 July 2016, EJPG entered into Cooperation Agreement with MAU for a 25 years Build-Operating-Transfer contract (“**BOT**”). The total project cost is IDR 2.32 trillion, with VGF amount at IDR818.01 billion. The financial close and Effective Date of the Cooperation Agreement was expected within 12 months after the Cooperation Agreement signing date. The construction period is 2 years after the Effective Date.

IIF has been pitching for this Project since a couple of years ago, by approaching PT Gas Alam Indonesia(“**GAI**”) and PT Becak Kayu Kontraktor (“**BKK**”) as the Project Sponsors. On September 2016, IIF received appointment as Mandated Lead Arranger (“**MLA**”) to form a syndicate lenders to support the financing to this Project.

In early September 2016, the stakeholders were informed by Committee for Acceleration of Priority Infrastructure Delivery (“**KPPIP**”)/Coordinating Ministry of Economic that the GOI would like to accelerate the development of this Project. The GOI is targeting for the Effective Date to be achieved by end of October 2016/Early November 2016, which is 9 months earlier than the contracted schedule. The achievement of Effective Date will require financial close, and also means that the construction phase to start.

As such, all parties are now preparing a plan to achieve this, including for the Lenders’ side. The Project Company is still in detailed survey phase, to be followed by preparing Detailed Engineering Design. The DED is expected to complete the soonest by February 2017. East Java Provincial Government (“EJPG”) is also preparing the land acquisition and permit/licenses, to achieve the requirement for Effecive Date.

On the funding side, we are speeding up the fund raising process. The loan is structured based on the current condition of the Project. We are allowing the financisl close to be achieved with minimum required condition preceden, but limit the drawdown amount until the Project preparation is completed. We are also discussing with the potential participant lenders to achieve the targeted financial close by October 2016/early November 2016.

1. **Project Description**

**IV.B.1. Brief Description**

Umbulan Project was originally in the discussion since about 40 years ago, but had not materialized until early this year. The Government of Indonesia, especially under Ministry of Finance and Ministry of Public Works and Marine (“**PUPERA**”), is pushing the realization of this Project. Committee for Acceleration of Infrastructure Delivery (“**KPPIP**”) included this Project in the list of National Strategic Project to be accelerated in the Presidential Regulation no. 3/2016.

MAU, as the appointed Project Company, will construct and operate a bulk water supply system using 92.3 km transmission pipeline with 16 offtake points, delivering water from Umbulan spring water, Tapak spring water, and Rejoso river as the source of raw water, to 5 PDAMs (including 1 offtake to PDAB) in 5 (five) regencies in East Java Province, Indonesia.

The Project is intended to meet the need of drinking water for the people of those 5 regencies. The system is planned to have a capacity of 4,000 liters per second that will let water flow from the Umbulan spring and pass through Surabaya city, Pasuruan city, Pasuruan municipality, Sidoarjo municipality, and Gresik municipality. The utilization of this bulk water project will give access to c.1.6 million life or equivalent to 400 thousand house connections on the drinking water.

The quality of Umbulan water is good and worthy to serve as raw water for drinking water. The spring source locates at an elevation +24 m above sea level. It is emerging from layers of quaternary volcanic rocks that have not unified. So that springs out to be relatively sensitive to disruption or change of circumstances, which has already existed. The placement and the level of intake are not higher than the spring, which will not cause any disruption of the flow of water from the main spring that flows naturally. In general, the transmission lines will pass through the village roads, district roads, provincial and national roads. Some section will also pass through the fields and other vacant land.

**IV.B.2. Project Location**

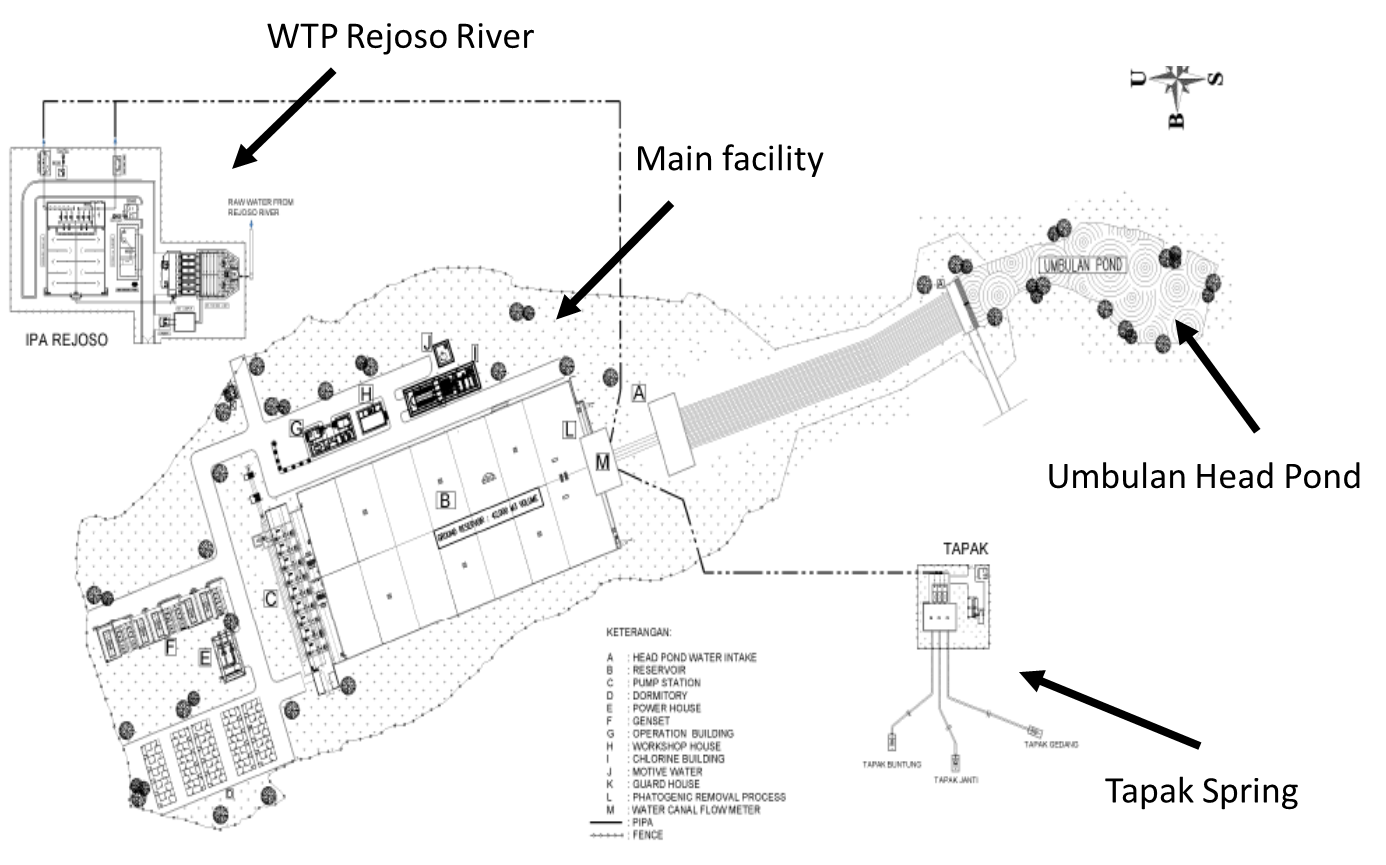
The Project is started in Umbulan spring water, located in Umbulan village, Pasuruan Municipality. The pipeline spans over 92.3 km, with the last offtake point is on Giri, in Gresik municipality.



Note:

* There are 2 additional offtake points requested by PDAM (i.e. 4. Rembang, and 6. Jabon), but these are outside of the Cooperation Agreement. EJPG needs to amend the Cooperation Agreement (and MAU to accept the modification work) if it would like to cater these requests. The intention to include these 2 proposed additional offtake points is still on discussion.
* Based on the current result of detailed survey, there is a possibility that the Project requires additional pipeline for 2.7 km.

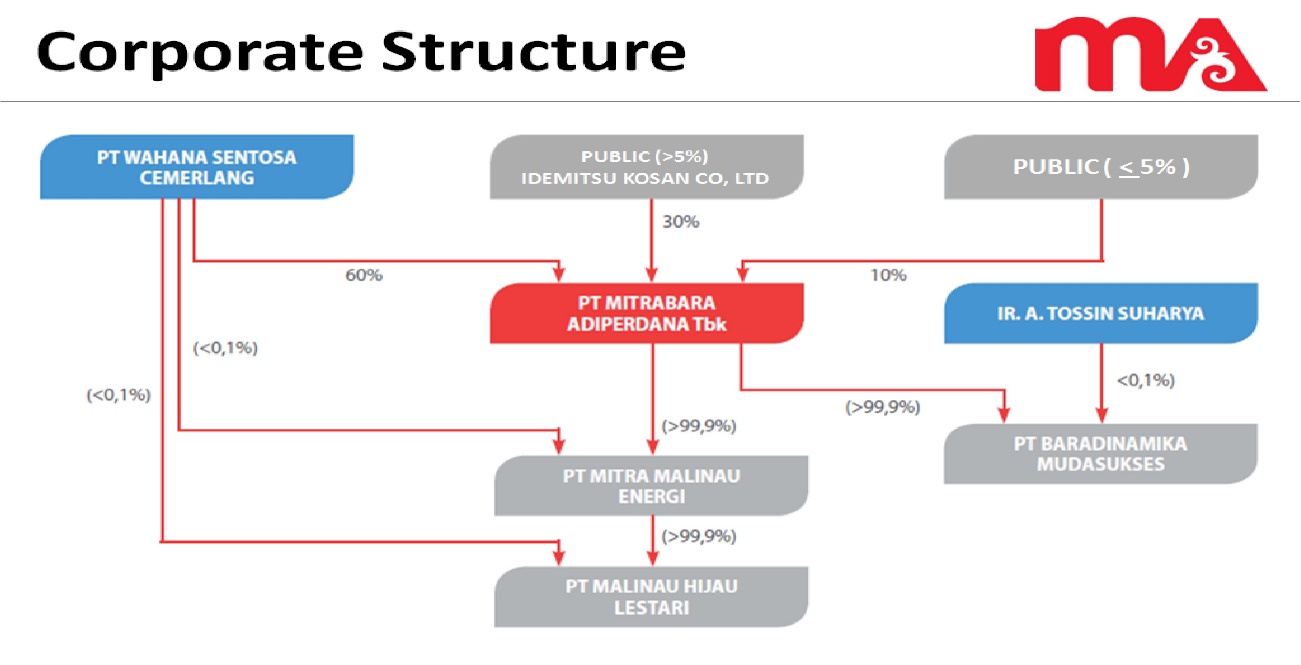
The main project location is in the spring water, i.e. Umbulan head pond and Tapak spring. The main reservoir and the pump will also located in the same area.



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| --- | --- |
| Water Source | Remarks |
| Umbulan head pond | * Located c. 700m from the main reservoir. * Q95 at 3,800 lps. * The current water usage about 440 lps, including:   + PDAM Surabaya: 110 lps   + PDAM Pasuruan: 35 lps   From the remaining raw water supply of 3,400 lps, the Project will take 3,000 lps. |
| Tapak spring | There are 3 suppletion: Tapak Buntung, Tapak Janti, and Tapak Gedang.  The Project will take 700 – 1,000 lps. |
| Rejoso River | * Located c.2 km from the main reservoir. * The water treatment plant and the piping to the main reservoir to be built by the Ministry of Public Work and Marine. * The intake is needed by 2021, when MAU requires to supply the full volume of 4,000 lps. * The state budget is expected to be secured by 2017, and the construction is expected to be completed by 2019, at the latest. |

**IV.B.3. Project Structure**

The project is structured as Public-Private Partnership (“**PPP**”), with support from the GOI in the form of Viability Gap Funding and IIGF Guarantee. The Project structure is as follows:

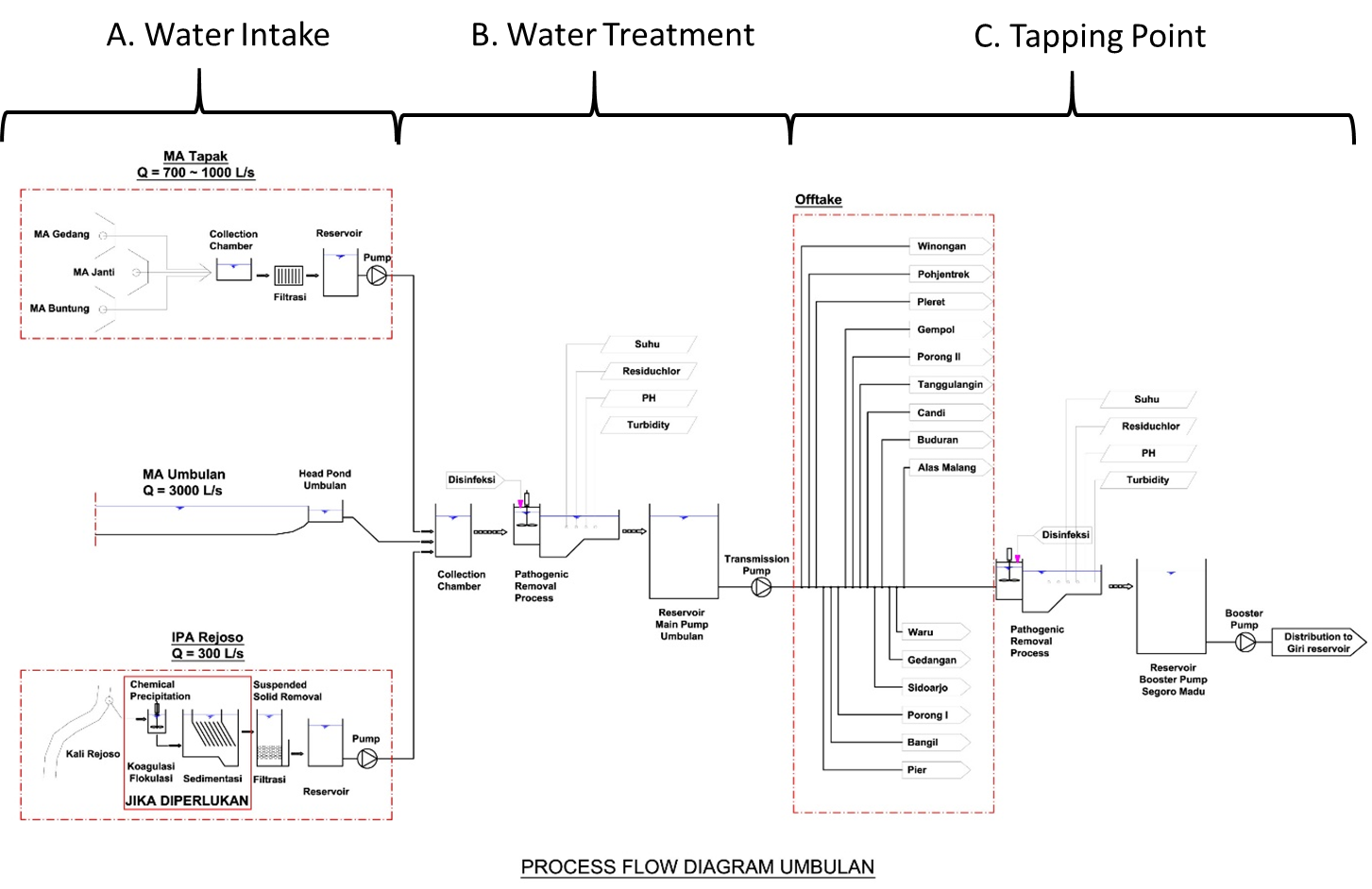


The contract between the parties are as follows:

1. Cooperation Agreement between EJPG as Government Contracting Agency with MAU as Project Company.
2. Bulk Water Supply Agreement between MAU and PDAB, for MAU to deliver the bulk water to PDAB as aggregator, and to receive payment from PDAB accordingly. MAU to deliver the water directly to PDAM.
3. Guarantee Agreement provided by IIGF in favor of MAU, to cover the payment obligation of EJPG.
4. Viability Gap Funding support letter, whereby MOF will provide the VGF directly to MAU upon completion of commissioning test (drawdown to be conducted in batches of maximum 6 times).
5. Bulk Water Supply Agrement between EJPG with PDAB, as the Cooperation Agreement is between MAU and EJPG, whilst the delivery and payment is between MAU and PDAB.
6. Cooperation Agreement, to seal the commitment from regency government to support this project, as well as to support PDAM in fulfiling the payment to PDAB.
7. Bulk Water Supply Agreement between PDAB as aggregator of the bulk water and PDAM as the actual recipient of the water. Also to regulate the payment from PDAM to PDAB.
8. Regress Agreement, for IIGF to have claim over EJPG in the case the guarantee is being claimed.

**IV.B.4. Project Scope**

The project scope is as follows:



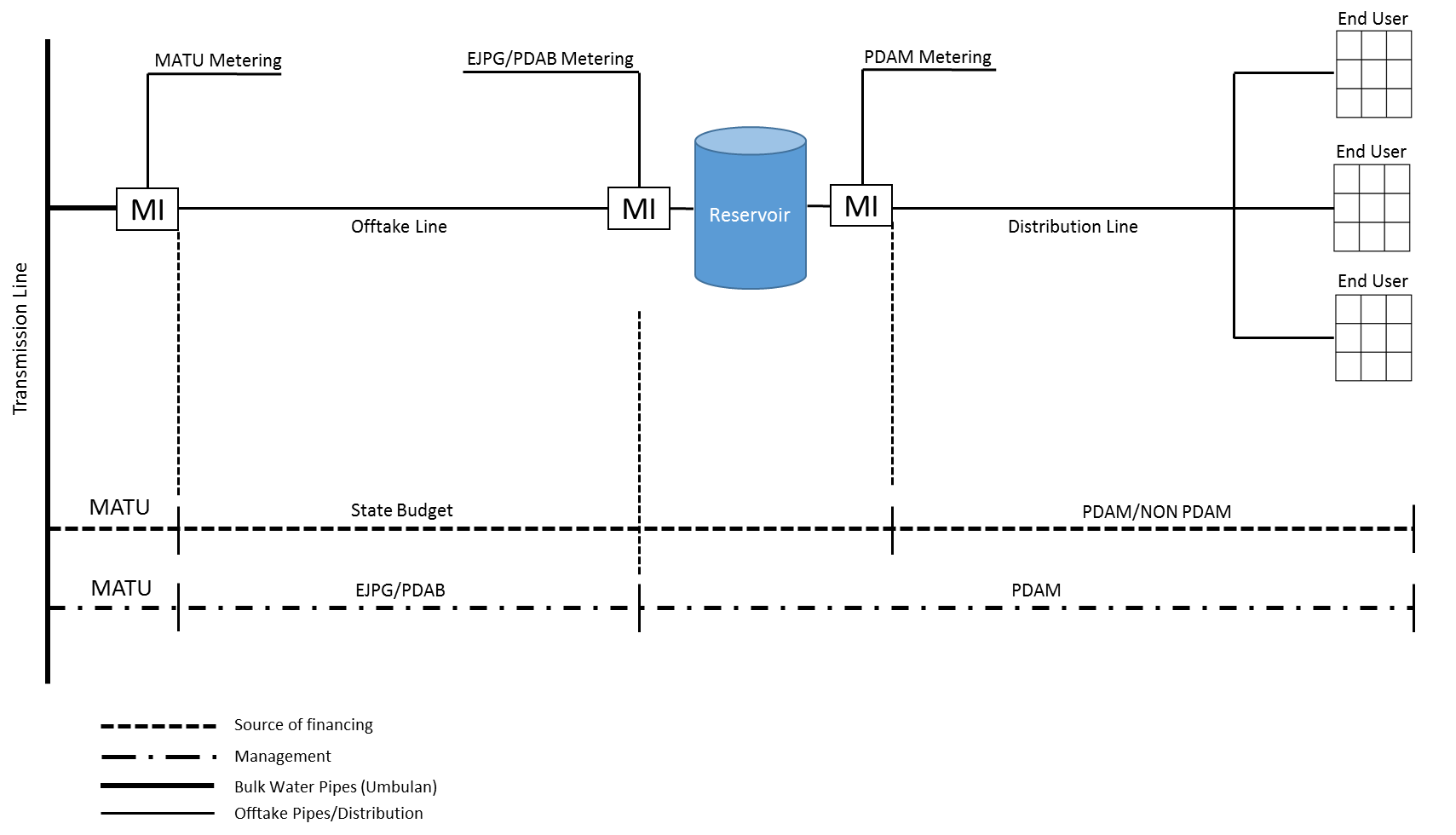
1. There are 3 intake of the raw water: Umbulan head pond (3,000 lps), Tapak spring (700 – 1,000 lps), and Rejoso river (300 lps). The water flowing from the raw water source to the main reservoir will be using gravitation, as the main reservoir is located below the raw water source.
2. As the water quality from Umbulan and Tapak spring is already at drinking quality, there is no need to establish water treatment plant, aside to filtrate the water and inject gas chlorine for pathogenic removal.
3. The water flowing from the main reservoir to the 15 offtake points will only need 1 main pump as the raw water source is at higher location. At the last section, additional booster pump is required as the last offtake point is located higher than the last point.

Project Responsibility

This Umbulan Project to MAU is only part of the bigger Umbulan water system project. Aside the intake and transmission line facility, the project also includes setting up the distribution pipeline from the main reservoir to PDAM reservoir, and to rollout the water distribution network to end user.

MAU is responsible to develop the intake facility in Umbulan and Tapak, the main reservoir, and the pipeline to transmit the bulk water to 16 tapping points in 5 cities/regencies. The other supporting infrastructure that will not be developed by MAU are:

* The distribution pipeline from the tapping point to PDAM’s reservoir: to be developed by PUPERA using state budget, and to be operated by PDAB/PDAM.
* The distribution network to end-user: to be funded and developed by each of the PDAM.
* The water treatment plant in Rejoso River: to be developed by PUPERA using state budget.



Technical Details

The Project’s technical details under MAU’s responsibility are as follows:

1. Production System Component

To process the raw water and produce processed water that suits the standard quality of drinking water before being distributed to offtake points.

1. Head Pond – serves as a collection tank of raw water sourced from Umbulan Spring, and to maintain the continuity of raw water supply to the water intake. Head pond will be constructed with steel material. The raw water will be transferred by mean of gravity from Umbulan spring to the Umbulan Water Intake.
2. Umbulan Water Intake – function as temporary water collection before being transferred to the disinfectant unit. The intake will be installed with penstock (to isolate the water current during time of maintenance) and fine screen (to capture foreign object that accidentally goes into the system, such as: trash, tree branch, and leaves).
3. Tapak Collecting Tank – serves as a collection tank of raw water sourced from Tapak Spring (Buntung Spring, Gedang Spring, and Janti Spring). From this point, the raw water will be transferred to Tapak Treatment System.
4. Tapak Treatment System – to process the raw water from Tapak Spring. The Tapak Treatment will be installed with few mechanical and electrical equipment, such as: penstock, isolation gate valve, monorail crane, and water level indicator.
5. Rejoso Water Processing Installation - to process the raw water from Rejoso River. The water processing will includes few mechanical and electrical equipment, such as: penstock, isolation gate valve, monorail crane, and water level indicator.
6. Disinfectant and Neutralization System – chlorine gas is the most effective and efficient chemical to be applied in the system. This is to process the water to be pathogen free. Chlorine gas will be supplied in liquid gas form stored in 1 ton drums. The system will be installed with: Manifold Chlorin (to draw the gas from the gas tank), Evaporator (to regassify liquid chlorine), Chlorinator & Injector (to measure the required chlorine dose and mix the chlorine gas), Chlorine Neutralization Facility, and Chlorine Leakage Detector.
7. Reservoir and Treated Water Pump Station – all the processed water sourced from the Head Pond, Tapak, as well as Rejoso River will be transferred to the Reservoir, which has a capacity of ±40,000m3. The Reservoir will be installed with: Inlet Outlet Water Manual Stoplog (to isolate the Reservoir during maintenance period), Drain Gate Valve, Indicator Level Transmitter (to indicate the water surface level in the Reservoir and prevent capitation), pH Indicator, Turbidity Indicator (to indicate the contamination level in the water), and Chlorine Residual Indicator.
8. Transmission System Component

To transfer the drinking water produced from the production process to offtake points through tapping points, with quality, quantity, and water pressure according to the standard. The diameter of the transmission pipe is ND-1000 mm to ND-2000 mm.

1. Transmission Pipe – will be installed with Gate Valve, Air Valve (to discharge air trapped inside the transmission pipe, Wash Out (to flush out air and other dirts that accidentally goes into the pipe).
2. Ground Reservoir Transmission – will be installed on each Booster Pump location and serves as a balancing tank. This Reservoir will temporary hold the water with certain volume before being redistributed by using the Booster Pump, so that the continuity of water supply could be maintained eventhough there is a fluctuation in demand.
3. Transmission Booster Pump – to increase the pressure on water supply, which in this case experiences a loss of pressure resulted no driving force in transferring the water. On each of the Booster Pump system, it will be installed with Anti Water Hammer System (to prevent collapse and over pressure).
4. Chlorine Gas Disinfectant Facility – to anticipate the diminishing chlor residual in the water after travelling certain few kilometres, so that the water will still be pathogen free.
5. Offtake Tapping Point

As a receiver point of supplied water from transmission pipe and then distribute it to the end users. This system is also installed with Reservoir as an end point of distribution. The distribution to the end users will use distribution pump which is the responsibility of regency government.

**IV.B.5. Offtake Point**

The required delivery volume from MAU to PDAB starting from the COD is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| (in lps) | 1st Year | 2nd Year | 3rd Year onwards |
| PDAM Pasuruan City | 80 | 110 | 110 |
| PDAM Pasuruan Municipalities | 200 | 300 | 410 |
| PDAB | 100 | 150 | 200 |
| PDAM Sidoarjo Municipality | 700 | 900 | 1,200 |
| PDAM Surabaya City | 700 | 1,000 | 1,000 |
| PDAM Gresik Municipality | 600 | 700 | 1,000 |
| **Total** | **2,380** | **3,160** | **3,920** |

The staging of the volume is due to the ramp up at the PDAM side (please see Part IV.E. Industry Analysis for the demand study). The required volume per offtake point at the 3rd year is as follows:

|  |  |  |
| --- | --- | --- |
| (in lps) | Offtake Point | Volume (lps) |
| PDAM Pasuruan City | Pleret | 110 |
| PDAM Pasuruan Municipalities | Pohjentrek | 75 |
| Bangil | 140 |
| Gempol | 70 |
| Winongan | 125 |
| PDAB | PIER | 100 |
| Porong | 100 |
| PDAM Sidoarjo Municipality | Porong Sidoarjo | 50 |
| Tanggulangin | 150 |
| Candi | 200 |
| Sidoarjo | 300 |
| Buduran | 100 |
| Gedangan | 200 |
| Waru | 200 |
| PDAM Surabaya City | Alas Malang | 1,000 |
| PDAM Gresik Municipality | Giri | 1,000 |
|  | **Total** | **3,920** |

The Minister of Public Works and Marine has provided its confirmation to support Umbulan project, as per issued confirmation letter no. PR.01.03-Mn/897 dated 11 September 2015. Through Directorate General Cipta Karya, and in coordination with KPPIP and PJPK, Cipta Karya has prepared the DED for distribution pipeline from tapping point to PDAM reservoir, and will proceed with the budgeting and construction, based on the following schedule:



Note: already includes the 2 additional offtake point, and WTP at Rejoso river.

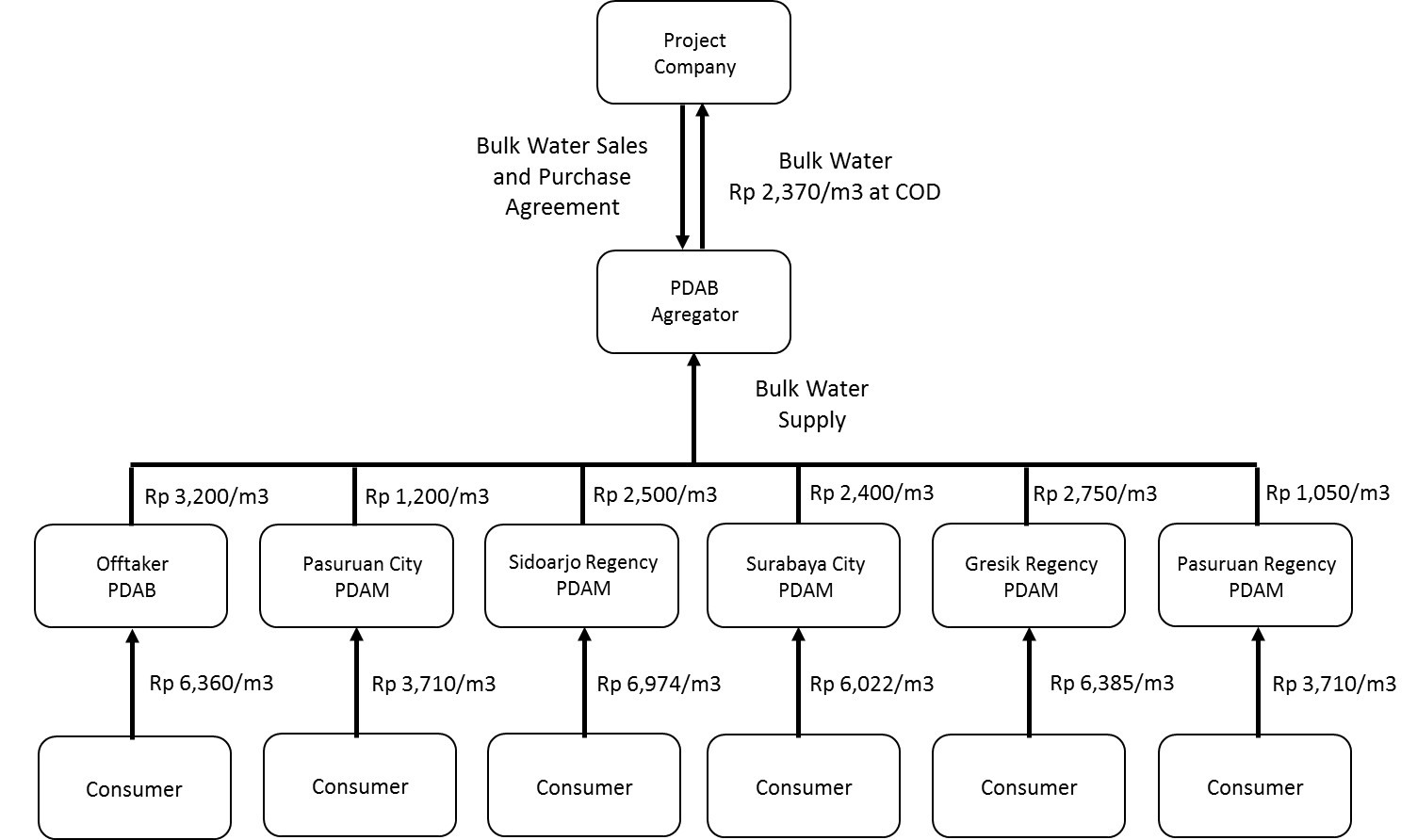
**IV.B.6. Payment from PDAB**

The source of payment from PDAB to MAU is from the cash collection of PDAM. PDAM’s source of payment to PDAB is from selling the water to end user. Please see the below diagram showing the average tariff of the end-user to PDAM, and the payment amount to PDAB/MAU.

Please note that the tariff to end-user seems at the high side. However, due to the high non-revenue water in the PDAM (on average at 30%; please see Part IV. Industry Analysis), the payment capability of the PDAM is not as strong as it seems.

To secure the liquidity at PDAB side, there are a couple of main mitigations that is prepared by EJPG, which are:

* Increasing the authorized capital of PDAB to IDR500 billion (current paid-in capital is c.IDR200 billion). If PDAM did not remit the required amount to PDAB, PDAB can make capital call to EJPG promptly.
* Arranging a standby facility with BPD Jatim.



If PDAB unable to make the monthly payment to MAU, EJPG will assume the obligation to make the payment to MAU. Aside the monthly payment, PDAB/EJPG also has the responsibility to make termination cost payment, upon certain events triggered (i.e. default of EJPG, take over of EJPG to the Project, and due to action/no-action from the Govenrment).

**IV.B.7. IIGF Guarantee**

IIGF Guarantee Agreement will be effective upon completion of conditions precedent stipulated in the Guarantee Agreement, which is one of it is the Effective Date of Cooperation Agreement. IIGF Guarantee Agreement will be expired upon: (i) 15 years after COD; (ii) the date when Cooperation Agreement ends; and (iii) the date when Cooperation Agreement is terminated.

The IIG Guarantee is to cover: (i) Payment obligation of PDAB as per Cooperation Agreement; (ii) EJPG obligation to make termination payment due to failure of PDAB to make payment to MAU; (iii) EJPG obligation to make termination payment due to government’s acts or in-actions; and (iv) EJPG obligation to make termination payment following EJPG exercise the option to purchase the Project.

The guaranteed amount is up to: (i) IDR 180,000,000,000 for payment obligations (other than termination payment); or (ii) 80% of the total termination payment. The maximum amount of IDR 180,000,000,000 will be reduced if claim payment has been made, and to reinstate to IDR 180,000,000,000 is upon sole discretion of IIGF.

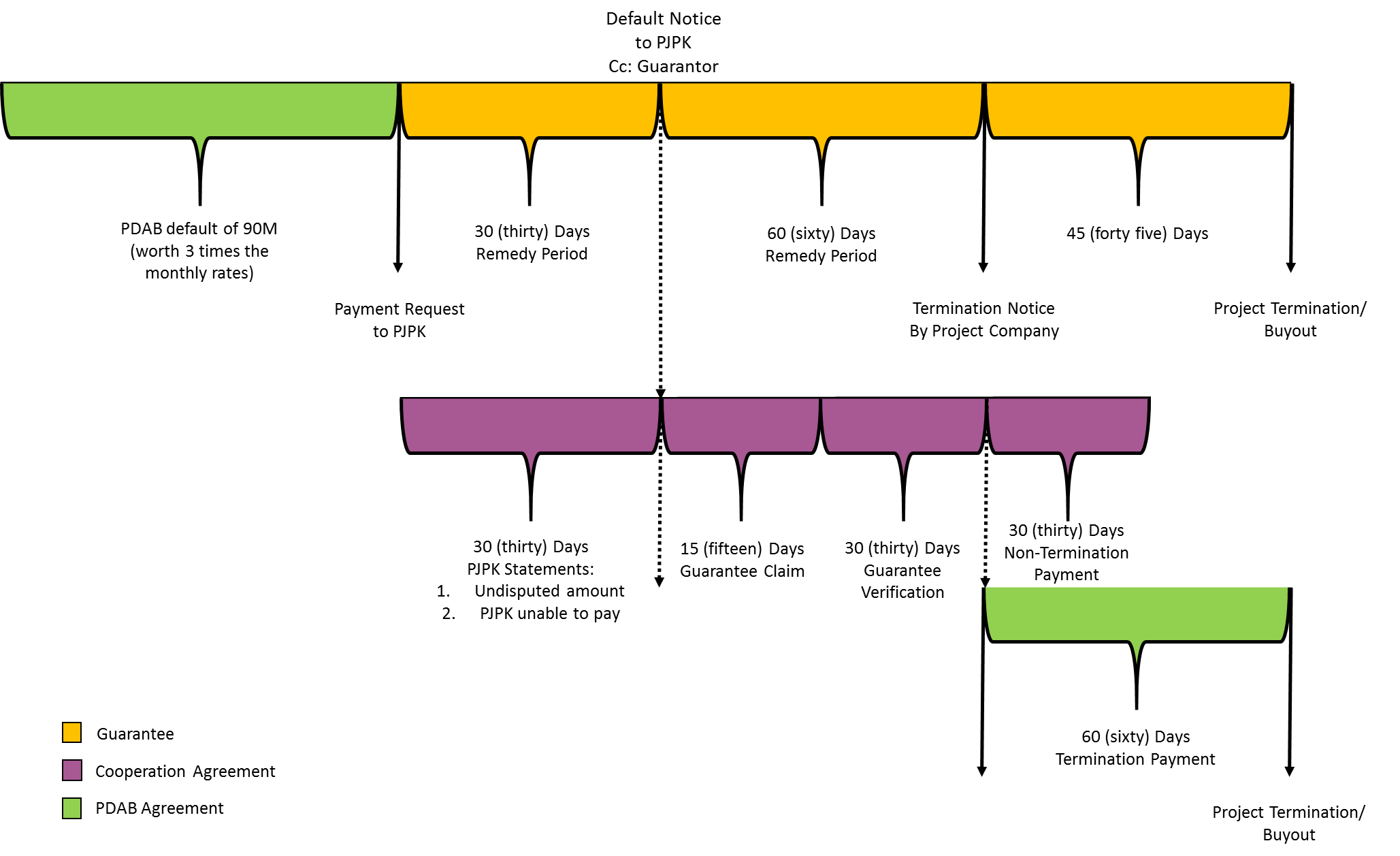
IIGF will honor the claim from MAU if these conditions are met:

* + - 1. any of following requirements are met:
         * EJPG has given its confirmation that EJPG is unable to fulfill the its financial obligation and there is no dispute regarding the claimed amount;
         * EJPG does not submit any confirmation referred in the above point within 30 business days after claim is tendered by MAU;
         * if the claimed amount is disputed by EJPG, the claim will be honored after final decision by arbitration is obtained, or settlement agreement between EJPG and MAU is reached.
      2. claim is to be submitted within 15 days after occurrence of any default;
      3. MAU is not in the event of default under IIGF Guarantee Agreement; and
      4. Transmission pipe network to PDAM reservoir is in good operation as stated by EJPG.

Requirement in (iv) may not be favorable for the interest of MAU, as the guarantee is conditional to the performance of obligations of PUPERA and PDAB/PDAMs. Based on the latest discussion between EJPG, MAU, and IIGF, the parties are in the understanding of/agreed that:

* Based on Cooperation Agreement: EJPG guaranteed PDAB to remain paying to MAU even if pipeline network to PDAM is not yet ready.
* The Guarantee Agreement stated that IIGF requires statement letter from EJPG that pipeline network to PDAM is already in place.
* IIGF will take the position that they are ok to cover EJPG’s payment obligation upon received that statement letter, even if PUPERA is still in construction phase of any of the required pipeline network to PDAM. IIGF will issue a document to confirm on this, which is still being drafted.

The time schedule of the guarantee claim is as follows:



**IV.B.10. EJPG Risk Mitigation**

As part of the guarantee arrangement, IIGF entered into regress agreement with EJPG. To mitigate the risks, EJPG already conducted risk analysis and the mitigation plan, in order to ensure that the payment obligation (and the Project) can run smoothly. The summary of the risk analysis and mitigation plan is as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | Risk Source | Risk Mitigation Strategy | Mitigants in the Cooperation Agreement | |
| Cooperation Agreement between EJPG and MAU | Cooperation Agreement between PDAB and MAU |
| 1 | Raw Water Quantity  (Decreasing raw water quantity causes the installed capacity cannot be fully utilized which leads to lack of drinking water production output) | * PDAB (together with the EJPG), to establish catchment area management plan and coordinate on this with other stakeholders. * Determine the volume of raw water and SIPPA based on the results of the study of the raw water quantity. * Additional sources from Kali Rejoso and Tapak spring water | * If the raw water quantity that should be provided by EJPG to be processed by MAU is decreased, PDAB still need to pay the Capacity Charge to MAU, and the Variable Charge depends on the water supply volume. * If MAU negatively impacted by government action/inaction to transmit the water, EJPG must ensure PDAB to pay MAU on the fee based on the supply volume capacity. * The EJPG will supply additional raw water from Kali Rejoso | * PDAB will remain to pay the Capacity Charge to MAU although the water supply is reduced. * If there is a water supply shortage due to force majeur or due to government action/ inaction, there will be no penalty to MAU. Otherwise, MAU to pay penalty to PDAB. |
| 2 | Raw Water Quality  (Raw water quality is under the parameters set in the Cooperation Agreement that caused MAU to incur additional processing cost). | * EJPG will control the management of Umbulan Spring Water * EJPG will create a management plan of raw water catchment areas and coordinate with other stakeholders. | MAU is entitled to receive compensation for any additional costs (excluding profit) that raised due to the need to process the raw water as a direct result of the decline in raw water quality. | PDAB will repay additional costs (excluding profit) that arised in processing the raw water as a direct result of the decline in raw water quality. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 3 | Permits   1. Delay in obtaining permission to extract raw water (i.e. SIPPA). | In principle approval of SIPPA already issued before Project implementation | * EJPG must obtain SIPPA.   *Note: SIPPA is already issued to EJPG with no expiry date.* | - |
|  | 1. Delay in working license/permit issuance   (necessary permits/ approvals for construction of the project is delayed, that caused delay in Effective Date) | PDAB to obtain in principle approval from the authority prior to the signing of the Cooperation Agreement.  *Note: all in principle approval is already obtained.* | * MAU must obtain all approvals for development, operation, maintenance, ownership, and diversion project, as well as the distribution of bulk drinking water. * Each Condition Precedent is for the benefit of MAU and may only be set aside by MAU. * Upn written request, a party may request reasonable assistance from the other party to meet the Condition Precedent requirements. |  |
| 4 | The produced bulk drinking water by MAU is not absorbed by PDAB. | Ensure the water absorption commitment from each PDAMs to PDAB, through signing of Bulk Water Supply Agreement. |  | The fee paid by PDAB to MAU is based on Capacity Charge and Variable Charge. PDAB has the obligation to pay the Capacity Charge irrespective of the absorption of bulk water. |
| 5 | Failure to pay the bulk water tariff  (PDAB failed to pay the bulk water tariff produced by MAU) | * PDAB to seek standby loan from Financial Institution. * Ensure the commitment from regency government to support each of the PDAM to deliver payment to PDAB. * Signing of bulk water Supply Agreement between PDAB and PDAM to ensure commitment from PDAM to make payments. * PDAB needs to have good operational and financial management * Ensure PDAB has a business plan that shows ability to make payments to MAU. * Issuance of Governor Regulation regarding capital injection to PDAB in order to avoid failure of payment obligations. | * EJPG is obliged to ensure payment from PDAB to MAU * EJPG to provide the funds (equity) to PDAB in order to avoid failure of payment obligations. * EJPG is given enough time to address PDAB’s failure to pay the bulk water. | * Risk of loss of drinking water will be transferred from MAU to PDAB upon the water delivered to the tapping point. |
| 6 | Late Payment  (late payment from PDAB to MAU) | * PDAB to seek standby loan from Financial Institution. * Ensure commitment from regency government to support each of the PDAM to deliver payment to PDAB. * Issuance of Governor Regulations related to PDAB capital injection to avoid failure of payment obligations. * Bulk Water Supply Agreement between PDAB and PDAM related to the commitment from PDAM to make payments including tariff adjustments * PDAB needs to have good operational and financial management * Ensure PDAB has a business plan that shows ability to make payments to MAU. |  | The unpaid amount from PDAB to MAU will incur penalty calculated from the payment due date until the overdue payment is fully received. |

To ensure that the risk mitigation is conducted properly, the parties to this Project will establish a Joint Monitoring Committee. The members include: EJPG, PDAB, Cipta Karya, MAU, PDAM, and other appointed parties. The main role of this body is to monitor the Project until the end of concession period, to ensure the mitigation plan is conducted as required.

**IV.B.11. Material Contract**

The list of material contracts and the status is as follows:

|  |  |
| --- | --- |
| Document Title | Status |
| Cooperation Agreement between MAU and EJPG | Signed on 21 July 2016 |
| Bulk Water Supply Agreement between MAU and PDAB | Signed on 21 July 2016 |
| Cooperation Agreement between EJPG and each of the 5 cities/municipalities | * 4 cities/regencies already signed the document. * The non-executed one is with the Pasuruan City. EJPG is still in close discussion with the regional government to execute this.   *Note: these documents are Condition Precedent of EJPG to achieve Effective Date.* |
| Water Supply Agreement between PDAB and each of the 5 PDAMs | * PDAM Gresik and PDAM Sidoarjo already signed the document. * PDAM Surabaya is still negotiating on the terms that already agreed in 2011, but not yet fulfilled by EJPG (i.e. interim water treatment plant of 500 lps; support to reduce non-revenue water, and state budget for development of water distribution network. * PDAM Pasuruan City: subsequent to signing of Cooperation Agreement between EJPG and the regional government. * PDAM Pasuruan Municipality: pending to regional funding allocation for development of distribution network.   *Note: these documents are Condition Precedent of EJPG to achieve Effective Date.* |
| Viability Guarante Letter | Already issued on 19 September 2016 |

We have requested Hermawan Juniarto law firm to conduct legal due diligence to the material contracts. The summary on the draft LDD report is presented in Part VI.I. p.111.

**IV.B.12. Technical Due Diligence**

We have appointed PT Royal Haskoning Indonesia (part of Royal Haskoning DHV) as the technical advisor to conduct desktop technical due diligence. Royal Haskoning is an independent, international engineering and project management consultancy with over 135 years of experience, and a 30-year track record of delivering successful projects throughout Indonesia. Please note that PT Haskoning Indonesia was appointed as technical advisor to prepare technical due diligence of this Umbulan project by IFC back in 2011.

As the project preparation is an on-going process (i.e. MAU is in the process of conducting detailed survey study and establishing the Front-End Engineering Design), the technical due diligence was conducted as a desktop study based on the pre-feasibility study conducted by PT LAPI Ganeshatama, the appointed consultant of MAU during the Project bidding process. The goal of the due diligence process are: (i) to review and provide input on the scope of workmanship by the contractor, (ii) to review and provide input on the reasonableness of the project cost, and (iii) to provide risk analysis and mitigation recommendation on the technical aspect of the Project.

The conclusion and recommendation provided by Royal Haskoning in its final draft Technical Due Diligence Report is as follows:

**A. Conclusions**

1. Technical aspects

a. Scope of the Umbulan BWSP is pretty complex. It consists of the production units at the water source and transmission pipeline systems along approximately 92.3 km and 17 (seventeen) off take points in five districts / cities. Considering the main material prices in the CA and MAU FS are relatively higher than in the market places, then the major challenge will be in the project management during the construction period. Therefore, the appointment of credible supervisory consultants and project management will be very important.

b. The next challenge is the operational phase. The FS has been prepared in which the leakage or unaccounted water (NRW) by 2% but the feasibility calculation did not taken into account because of the assumption of 100% water sales. NRW assumption of 2% requires transmission piping systems are primed and need consistent operation and maintenance for the next 25 years of concession period.

2. Social aspects: the transmission pipeline will pass through diverse physical environments such as district / city roads, rail lines Railways, highways, crowded areas and shrimping. There will be a lot of social problems that must be addressed in addition to the number of licenses that must be obtained. This situation will lead to various hidden costs, especially for co-ordination and licensing activities and impact on the amount of time and costs.

3. Financial aspects

a. The feasibility study which has been prepared by the MAU need to be adjusted in the determination of the water tariff. Despite entering the VGF component amounting to Rp 818.01 billion as a deduction from the value of CAPEX financing the bulk water tariff may fall to as low as Rp 2211 / M3.

b. The operating revenue which in the CA document is called the replacement costs of investment is too complicated and less realistic. There is a tariff component that uses the Consumer Price Index from BPS as one of increase rate variables. This method is quite risky because it could happen projected operating income calculation results based on the Consumer Price Index from BPS do not reflect actual commodity prices on the market.

c. The operating revenues do not really reflect the amount of revenue from water sales and they become a ceiling of operating cost spending. The PPP scheme force the investor (MAU) to minimize operating cost spending strictly rather than enhancing creativity to increase operating revenues.

4. Material price reasonableness.

The first four of CAPEX components comprise 90% or the total CAPEX value. The consultant analysis to the material price reasonableness focused to these parts of CAPEX. According to the material price reference which is obtained from the manufacturer, the prices set in the MAU technical FS represent reasonable values.

**B. Recommendations**

1. Given a very complex environment situation along the 92.3 km pipelines, the investor (MAU) is advised to hire a credible EPCM consultant to supervise the construction activities. Time and non technical (social) costs spending of the construction are very critical to keep the Umbulan BWSP financially feasible. Among other things, many third party arrangements need to be addressed to enable the project is executed within the predetermined budget and timeframe, such as:

 Pipe manufactures/ suppliers

 Highly skilled welders

 Community relationship specialists

 Material handling experts

 Etc.

2. The consultant proposed to adopt the FIDIC Red Book contract formMME to secure the contractual relationship between MAU and its main contractor for the Umbulan BWSP construction

As mentioned above, the review was based on the pre-feasibility study, whereby MAU and/or the Cooperation Agreement have addressed the issues. MAU itself is in the process to conduct a detailed study and establish Detailed Engineering Design before starting the construction. In addition, GAI and BKK have sufficient experience in conducting water/transmission pipeline project. We deemed that the technical risk is/will be well-mitigated by MAU.

**IV.B.13. Latest Development**

As mentioned, the original Project schedule is to have the financial close/Effective Date of Cooperation Agreement by 21 July 2017 (12 months from Cooperation Agreement signing date). The long period is for the parties to prepare/complete the Condition Precedent to Effective Date. The long period is also for MAU to conduct the detailed survey and prepare the Detailed Engineering Design. This is still an ongoing process, expected to be completed by February 2017.

On the other hand, the GOI is requesting the Effective Date to be accelerated to October/early November 2016. This made the parties to accelerate the preparation of the Condition Precedents. Nonetheless, the main item that cannot be rushed is the detailed survey and the DED. The unavailable of DED made the working license, EPC contract, and the fixed capex amount cannot be secured.

Condition Precedent to Effective Date

The list of Condition Precedent to EJPG and the fulfilment is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| No | Introductory Terms | Progress Update | Completion Target |
| 1 | Copy of required license/permit | In principle approval and commitment to support from related institutions are already obtained at September 2016 | Done |
| Addendum to AMDAL/ environmental permit (Included in the list of required permit) | * AMDAL was completed in 2013 and the environmental permit already issued in 2014. * The addendum to AMDAL is still on going, due to the change in the pipeline route. The progress update: * All supporting documents have been completed. * The survey is already in the final stage. * On 19 October 2016, the addendum to ANDAL and RKL-RPL will be submitted to KLH East Java Provincial Government and by late October 2016, the environmental license will be issued. | End of October 2016 |
| 2 | Land acquisition | • Measurement and appraisal is already completed.  • Public hearing has been done. There are 3 out of 69 affected people disagree on the appraisal report, and BPN will proceed with consignment to court for these 3 land title (following UU no. 2/2012).  • The certification process is targeted to complete by late October 2016. | End of October 2016 |
| 3 | Statement letter that EJPG’s representative & warranties are already correct. | Administrative. | End of October 2016 |
| 4 | Copy of each Project Agreement signed by PJPK |  | October 2016 |
|  | 1. Cooperation Agreement between EJPG and regency government | • 4 agreements have been signed  • The outstanding agreement is with Pasuruan city. | October 2016 |
|  | 1. Bulk Water Supply Agreement between PDAB and PDAM | • PDAM Gresik and Sidoarjo already signed the Agreement.  • PDAM Surabaya: there are two strategic issues:  1. Authority of Acting President Director to sign the Agreement.  2. Requests from PDAM Surabaya: to build WTP Interim 500 lps, state budget for developing main distribution network, support to reduce non-revenue water.  • PDAM Pasuruan City PDAM: Awaiting PKS Governors and Pasuruan Mayors to sign  • PDAM Pasuruan municipaity: awaiting state budget confirmation on funding the distribution network | October 2016 |
|  | 1. Viability Gap Funding support letter | Issued by Ministry of Finance on 19 September 2016 | Done |
| 5. | Statement letter issued by PJPK that the relocation of public swimming pool and stall shops from the Umbulan spring water location is already completed. | The pool relocation will be conducted after land acquisition process completed. | December 2016 |

The Condition Precedent for the MAU side is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| No | Progress Update | Progress Update | Completion Target |
| 1 | Copy of deed of establishment, article of association, ratification of Ministry of Law and Human Rights, and business licenses | The approval from MOLHR regarding change of equity is still in the process, but MAU does not foresee any issue. | Done. |
| 2 | Corporate authorisation on signing and executing of the Cooperation Agreements. | - | Done. |
| 3 | Legal opinion from legal counsel regarding the establishment validity and authority to sign the Cooperation Agreement | To be issued prior to Effectiove Date, as there are still pending documents that needs to be included in the Legal Opinion. | At Effective Date |
| 4 | Copy of DED | The detailed survey is still on process. | February 2017 |
| 5 | Statement letter from Lenders that the financing agreement is already in full force and in effect, and the condition precedent to the loan drawdown requirements for the initial disbursement of Senior Loan have been fulfilled or waived | To be issued by Lenders upon satisfactory of facility agreement signing and completion of Condition Precedent. | At Effective Date. |
| 6 | Statement letter issued by the Shareholder stating  That the equity portion is available to the Project. | - | At Effective Date. |
| 7 | Copy of all permits/ approvals | To be processed after completion of detailed survey and DED, as the permits & licenses are tagged to the location. | Waiting for DED to be completed. |
| 8 | Statement letter that the representations and warranties from MAU are already complied with. | Administrative | October 2016 |
| 9 | Statement letter stating that there is no regulations prohibiting MAU to sign the Cooperation Agreement | Administrative | October 2016. |
| 10 | Copy of insurance policy. | To be purchase at the construction phase. | n.a. |
| 11 | Performance Guarantee issuance | To be issued on Effective Date. | At Effective Date |
| 12 | Copies of each Project Agreement that are signed by MAU | To be completed | At Effective Date |
| 13 | Appointment of Independent Consultant | Still in procurement phase, whereby MAU already identified 5 potential consultant. | n.a. |
| 14 | Amendment AMDAL (based on DED) is approved. | End of October 2016 | n.a. |

As the financial close is needed, we are porposing to proceed with the current available documents, as long as the parties agreed to waive the incomplete Condition Precedents to Effective Date. However, the available limit for the first drawdown is only up to certain amount to cover the fees and expenses related to this financing (i.e. IDR70 billion).

The subsequent drawdown to be based on the complete fulfilment of the Condition Precedent to Effective Date. If there is an amendment to the Cooperation Agreement (in which currently is being discussed due to the changes arised as result of detailed survey and due to the accelerated of Effective Date), the subsequent drawdown will also be based on the approved changes by the parties, including IIGF that provides the guarantee. And the amendment to the material contracts shall be approved by the Lenders.

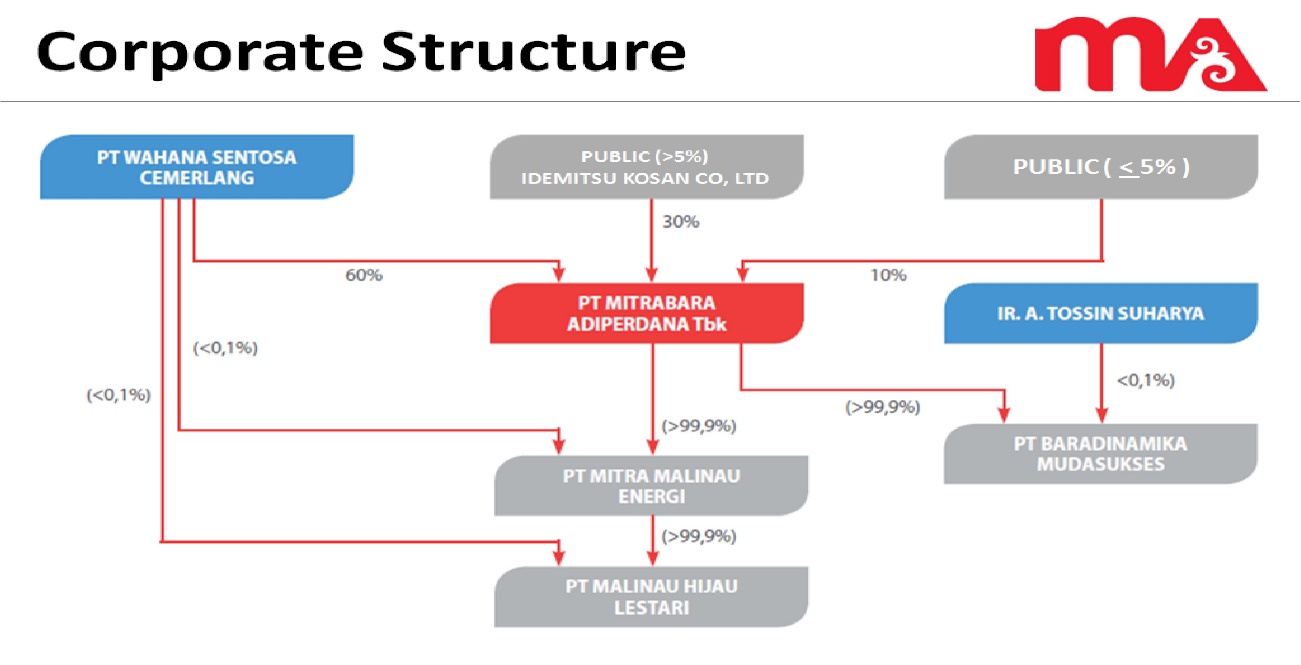
IIGF Guarantee vs Ministry of Public Work and Marine

As explained above, IIGF does not guarantee EJPG’s liability arising from the development of the distribution pipeline from tapping point to PDAM reservoir (as it is under the responsibility of Ministry of Public Work and Marine). It means that upon the project is completed, without the distribution pipeline, MAU cannot deliver the bulk water to PDAM. There is a risk of EJPG/PDAB does not sign off the COD certificate as they cannot monetize the bulk water.

MAU is requesting for this risk to be covered in the IIGF guarantee. All parties are now discussing on this matter; whilst MAU is reluctant to proceed with the construction without clarity to this matter.

**IV.C. Key Stakeholders**

The Project is structured as Public-Private Partnership project. The stakeholders to the Project is as follows:



Payment of Water Tariff

**IV.C.1. Project Company**

Senior Management

The senior management of MAU is as follows:

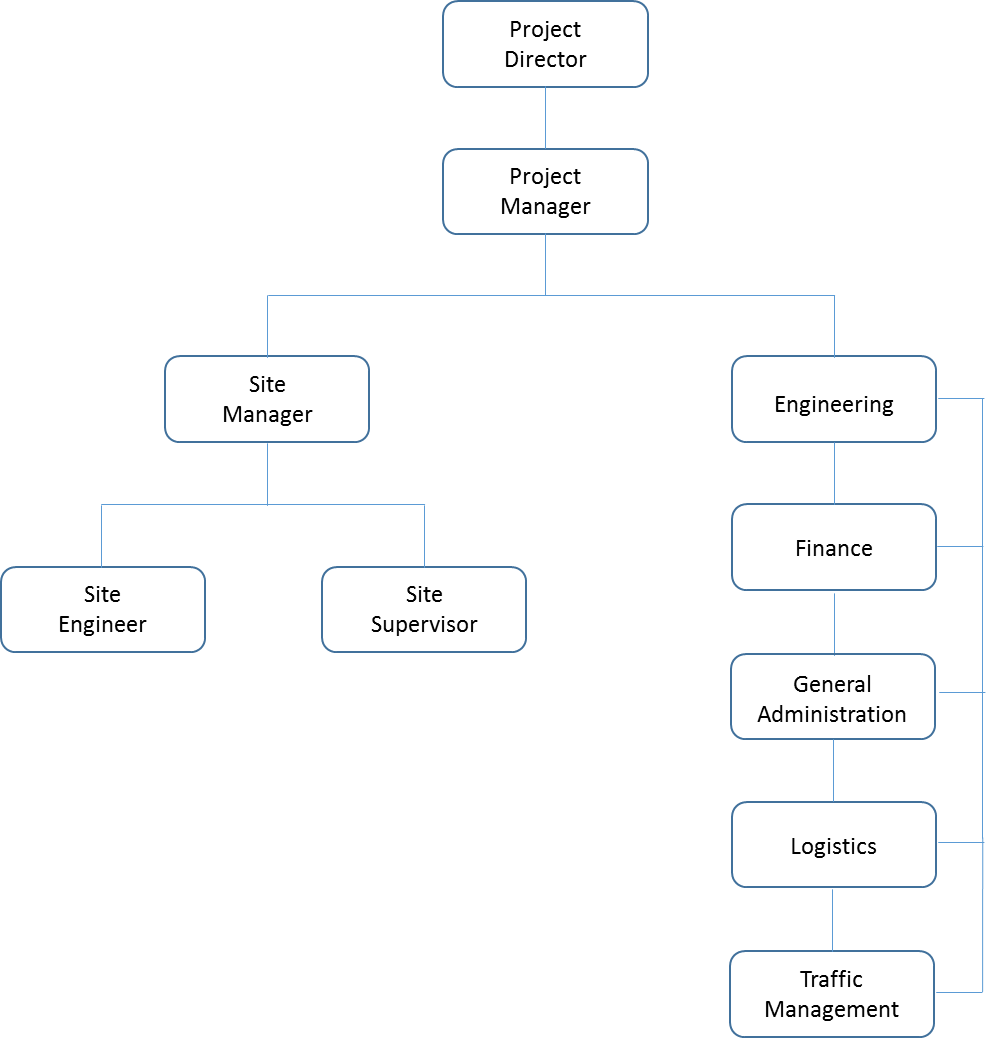
|  |  |  |  |
| --- | --- | --- | --- |
| Board of Directors | | Board of Commissioners | |
| President Director | Ir. Yazer Paeman | President Commissioner | Ir. Haryadi Tedjasaputra |
| Director | Ir. Darmadi Sarwono, MM | Commissioner | Yanuar Panigoro |

The key-persons are as follows:

* Mr. **Ir. Yazer**: also the appointed Director of GAI since 2006. Mr. Yazer started his career in MedcoEnergy in 1996 as a Business Development Manager. He has various experiences in MedcoEnergy as well as Medco’s subsidiaries. Currently he also holds a number of other positions including Director of PT Mitra Energi Gas Sumatra (since 2008), Director of PT Perta Kalimantan Gas (since 2009), and Project/ Lead Director of Umbulan Water Main Pipeline Bidding (since 2011).
* Mr. **Ir. Darmadi Sarwono**: also the appointed Director of BKK. Mr. Sarwono started his career as a professor in ITB.
* Mr. **Ir. Haryadi Tedjasaputra**: Also the appointed Deputy President Director of BKK since 2005. Mr. Tedjasaputra started his career for PT Becak Kayu Kontraktor since November 1980 as a Cost Controller and promoted successively as Project Manager and Branch Manager from 1983 to 1988. Since 1989 he served as Director of Operations at the company. He currently holds a number of other positions, two of which are Director of PT Borneo Tjipta Sejati (since 2007).
* Mr. **Ir. Yanuar Panigoro**: also the appointed President Director of GAI since 2006. Mr. Yanuar first joined Medco Group in 1993 as Project Manager and Control Manager at PT MAU Epsi Engineering (1993-1999). He then served as Manager at PT Medco Holding (2000-2004), President Director of PT Graha Citramas Tbk (2001-2003) and Deputy Project Director of PT Multifab (2003-2004). Currently also serves as President Director of PT Mitra Energi Gas Sumatra (since 2009). Mr. Yanuar is still part of Panigoro family (younger brother of Mr. Arifin Panigoro).

Organisation structure

MAU has prepared the outline of organisation chart is as per below. As of now, MAU is still in the process to grow the team, following the requirement to accelerate the construction (previously to commence on July 2017, but we are now looking for construction commencement on November 2016). The Company is still detailing the organization structure, including the HSE unit which will be seconded from PT Medco E&P Indonesia.



**IV.C.2. Sponsors**

MAU is a joint venture between GAI (70% ownership) and BKK (30% ownership), established on 27 April 2016. The short description of the Sponsors are as follow:

1. PT Gas Alam Indonesia(“**GAI**”), 70% ownership.

GAI is wholly-owned by PT PT Prima Gas Indonesia Tbk. (“**MEI**”). GAI is the sub-holding company for gas distribution and trading business. GAI, through indirect ownership in PT Mitra Energi Gas Sumatra operates a compression station with three main gas compressors and 10 pipeline facilities stretching over 17.5 km based in South Sumatra.

MEI is a holding company ultimately-owned by Panigoro family. MEI was established as oil & gas drilling company in 1980, and started downstream business in 1997. MEI is rated idA+ by Pefindo, listed in IDX with market capitalization at IDR4.65 trillion (equivalent USD372 million) as of 7 October 2016. The total assets as of 31 December 2015 was at USD2.91 billion, with EBITDA at USD216.8 million.

The financial highlight of GAI is as follows (please see the full analysis on GAI at Part VI.I):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **GAI Consolidation (in USD)** | **FY 2013 Audited** | **FY 2014 Audited** | **FY 2015 Audited** | **1H 2016 Unaudited** |
| **Profit & Loss** | | | | |
| Revenue | 4,715,423 | 5,522,742 | 7,470,807 | 3,755,509 |
| Operating Profit | 2,164,903 | 3,187,747 | 4,400,909 | 1,670,087 |
| EBITDA | 2,200,527 | 3,446,880 | 5,066,381 | 2,266,181 |
| Net Income | 393,204 | 2,448,281 | 2,231,764 | 1,157,840 |
| **Balance Sheet** | | | | |
| Cash and Cash Equivalents | 6,563,868 | 10,067,886 | 11,218,167 | 3,003,360 |
| Fixed Assets - Net | 436,222 | 3,828,893 | 3,163,421 | 5,425,660 |
| Total Assets | 19,160,085 | 19,160,085 | 23,340,186 | 17,387,948 |
| Total Debts | - | - | - | - |
| Intercompany Loan | 11,896,658 | 11,703,212 | 12,598,957 | 5,134,052 |
| Total Liabilities | 12,826,783 | 13,065,249 | 14,667,851 | 7,521,095 |
| Total Equity | 6,333,302 | 6,360,735 | 8,672,335 | 9,866,853 |
| **Cash Flow Statement** | | | | |
| CF from Operating | 209,230 | 3,325,835 | 2,282,013 | (426,274) |
| CF From Investing | 33,861 | 178,183 | (1,131,732) | - |
| CF from Financing | - | - | - | (7,213,317) |
| **Ratios** | | | | |
| Gross Margin | 81.10% | 80.90% | 83.66% | 66.29% |
| Operating Margin | 45.91% | 57.72% | 58.91% | 44.47% |
| EBITDA Margin | 46.67% | 62.41% | 67.82% | 60.34% |
| Net Margin | 8.34% | 44.33% | 29.87% | 30.83% |
| ROA | 2.05% | 12.78% | 9.56% | 6.66% |
| ROE | 6.21% | 38.49% | 25.73% | 11.73% |
| Debt to Equity Ratio1 | N/A | N/A | N/A | N/A |
| Debt to EBITDA Ratio1 | N/A | N/A | N/A | N/A |
| DSCR1 | N/A | N/A | N/A | N/A |

1GAI does not have loan from third party.

1. PT Becak Kayu Kontraktor (“**BKK**”)

BKK was established on 1977 as a subsidiary of the Borneo Tjipta Sejati Group (“**BTSG**”). BTSG is a diversified industry grouop, ultimately-owned by Mr. Sastriano Ludo (age 73), a businessman and was an active politician. He was Chairman of Himpunan Pengusaha Muda Indonesia (Indonesia Young Entrepreneur Association, 1973-1977), Chairman of Persatuan Pengusaha Real Estate Indonesia (Indonesia Real Estate Association, 1983 – 1986), and an ex-minister of Marine (1988 – 1993).

BKK was originally established as a construction company, worked on infrastructure projects. Currently BKK has grown into an investment company with portfolio ranging from infrastructure, real estate, office building, luxury hotels, golf course, office building, and palm oil plantation.

BKK’s investment in water projects include:

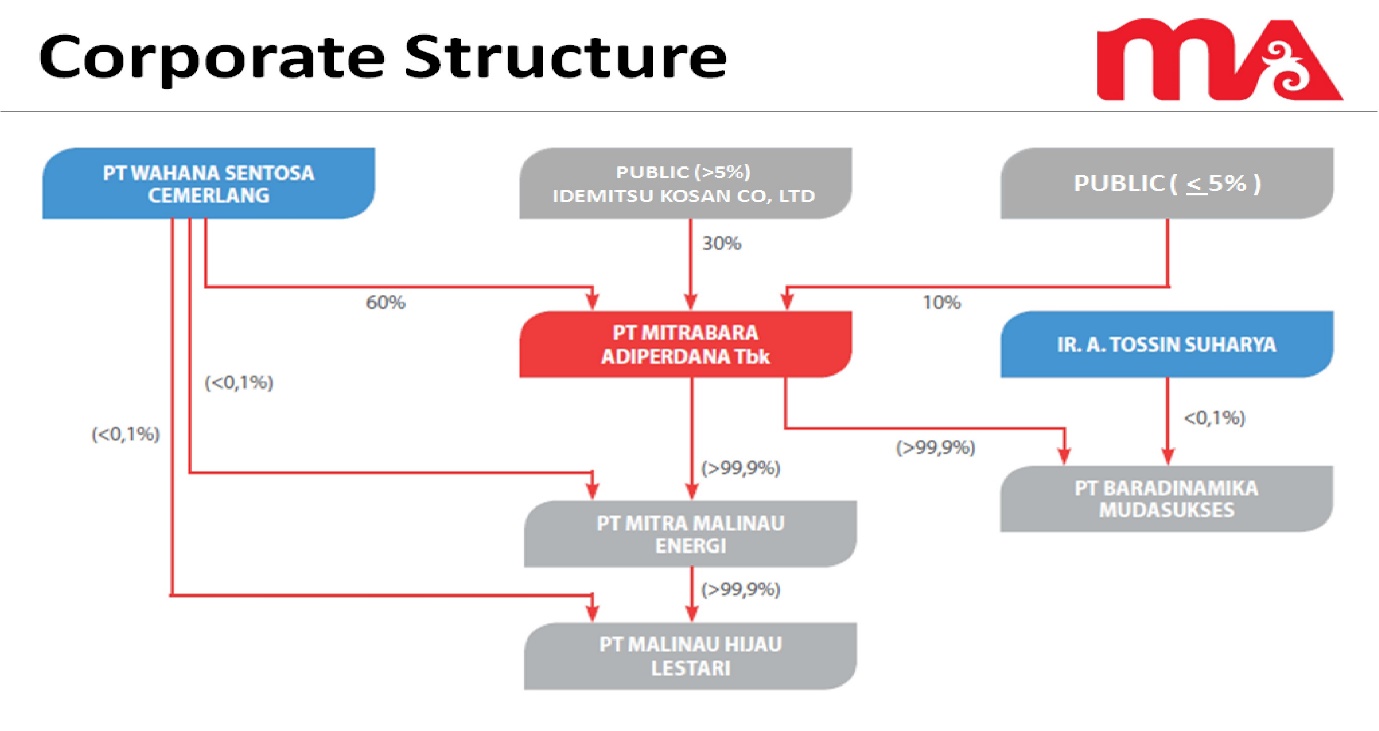
* PT Wahana Sentosa Cemerlang (“WSC”): a water treatment plant in Batam, and sell the water to end users. WSC was established in 1995 with concession period of 25 years (until 2020) from BP Batam. Previously BKK was partnering with BiWater, UK, for establishing this project, but currently WSC is owned by BKK (50%) and SembCorp, Singapore (50%; a holding company under Temasek Group). WSC’s capacity is c.3,100 lps, and servicing c.250k customers.
* PT Mitra Malinau Energi (“MME”): a water treatment plant in Palembang. WSC also sells the water to end users. WSC was extablished in 2000. BKK is also partnering with SembCorp on this project, with ownership split at 60%:40%. MME’ capacity is c.210 lps.

BKK has successfully run those water project. Both are not just water transmission, but also up until the distribution network to the end user. On WSC, BKK was able to achieve service coverage of 99.5%, and received Perpamsi Award as the best dinking water company in big-size PDAM category in 2009 and 2013 (4-yearly award), and become the learning center for big-size PDAM in Sumatera.

The financial highlight of BKK is as follows (please see the full analysis on BKK at Part VI.I):

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **BKK Consolidation (in IDR Million)** | **FY 2013 Audited** | **FY 2014 Audited** | **FY 2015 Audited** | **1H 2016 Unaudited** |
| **Profit & Loss** | | | | |
| Revenue | 648,518 | 653,818 | 736,793 | 138,040 |
| Operating Profit | 13,483 | 16,614 | (1,324) | (7,761) |
| EBITDA | 17,951 | 21,857 | 4,927 | (6,367) |
| Net Income | 38,640 | 40,054 | 25,201 | 46,956 |
| **Balance Sheet** | | | | |
| Cash and Cash Equivalents | 106,262 | 56,578 | 116,742 | 38,158 |
| Fixed Assets - Net | 22,570 | 41,400 | 59,575 | 54,361 |
| Total Assets | 365,532 | 349,427 | 408,117 | 366,393 |
| ST Loan (working Capital) | 25,977 | 15,000 | 14,982 | 14,937 |
| LT Loan | - | - | - | - |
| Total Liabilities | 126,350 | 86,485 | 136,129 | 82,497 |
| Total Equity | 239,182 | 262,942 | 272,037 | 283,896 |
| **Cash Flow Statement** | | | | |
| CF from Operating | (14,989) | 8,289 | 67,232 | N/A |
| CF From Investing | 23,734 | (27,227) | 6,462 | N/A |
| CF from Financing | (18,393) | (30,746) | (13,530) | N/A |
| **Ratios** | | | | |
| Gross Margin | 7.61% | 8.12% | 4.73% | 7.95% |
| Operating Margin | 2.08% | 2.54% | -0.18% | -5.62% |
| EBITDA Margin | 2.77% | 3.34% | 0.67% | -4.61% |
| Net Margin | 5.96% | 6.13% | 3.42% | 34.02% |
| ROA | 10.57% | 11.46% | 6.17% | 12.82% |
| ROE | 16.16% | 15.23% | 9.26% | 16.54% |
| Debt to Equity Ratio | 0.11 | 0.06 | 0.06 | 0.05 |
| Debt to EBITDA Ratio | 1.45 | 0.69 | 3.04 | N/A |
| DSCR | 43.46 | 25.4 | 12.6 | N/A |

The group structure of MAU is as follows:



**IV.C.3. Guarantor**

The guarantor is PT Penjaminan Infrastruktur Indonesia (Persero) (“**IIGF**”), a state-owned enterprise under Ministry of Finance. IIGF operates based on President Regulation No. 78/2010 regarding Public-Private Partnership through Infrastructure Guarantee Instituion and PMK no.260/2010 regarding Guarantee on Public-Private Partnership.

Based on those regulations, IIGF is guaranteeing the payment obligation of Government Contracting Agency (“**GCA**”; which, in this Project is EJPG), for the payment of:

* Contracted tariff/payment based on the cooperation agreement signed between the GCA and the appointed private company.
* Termination cost in the case of GCA default, action/no-action from the government that leads to termination of cooperation agreement, and upon GCA took over the project.

**IV.C.4. Offtaker**

The Cooperation Agreement is with EJPG, however the bulk water is to be delivered by MAU to PDAM, with PDAB as the aggregator.

* + - 1. East Java Provincial Government

The GCA that signed Cooperation Agreement with MAU. EJPG has the responsibility to ensure that the Project can be done successfully, and deliver the result accordingly. Due to this, EJPG conducted close coordination with the PUPERA, MOF, regency government, PDAB, and PDAM.

* + - 1. Perusahaan Daerah Air Bersih

Driking water company owned by EJPG. PDAB is an operating company, supplying water to Pasuruan Industrial Estate Rembang, an industrial estate indirectly owned by GOI (50%), Provincial Government (25%), and Surabaya City government (25%). PIER has 560 ha land area, whereby 260 ha already occupied by 87 tenants. PDAB will also receive bulk water from MAU at 200 lps on the 3rd year.

* + - 1. Perusahaan Daerah Air Minum

Drinking water company owned by each of the regency government. PDAM will deliver the bulk water to the end users, and collect the payment. PDAM will pay to PDAB, which in turn PDAB will pay to MAU.

**IV.C.5. Contractors**

The original schedule is for MAU to conduct the detailed survey and prepare the Detailed Engineering Design, and enter into Effective Date by July 2017. The DED is expected to be completed by February 2017. As such, MAU has not yet prepre the EPC contractors and the main vendor.

* + - 1. EPC Contractor

Still in preliminary discussion, to be appointed based on bidding process after DED completed.

* + - 1. Main Vendor

The main equipment is pipes that is expected to be at 70% of the Project cost. MAU is still designing the type of the pipes that it will use in certain location, i.e. steel pipe and GRC. The type of the pipe will depends on the characteristic of each of the location.

* + - 1. O&M Contactor

MAU will self-operate the plant. We are confident that MAU is able to do this, with the help of BKK that has vast experience in this industry. BCA has 2 operating power plant (the first one is about 20 years in operation).

**IV.C.6. Other Party**

The other parties that involved in this Projects are:

Ministry of Finance

As part of Public-Private Partnership scheme, the Project requires viability gap funding so that it will be reasonable for the investor to develop and also reasonable for the GCA to provide the payment. MOF already issued its final approval on providing VGF to the Project.

Ministry of Public Work and Marine

The supporting infrastructure to the Project will need to be developed by EJPG/PDAB/PDAM. The budget will come from state budget, under PUPERA. The commitment from PUPERA is needed to ensure that the bulk water can be received by end-users. The ministry of PUPERA already issued confirmation letter that PUPERA is in full support to this Project.

Committee for Acceleration of Priority Infrastructure Delivery

Related to the President Regulation no. 3/2016 regarding acceleration of strategic infrastructure projects, this committee is formed by GOI to ensure the acceleration of those projects. KPPIP role is to coordinate and monitor the progress of the project, ensuing all of the obstacles that might hindered the project company can be resolved.

PT Sarana Multi Infrastructure (Persero)

SMI is the appointed advisor of EJPG. SMI is responsible to provide advice to EJPG in preparing the Project, conducting the bidding, execution of the project documents, up to the achieving Effective Date.

Note that SMI is also one of the invited lenders for the syndication. We are xpecting SMI to provide a substantial loan commitment amount, given its ability to provide long tenor financing.

* + - 1. Regency government

The regency government is involved as the Project will go through their jurisdiction, the water will be delivered to its PDAM, to provide clean water to the people in those regencies. Commitment from regency government is needed to ensute that the Project can be succesfull. EJPG entered into Cooperation Agreement with these regency government.

**IV.D. Industry Analysis**

IV.D.1. Clean Water Supply in Indonesia

Indonesia is the fourth most populated country in the world (c.250 million people) and hosts Southeast Asia’s biggest economy. However, more than 37 million people are lack in access to clean water, and 102 million are lack in access to improved sanitation facilities.

Indonesia has made modest progress in recent years to help people gain access to clean water and sanitation facilities. In 2011, around 55% of the population had access to water supply and 56% had access to improved sanitation facility. Compared to 1993, this is an increase by 17 percentage points for water supply, and 31 percentage points for sanitation facility. Increasing political priority for sanitation in recent years, and the result­ of increased in budget allocation for sanitation subsec­tor, suggests that Indonesia is on the right track to scale up access to improved sanitation services. The targets of having uni­versal access by 2019 remain ambitious, and the increasing efforts will need to be continued to achieve this target.

The GOI has made good progress in the past decade in setting up the framework for a well-functioning service delivery pathway. This is reflected in the Service Delivery Assessment (SDA) scorecard, which identified a sound institutional and policy framework. Laws, policies and strategies regulate and guide the service deliv­ery and distribute general roles and responsibilities between line ministries and different levels of government, resulting in improved coordination between stakeholders involved. Since decentralization in 2001, local governments have made good progress in building capacity to provide water supply and sanitation services in their districts and cities, and being consistent in reducing inequality by providing ac­cess to low income communities in both rural and urban areas. Budget allocation to the water supply and sanitation sector has increased significantly in recent years, proving the increase in political priority to the sector.

While this policy and institutional framework is in place, the Service Delivery Assessment process also revealed that the bottlenecks in the service delivery pathway mainly describe the lack of effectiveness with which policies and finance is turned into access to improved services. The gaps in the planning and budgeting building block, as well as in the out­put and uptake and use building blocks provide evidence that Indonesia still faces challenges in turning finances into services in an effective way.

The government will need more than Rp 660 trillion (US$57.2 billion) to provide all Indonesian people with access to clean water and sanitation by 2019. According to the National Mid-Term Development Plan (“**RPJMN**”), clean water infrastructure will need Rp 274.8 trillion while sanitation projects will require Rp 385.3 trillion.

The Public Works Ministry's Cipta Karya director general, mentioned that securing the funds would be one of the toughest challenges. From a total of Rp 274.8 trillion budget needed to support the clean water access, around Rp 90.7 trillion or 33% would come from the state budget. In order to meet the investment target, the government need full support from the regional administrations and the PDAM. The regional administration was expected to allocate Rp 98.9 trillion or 36% to the clean water projects, while the state water companies would have to allocate around Rp 33 trillion.

The focus in the future will be to strengthen the existing system, improve the implementation of policies and strategies into actual outputs, improve the overall effectiveness and efficiency of the systems and sustain the achieved services through strong ownership, operation and maintenance. Bottlenecks in the developing and sustaining pillars suggest that high political will needs to be translated into improved investment plans that are linked with local government work plans and budgeting processes. At the same time, priority has to be given to the sound and integrated planning to ensure the future availability of water resources.

IV.D.2. Demand of Clean Water in East Java

East Java is the most industrialized province in the nation. Its economy is based on agriculture, fishery, oil industries, coffee, mangoes, and apples. However, it has limited supply of clean water in the main regions of East Java area, such as Surabaya, Sidoarjo, Gresik, Pasuruan and Pasuruan city.

Water project approach in East Java combines generating demand from local governments prior to initiating project interventions and demand from consumers for improved sanitation facilities and behaviors prior to making a greater range of sanitation products and services available through local markets.

Significantly, local governments are participating with cost-sharing of funds, institutional facilities, and manpower deployment. Thus, for the first time, local government funding in East Java is being used solely for “software” activities such as generating demand for sanitation, enhancing local market supply of sanitation products and services, and building institutional capacity.

Participatory monitoring in East Java has shown that communities are fully able and highly motivated to monitor progress toward clean water system and that they can regularly track changes in community access to improved sanitation. In pursue to improve clean water in East Java, the government has initiated water project since more than 40 years ago in 1975 but faced various obstacles overtime.

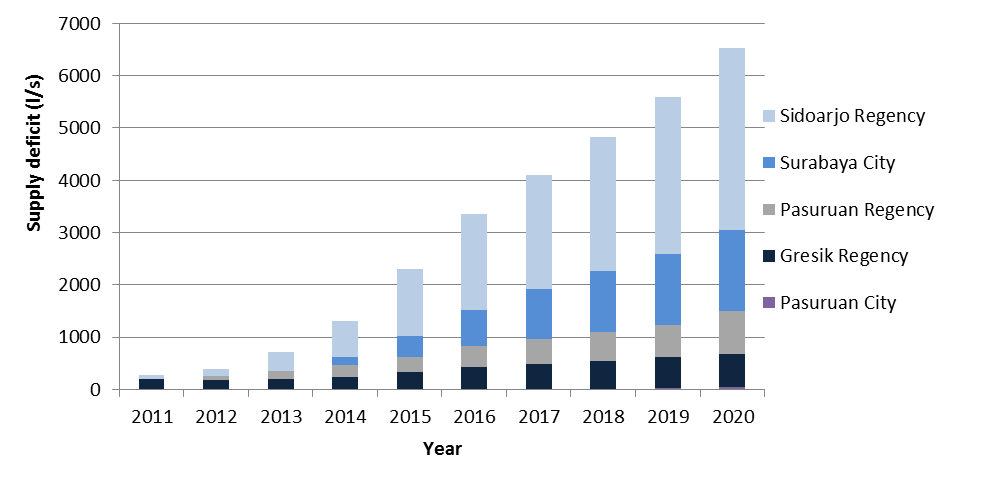
Currently, most drinking water supply in East Java comes from either surface water (such as Surabaya River) or ground water through wells. The quality of both these water sources is threatened by pollution and falling water levels.

The Surabaya river has measured of total suspended solids and chemicals (including dissolved oxygen and nitrogen orthophosphate) that greatly exceed the river’s carrying capacity. This is largely due to the large number of industrial producers who release (often untreated) waste into the river.

Ground water also faces quality issues, including contamination from human and agricultural waste, and a falling water table. Ground water in Gresik has started to suffer from salt water intrusion as the water table falls. If the water quality of ground water sources in Jakarta is a signal of future conditions in East Java, then water quality will become worse.

Households that do not currently enjoy piped water have to spend time collecting water from other sources (e.g. community taps) and / or they have to pay for bottled drinking water. Up to 2020, PDAMs need to expand its access, while meeting the increasing demand from existing residential, commercial and industrial customers. Figure below shows the forecast supply deficit for the 5 regencies as demand exceeds current installed capacity. The total current installed capacity is 12,131 lps. By 2020, the 5 regencies will need to invest in 50% additional installed capacity to meet demand.

Figure.1: Forecast Supply Deficit for to 2020



Source: Demand forecast from Information Memorandum to be issued to shortlisted bidders

Meanwhile, overall demand for piped water is mainly driven by population growth, economic growth and new connections. This extends to PDAM demand for piped water from Umbulan Spring that is affected by the cost (capped at 2,000 rupiah per m³) compared to the cost of water from alternative sources. The demand is expected to grow steadily in the Project area. East Java Province has experience strong regional economic growth over the past five years, averaging 6.1% per annum. Over the same period, the Province’s poverty rate decreased from 21% to 14%. Increasing incomes and falling poverty rates are likely to drive increased demand for piped water in the future.

To absorb water from the Umbulan projects, PDAMs will have to invest in new distribution infrastructure. Figure below shows the projected water absorption for each PDAM from 2015-2019. By 2019, the planned absorption is in total of 3,920 lps.

Figure.2: Projected Water Absorption By Each District From Umbulan

Source: PPP Water Supply System Umbulan Project: Real Demand Study, May 2012

The result of real demand survey on wiliness to connect on each regencies, based on Pre-Feasibility Study of the Project issued by EJPG dated June 2015, are as follows:

* Pasuruan city : 78%
* Pasuruan municipality : 82%
* Sidoarjo municipality : 61%
* Surabaya city : 63%
* Gresik municipality : 63%

Based on this, the projected demand of clean water in these region are as follows:

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**IV.E. Analysis of the Deal**

**IV.E.1. Analysis of the Deal**

Funding Requirement

The Project Cost is at IDR2.33 trillion. The funding source and the application of the funding is as follows:



Based on further discussion and assessment, the required loan is as follows:

* + - 1. Senior Term Loan facility for IDR1,055 billion with repayment period of 15 years from the COD.
* Based on the original project timeline (see below section), the door-to-door tenor is 17 years, from Effective Date to the final repayment date. But as the Effective Date is to be accelerated, there is a possibility that the construction period to remain using the original schedule, i.e. to reach COD on 21 July 2019 (of which the Cooperation Agreement needs to be amended, and the other material contracts needs to be adjusted accordingly).
* This is as the project preparation (e.g. detailed survey, establishment of Detailed Engineering Design) needs to be conducted properly in order for the Project to be succesfull. Hence there is limited possibility to move forward the COD as the quickest the detailed survey and DED can be finalized is by February 2017. As a result, the lenders will need to provide a door-to-door tenor of 17 years and 9 months.
  + - 1. Bridge financing to VGF.
* The drawing of VGF is subject to successful completion of commissioning test, and to be done in batches of maximum 6 times. The first VGF drawdown is expected on December 2017, and the last one on December 2018.
* On the other hand, MAU needs to procure the equipment (including pipes) at the early stage of the Project. Whilst the commissioning is only to happen the earliest on December 2017.
* Due to this, MAU requires bridge financing to VGF, in which the repayment is from the drawdown of VGF. Although the last commissioning will be done prior to COD, there might be processing time to claim the VGF. Hence, the final maturity of the bridging to VGF is extended to 6 months after the COD.
* Note that this bridging loan is not covered under IIGF guarantee, as it will exceed the 70% loan portion.
  + - 1. Working capital facility during the operation phase.
* At the early years of the operation, the Capacity Charge is still low (at IDR586/m3/month on the first year after CoD, and increase to IDR1,518/m3/month on the 5th year).
* This made MAU in need for working capital facility at the early years of operation, to cover the operating expenses until the Capacity Charge ramping up.
* The working capital facility is proposed to be available after CoD, and to be renewed on annual basis.
  + - 1. Performance Bond amounted IDR80 billion, to cover MAU’s obligation to EJPG during construction period. This is as required under Cooperation Agreement.

Timeline

The Project timeline based on the Cooperation Agreement is as follows:

* Signing of Cooperation Agreement : 21 July 2016
* Financial Close/Effective Date : 21 July 2017 (1 year from the Cooperation Agreement date)
* Commercial Operating Date : 21 July 2019 (2 years from the Cooperation Agreement date)

As the Project is included in the list of accelerated strategic infrastructure projects, GoI intend to move forward the Effective Date to be at the end of October 2016 / early November 2016. With this accelerated target date, the fund raising is conducted concurrently with the Project preparation. We are working on the internal credit approval and forming syndicate lender with the below target date:

* BoD - IC : 18 October 2016
* BoC – IC : 24 October 2016
* Participant Lenders’ commitment : 24 October 2016
* Signing of Facility Agreement : 31 October 2016
* Financial Close : within 2-3 days after signing (note: Financial Close is defined as completion of CP to drawdown).

To comply with the requirement of Financial Close date whilst maintaining an acceptable risk due to the the Project preparation is still on going (with expected amendment to the the Cooperation Agreement; and the IIGF Guarantee accordingly), we are to limit the first drawdown only to cover the fees & expenses for this financial close (i.e. IDR70 billion). The subsequent drawdown is subject to completion of Condition Precedent as required by the Lenders.

**IV.E.2. Strategy of the Deal**

We maintain good discussion with Medco Group, as this group is a prominent group in oil & gas and power. We had established relationship by providing the financing to Energi Listrik Batam, a gas-fired power plan partially-owned by Medco Group. Since that, we have discussions on other projects, including this Umbulan Project.

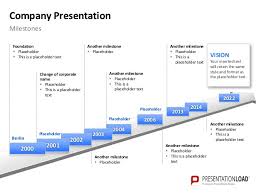
We closely pitched on this Project to Medco Group/GAI, and also established communication with Bangun Tjipta Group (who is the partner of Medco Group in this Project). We provided Letter of Intent at the end of 2015 to the Sponsors as part of the bidding document requirement. Back then, we issued the letter jointly with BNI, which is one of the main bank of Bangun Tjipta Group. Upon the bidding result announced, we intensified the pitching and obtained the MLA mandate.

One of the strength point of winning the mandate is on our ability to provide mezzanine financing. The Sponsors (GAI and BKK) are in need of promoter financing to support the equity portion to this Project. We are paralelly in discussion with the Sponsors on mezzanine facility. We are assessing to provide up to half of the equity portion requirement (i.e. up to IDR 250 billion), proportionally to GAI (70%) and BKK (30%). The PAM to provide mezzanine facility will be submitted separately.

We have issued invitation to the prospect participant lenders. This syndication will be the second syndication and second PPP project that IIF arranged. This will further improve our branding of infrastructure financing provider, and hopefully can attract more syndication deals in the future. This will also improve the potential fee-based income generation in the future.

Group Exposure

IIF already has an existing exposure to Medco Group, which is to PT Energi Listrik Batam, a gas power plant project in Batam. The calculated Group Exposure of Medco Group is as follows:



Based on the above, the total group exposure (including the promoter financing to GAI that is still under process) is still within the maximum group exposure limit for Medco Group.

Pricing Guideline

Based on the latest Pricing Guidelines, the proposed pricing is still acceptable as it is still above the minimum required pricing. The calculation is as follows:

|  |  |  |
| --- | --- | --- |
| Facility | Required Margin | Proposed Margin1 |
| Term Loan with tenor 17.75 years | 3.06% | 4.29% |
| Bridging VGF for 3.25 years | 2.44% | 3.29% |

Note: based on JIBOR 1 month of 6.21% p.a. as of 12 October 2016.

Syndication

The total required facility amount is: cash loan IDR1,923 billion, and non-cash loan IDR80 billion. IIF is the Mandated Lead Arranger to arrange the whole required facility amount, with proposed final hold of IDR550 billion in cash loan.

As of now, we have invited 4 potential lenders, which are: SMI, BNI, BRI, and BPD Jatim. Based on the latest discussion, the expected participation amount is as follows:

|  |  |  |
| --- | --- | --- |
| **Potential Lenders** | **Cash Loan** | **Non-Cash Loan** |
| IIF | IDR 550 billion | - |
| SMI | IDR 700 billion | - |
| BNI | Not yet disclosed | IDR 80 billion |
| BRI | Not yet disclosed | IDR 80 billion |
| BPD Jatim | IDR 200 billion | - |
| **Total Known Processed Amount** | **IDR 1,450 billion** | **IDR 160 billlion** |

Both IIF and SMI are expected to provide the long term loan, to secure the IDR1,055 billion required loan. BPD Jatim is interested to participate as the Project is located in their hometown. However, the amount might only be up to IDR200 billion, and more interested to participate in the short term tenor facility.

Either BNI or BRI is targeted to provide the non-cash loan. Both of these banks are also more interested to provide the short term tenor (i.e. bridging to VGF). In particular for BNI, the Bank is requesting for a ‘co-lead’ title, which we requested them to provide a high commitment amount in exchange of the title. We are confident that the forming of syndication can be completed.

**IV.E.3. Summary of the Key Terms & Conditions**

The summary of the key terms & conditions are:

|  |  |
| --- | --- |
| **Borrower** | PT MATA AIR UMBULAN (“**MAU**”). |
| **Sponsor(s)** | * PT Gas Alam Indonesia(“**GAI**”); * PT Becak Kayu Kontraktor (“**BKK**”). |
| **Facility Type** | Consist of 4 (four) sub-facilities as follows:   * **Tranche A:** Senior Term Loan Facility, that consist of: * Investment Credit Facility (“**IC Facility**”); and * Interest During Construction for Tranche A and Tranche B as a sub-limit of IC Facility ("**IDC** **Facility**"). * **Tranche B:** Bridging Loan Facility to the Viability Gap Funding ("**VGF**") from the Ministry of Finance of the Republic of Indonesia. * **Tranche C:** Revolving Working Capital Facility, to be available after the Project reached Commercial Operating Date (“**COD**”). * **Tranche D:** Non-cash Loan Facility to issue Performance Bond in favor of PJPK during construction period.   Note:  VGF will be disbursed by the Government of the Republic of Indonesia in stages based on the Viability Gap Funding Approval, i.e. during the period of construction of the Project in accordance with the stage of Project completion as set forth in the Cooperation Agreement between the Borrower with PJPK (“**Cooperation Agreement**”). |
| **Facility Amount** | Up to Rp2,003,000,000,000,- (two trillion three billion Rupiah), consists of:   * **Tranche A**: Up to Rp1,055,000,000,000,- (one trillion fifty five billion Rupiah) or 70% (seventy percent) of the total Project cost, including IDC but excluding VGF, whichever is lower.   Note:   * The proportion of IC Facility amount and IDC Facility amount to be determined later. * The first Drawdown is limited to up to Rp70,000,000,000,-(seventy billion Rupiah). * **Tranche B:** Up to Rp818,000,000,000,- (eight hundred and eighteen billion Rupiah) in accordance to the Viability Gap Funding letter issued by the Minister of Finance of the Republic of Indonesia ("**Viability Support Letter**"). * **Tranche C:** Up to Rp50,000,000,000,- (fifty billion Rupiah) * **Tranche D:** Up to Rp80,000,000,000,- (eighty billion Rupiah) |
| **Purpose of the Facility** | * **Tranche A:** * to finance the Project construction; * to finance all costs and expenses associated wih the provision of this Facility; * to finance the fulfillment of Debt Service Reserve Account (“**DSRA**”) for the first 6 months; * to finance the IDC facilities of Tranche A and Tranche B. * **Tranche B:** As bridging facility to the VGF. * **Tranche C:** To support the working capital requirement during the commercial operation phase. * **Tranche D:** To issue performance bond in favor of PJPK. |
| **Final Maturity Date** | * **Tranche A:** Up to 15 (fifteen) years from the Commercial Operation Date (“**COD**”).   Note: COD shall not be more than 21 July 2019.   * **Tranche B:** Up to 6 (six) months after the COD. * **Tranche C:** 1 (one) year starting COD, and can be renewed at the sole discretion of the Lenders. * **Tranche D:** Up to COD. |
| **Availability Period** | * **Tranche A:** Up to 6 (six) months after the Commercial Operation Date, except for IDC whereby the Availability Period ended on COD. * **Tranche B:** Up to 6 (six) months after the Commercial Operation Date. * **Tranche C:** Starting from COD until the Final Maturity Date of Tranche C. * **Tranche D:** Shall be issued on Effective Date of the Cooperation Agreement. |
| **Grace Period** | **Tranche A:** Up to 24 months from COD.  For avoidance of doubt:   1. The first principal repayment will be 1 (one) month after the end of Grace Period, which is on the 25th month after COD. 2. The Interest remains payable during the Grace Period.   **Tranche B/C/D:** N.A. |
| **Repayment** | **Tranche A:**  The Facility to be repaid in monthly installments on the last day of the Interest Period.   |  |  |  | | --- | --- | --- | | **Number of Month after COD** | **% Repayment/ Month** | **% Accumulated Repayment** | | Month 25th – Month 36th | 0.008% | 0.100% | | Month 37th – Month 48th | 0.083% | 1.100% | | Month 49th – Month 60th | 0.125% | 2.600% | | Month 61st – Month 72nd | 0.229% | 5.350% | | Month 73rd – Month 84th | 0.354% | 9.600% | | Month 85th – Month 96th | 0.479% | 15.350% | | Month 97th – Month 108th | 0.500% | 21.350% | | Month 109th – Month 120th | 0.667% | 29.350% | | Month 121st – Month 132nd | 0.833% | 39.350% | | Month 133rd – Month 144th | 1.000% | 51.350% | | Month 145th – Month 156th | 1.167% | 65.350% | | Month 157th – Month 168th | 1.333% | 81.350% | | Month 169th – Month 180th | 1.554% | 100.000% |   **Tranche B:**  To be repaid at any time the Borrower received the VGF payment or at the Final Maturity Date of Tranche B Facility, whichever is earlier.  For the avoidance of doubt, any VGF payment will reduce Tranche B Facility Amount in the same amount of the received VGF payment.  **Tranche C:**  To be fully repaid (bullet payment) on the Final Maturity Date of Tranche C, but can be extended without payment (clean up) upon Lenders’ approval on the extension of Final Maturity Date.    **Tranche D:**  N.A. |
| **Commitment Fee** | * **Tranche A and B**: 2.0% flat. The Commitment Fee is calculated based on the undrawn portion at the end of Availability Period. * **Tranche C and D**:N.A. |
| **Facility Fee** | * **Tranche A, B, and C**: [1.5]% flat, payable the latest 10 (ten) days after the signing of Facility Agreement (“**Signing Date**”), or at the first Drawdown date, whichever is earlier. * **Tranche D:** [TBD] |
| **Structuring Fee** | * **Tranche A, B, and C**: [1.5]% flat, payable the latest 10 (ten) days after the signing of Facility Agreement (“**Signing Date**”), or at the first Drawdown date, whichever is earlier. * **Tranche D:** [TBD] |
| **Interest Rate** | **Tranche A:**  1 month JIBOR + margin, equivalent to 10.5% p.a. at the Signing Date.  **Tranche B:**  1 month JIBOR + margin, equivalent to 9.5% p.a. at the Signing Date.  **Tranche C:**  1 month JIBOR + margin, equivalent to 9.5% p.a. at the Signing Date, subject to Lenders’ review at 1 (one) month before COD.    **Tranche D:**  [TBD]. |
| **Voluntary Prepayment** | Voluntary Prepayment Using Internal Fund:  Any voluntary prepayment using the fund from the Borrower’s group conducted within 5 (five) years from the COD will be charged a penalty of the prepayment amount at 2.00% (two per cent). There is no penalty if the prepayment is made after 5 (five) years from COD.  There shall be no penalty if the prepayment fund is from the Borrower’s internal cash generation.  Voluntary Prepayment Using External Fund:  Any voluntary prepayment using the funds from other banks and/or financial institutions will be charged a penalty of the prepayment amount at 2.00% (two percent).  Notes:   1. Any voluntary prepayment shall be made by written notice no later than 10 (ten) Business Days prior to the Lenders; and 2. The minimum prepayment amount is Rp50,000,000,000,- (fifty billion Rupiah) with multiple of Rp25,000,000,000,- (twenty five billion Rupiah) thereon. 3. The prepayment shall be made in inverse order of maturity. 4. Any prepaid amount cannot be reborrowed. |
| **Security** | Customary for this type of facility, including but not limited to:   1. Pledge on all shares owned by the Borrower’s shareholders, including any voting rights and rights to sell shares; 2. Pledge on Transaction Accounts (as defined herein); 3. Fiduciary security over insurance claim proceeds related the Project; 4. Fiduciary security over movables assets related to the Project, as long as not restricted under Cooperation Agreement; 5. Fiduciary security over receivables related to the Project; 6. Transfer of material agreements with respect to the Project; 7. Joint and several Letter of Undertaking for Cash Deficiency Support (“**Letter of Undertaking**”) from Sponsors, whereby Sponsors unconditionally and irrevocably undertake to fund and finance any cash deficiency required by Borrower in relation to the Project, including but not limited for the debt service, to be effective during the tenor of the Facility; 8. Completion Guarantee of the Project (“**Completion Guarantee**”), whereby the Sponsors unconditionally and irrevocably agree and guarantee to ensure that Project shall be completed including but not limited to additional costs due to delays in project completion and cost overrun, which will be provided through additional capital or subordinated shareholder loans;   (collectively referred to as the “**Security Documents**”).  The Security Documents shall be in the form of notarial deed and in the substance acceptable to the Lenders. |
| **Cash Waterfall** | Any tariff payment from Perusahaan Daerah Air Minum (“**PDAB**”) and other received fund related to the Project, including but not limited to VGF funding, shall be directed to the Collection Account.  The use of the fund received in the Collection Account should be allocated in order of priority as follows:   1. To fund GPPA amounting to 1 (one) time of the insurance premium, which shall be paid every 6 (six) months by the Borrower to IIGF based on the Guarantee Agreement; 2. Payment of monthly operation expense of the Project in accordance with Annual Budget (the payment shall be made through OA); 3. Payment of due principal and interest ( the payment shall be made through DSA); 4. Establishment of DSRA which equals to 6 (six) months of Principal repayment and Interest payment (6P+6I). The first fulfilment of DSRA can be made by drawdown of Tranche A Facility; 5. Establishment of ORA which equals to 3 (three) months operating and maintenance expense based on Annual Budget. The ORA shall be built up no later than 24 (twenty four) months after COD; and 6. Any excess cash after the above cash waterfall shall be transferred to ECA; whereas the excess fund can be distributed to the Shareholders at the end of the fiscal year, subject to:    1. The Borrower has fulfilled the minimum amount in DSRA and ORA;    2. Distribution to the Shareholders can be executed subsequent to Mandatory Prepayment. The ratio of distribution to Shareholders amount and the Mandatory Prepayment amount is at 30:70;    3. There is no breach on any of the financial covenant.   Notes:   * Cash Waterfall above and the Transaction Accounts management will be set forth in the Transaction Account and Cash and Accounts Management Agreement signed between the Borrower, Lenders, the Facility Agent and the Escrow Agent. |
| **Reporting Covenant** | The Borrower shall supply to the Lender with, including but not limited to:   1. As soon as they become available, but in any event within [180 (one hundred and eighty)] days after the end of each of its financial years, its audited consolidated financial statements for that financial year, by enclosing the compliance certificate pursuant to Financial Covenant; 2. As soon as they become available, but in any event within [90 (ninety)] days after the end of each quarter of each financial years, its consolidated financial statements for that quarter of the relevant financial year, by enclosing the compliance certificate pursuant to Financial Covenant; 3. Project progress report, to be submitted on quarterly basis during the construction period by independent consultant; 4. Such other information regarding the financial condition, business and operations on the Borrower as the Lender may reasonably request; 5. Notice of change in the authorised signatories of the Borrower signed by a director of such Borrower and containing the specimen signature of any new authorised signatories; 6. Certain reporting requirements under IIF’s Social & Environmental Principles and its Corrective Action Plan, including to upload documents related to social & environmental impact assessment and action plans related to the social & environmental aspect in IIF’s website, as applicable; 7. Such other reporting requirement appropriate for transaction of this type. |
| **Financial Covenants** | To be tested on quarterly basis starting on the 3rd year after COD:   1. Minimum Debt Service Coverage Ratio (“**DSCR**”) of 1.1x. 2. Maximum Debt to EBITDA Ratio of:  * 6.75x from 3rd year untuil 9th year after COD, and * 5.00x from 10th year after COD until the Final Maturity Date.   Notes:   * DSCR is calculated from EBITDA over Interest Expense and Term Loan principal repayment. * Equity includes Shareholders Loan. |
| **General Undertakings** | Undertakings customary for the Facility of this nature will be included in the Agreement, including (without limitation):   1. Maintenance of all material licenses, registrations, and authorizations; 2. Maintenance of DSRA to cover at least 6 (six) months of Principal repayment and 6 (six) months of Interest payment to the Lender; 3. Maintenance of ORA to cover at least 3 (three) months operating and maintenance expense based on Annual Budget; 4. Maintain the material contracts to be effective at all time; 5. Payment of insurance premium to IIGF is done in a timely manner; 6. Compliance with laws; 7. Compliance to the material documents; 8. Commercial Operation Date to be achieved at the latest 21 July 2019; 9. Retention of reputable external auditor acceptable to the Lender; 10. Pari passu ranking*;* 11. Maintenance of insurances in the amount and type appropriate for the business as agreed by the Lender; 12. Compliance to tax payment; 13. Restriction on mergers; 14. Restriction on acquisition or investments; 15. Any transaction with affiliates or related party is conducted based on arm’s length basis*;* 16. Restriction on disposals; 17. No change of business; 18. No change in Borrowers group structure, i.e. the Borrower and its subsidiaries; 19. No change of shareholders in the Borrower during the lifetime of the Facility, unless as approved by the Lenders and allowed under Cooperation Agreement; 20. Negative pledge; 21. Restriction on loans and guarantees; 22. Restriction on further indebtedness; 23. Distribution of dividends which is subject to mandatory prepayment as set out in this Term Sheet; 24. Maintaining no other account other than Transaction Accounts; 25. Subordination of all shareholders’ loan and inter-company loans; 26. Registration and perfection of security; 27. The Borrower shall not engage in sanctionable practices, which includes corrupt, fraudulent, coercive, collusive, and obstructive practices; 28. The Borrower shall conduct procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 29. The Borrower shall comply with IIF’s Social & Environmental Principles, which includes the compliance to Corrective Action Plan and its reporting requirements; 30. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter; 31. Upon prior notice, the Borrower shall permit Lenders’ representative or any of its agents or designees to visit the project site, have access to the books of accounts, and have access to employees, agents, contractors who have or may have knowledge of matters with respect to which IIF seeks information. For avoidance of doubt, no prior notice shall be necessary if there is potential or continuing Event of Default or if special circumtances so require; 32. Such other conditions standard for transaction of this type. |
| **Right to Access** | With at least 5 (five) Business Days prior notice, the Borrower shall allow the Lenders, the Lenders’ representatives and external advisers, and other party designated by the Lenders, within normal business hours, to:   * visit any of the sites and premises where the Borrower conducts its business, and * have access to the financial data and documents related to Borrower.   For avoidance of doubt, prior notice shall not be necessary if there is a potential or continuing Event of Default, or if special circumstances so require. |
| **Events of Default** | Events of default customary for Facility of this nature will be included in the Agreement, including (without limitation):   1. Failure to pay principal, fees, interest, or any other sums due under this Facility (other than due to administrative error, subject to remedy period of up to 7 (seven) Business Days; 2. Any breach of Financial Covenants; 3. Failure to comply with any other obligations, including but not limited to General Undertakings and Financial Covenant, subject to remedy period as agreed in the Facility Agreement; 4. Misrepresentation; 5. Cross default; 6. Insolvency, bankruptcy, or any other similar events; 7. Unlawfulness; 8. Repudiation and rescission; 9. Litigation and final judgments or court orders in relation to the Finance Documents or their assets which could reasonably be expected to have a material adverse effect; 10. Revocation of any Security Document; 11. Cessation of business; 12. Termination of material contracts and revocation or suspension of material licenses required to conduct the Project; 13. Change of the Borrowers’ shareholders, subject to approval from the Lenders and allowed under Cooperation Agreement, and changes of shareholder to an affiliated party; 14. Any event or circumstance occurs which has had or could reasonably be expected to have material adverse effect; 15. Such other events standard for transaction of this type. |
| **Conditions Precedent for Signing** | Standard & customary for this type of facility, including but not limited to:   1. Submission of all corporate approvals of the Borrower (including board resolutions and shareholder resolutions, as applicable), evidencing all approvals have been obtained, including satisfactory evidence of all governmental and other approvals, authorisations, consents, permissions, licenses and tax exemptions required for the business and the Facility; 2. Transfer of all legal documentation and permits required; 3. Copy of the Cooperation Agreement, the Guarantee Agreement, and the Viability Gap Funding letter; 4. Acceptance of Terms and Conditions of the Senior Term Loan Facility offer letter from the Lender that has been signed by the Borrower; 5. Approval from related party in relation to the assignment of Material Contracts; 6. Submisison of Technical Due Diligence, Social & Environment Due Diligence and Legal Due Diligence in the form and substance satisfactory to the Lender; 7. Has opened the Transaction Accounts with the Escrow Agent; 8. Such other documents standard for transaction of this type. |
| **General Drawdown Conditions** | Submission of Notice of Drawdown within 5 (five) business days. |
| **Conditions Precedent for Initial Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. Statement Letter confirming the occurrence of the Effective Date of the Cooperation Agreement (including, the parties agreed to waiver the Condition Precedence to Effective Date, as applicable); 2. All Finance Documents entered into and effective; 3. Evidence that all fees, cost and expenses due from the Borrower have been paid/will be paid on the initial drawdown date (including but not limited to the payment of insurance premium paid to IIGF); 4. The Borrower has submitted statement letter that the Sponsors have prepared the equity portion to the Project in accordance with the Budget Plan; 5. Satisfactory condition of all the conditions applicable to the promises of the Social and Environmental and Corrective Action Plan to meet the IIF Principles of the Social and Environmental; 6. The Lenders have received satisfactory Legal Opinion from the Lenders’ legal counsel addressed to the Lenders on the validity and enforceability of Financing Documents, including confirmation of the fulfilment of Condition Precedence to Initial Drawdown; 7. Others to be determined during final documentation stage. |
| **Condition Precedent for Subsequent Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. The amendment to material contracts are already approved by the relevant parties, with changes acceptable by the Lenders; 2. All of the Cooperation Agreement between East Java Provincial Government and regency government have been signed and effective; 3. All of the Bulk Water Purchasing Agreement between PDAB and PDAM have been signed and effective; 4. All of the required land related to the Project is already secured; 5. All of the working permit/licenses (including but not limited to: right of way) are already secured; 6. Amendment of IIGF Guarantee to state that PJPK’s financial obligation is not subject to completion of related projects to be conducted by Ministry of Public Works and Marine; 7. Evidence that all insurance requirements from the Lender have been effective and are in full force; 8. Written confirmation from independent consultant that the request for drawdown is in accordance with the Budget Plan, based on verification of the withdrawal purpose (including but not limited to invoices and in accordance to the Budget Plan). |
| **Conditions Subsequent** | 1. Perfection of all Security Documents implemented no later than 3 (three) months from the date of signing the Security Documents as intended; 2. Submission copy of the document (the minutes or other documents) evidencing the commissioning test have been implemented at the latest 15 (fifteen) Business Days after execution of the commissioning test; 3. Submission copy of the document (the minutes or other documents) evidencing the Commercial Operation Date has been effective no later than 20 (twenty) Business Days after the Commercial Operation Date; 4. Submission of Total Project Costs Verification report no later than 5 (five) months from COD, made by Independent Consultant. In the case the total disbursed Facility Amount is exceeding 70% of the actual Total Project Cost, the Borrower shall conduct Mandatory Prepayment for that excess amount. 5. Others to be determined during final documentation stage. |

**IV.G. Risk Analysis & Mitigations**

***Industry Risks***

|  |  |
| --- | --- |
| **Analysis** | **Mitigation Mechanism** |
| Regulatory Risk  Changes in regulation may adversely impact to the Project. | * The Project is a national strategic infrastructure project, under coordination of KPPIP. Any new regulation that negatively impacted to the Project can be raised to the GOI. * For any action/non-action from the government that leads to termination of Cooperation Agreement, EJPG will pay the termination cost to MAU. EJPG’s payment obligation due to this is guaranteed by IIGF. Lenders will require the termination payment/claim proceed to be assigned to the Lender. |
| Political Risk  Especially from the regency government whereby the spring water located and delivered. | * EJPG is to secure the Cooperation Agreement between EJPG and the regency government to ensure successful operation of this Project. * The payment obligation is with EJPG; and default in EJPG is guaranteed by IIGF. Lenders will require the claim proceed to be assigned to Lenders. |

***Construction Risks***

|  |  |
| --- | --- |
| **Analysis** | **Mitigation Mechanism** |
| Land Acquisition Risk   * There are 3 land plots that the owners are still not willing to sell. * There is also possibility for additional land required. | * Land acquisition is the responsibility of EJPG; in which following UU no.2/2012 that already has mechanism if the land owner is contesting the appraisal value. * The land acquisition is part of Condition Precedent to Effective Date. * The detailed survey is still on going. Any amendment to the Cooperation Agreement (including additional land requirement) to be approved by Lenders. |
| Design Risk  The detailed survey and DED is still on going as the Effective Date is accelerated. | * Any changes in the Cooperation Agreement is to be approved by Lenders. * The subsequent drawdown is subject to completion of DED. |
| Construction Completion Risk  The delayed in the construction could caused the Project to have cost overrun and negatively affect MAU’s capability in serving the loan. | * The Sponsors to provide completion guarantee (including to bear the cost overrun) to ensure the Project can reach COD * The Sponsors are strong companies: GAI has vast experience in piping projects, and BKK is a reputable contractor that also owned 2 operating water supply system. The experience and capability of the Sponsors would provide benefit for MAU to complete the Project. |
| Permit/License issuance  MAU unable to secure the permit/license issuance | * EJPG has delivered the in-principle approval of the required permit/license. * As this is a national strategic project, KPPIP is engaged and can provide support for permit/license issuance process. In addition, the Joint Monitoring Committee (as part of Regress Agreement between EJPG and IIGF) will also monitor the permit/license issuance. * The subsequent drawdown is subject to issuance of permit/license. |
| Supporting Infrastructure  The distribution pipeline from the tapping point to PDAM reservoir (under PUPERA responsibility) and the distribution network to end-user (under PDAM responsibility) are not ready by the time the Project reached COD. | * Based on Cooperation Agreement, MAU is paid based on reliable capacity, hence will not be affected from the readiness of these supporting facility. * EJPG to secure the commitment from regency government and PDAM on the Project. We will require the Cooperation Agreement between EJPG and regency government and Bulk Water Purchase Agreement between PDAB and PDAM to be signed before allowing the subsequent drawdown. * As this Project is a strategic national project, KPPIP will monitor the development of these supporting facilities. * Ministry of PUPERA has issued confirmation letter that PUPERA will provide its full support to this Project. |

***Business Risks***

|  |  |
| --- | --- |
| **Analysis** | **Mitigation Mechanism** |
| Operational and Maintenance Risk  The failure in fulfilling the required reliable capacity and delivered volume. | * Based on sensitised case, MAU still able to service the loan with reduction of reliable capacity to 85%. * The Sponsors provide cash deficiency support. * BKK has extensive experience in O&M for drinking water facility, by own and operate drinking water facility in Batam (since 1995) and Lampung (2000). * MAU is required to enter into business interruption insurance. |
| Natural Disaster Risk  Natural disaster (flood, earthquake, volcano eruption) may cause the towers to be damaged. | * MAU is required to enter into insurance coverage, with the claim proceed assign to the Lenders. * In the case the force majeur cannot be covered with insurance, EJPG has the option to take over the Project and pay termination cost to MAU. The termination cost is assigned to Lenders. * In the case EJPG is failed to pay the termoination cots, IIGF will guarantee the payment to MAU. The claim proceed will be assigned to lenders. |
| Payment Risk  The payment from PDAB is delayed. | * MAU is required to maintain DSRA up to 6 months and ORA for up to 3 months. * EJPG is responsible to ensure PDAB to be able to pay MAU: (i) preparing required steps to enable EJPG to top up PDAB’s capital promptly, and (ii) securing commitment from regency government PDAM to make payment. * IIGF provides guarantee on default of EJPG to MAU, and the proceed to be assigned to Lenders. |
| Demand Risk  The bulk water is not absorbed by PDAM. | * The Cooperation Agreement was signed between EJPG and MAU, whereby MAU is required to establish a transmission pipeline with a certain reliable capacity. * MAU is paid based on reliable capacity, and the cost to flow the water is pass-through to PDAB. * As additional note, EJPG is securing commitment from regency government and PDAM to pay to PDAB based on an agreed tariff/bulk water purchase schedule. * IIGF provides guarantee on default payment of PDAB to MAU. |
| Termination of Cooperation Agreement | * If there is a termination of Cooperation Agreement, EJPG will pay to MAU for (at least) the loan portion (i.e. 70% of the Project cost excluding VGF). We will assign the proceed of termination cost to Lenders. * If the termination is due to EJPG default, action/no-action from government, and EJPG took over the Project, IIGF will provide guarantee to EJPG’s payment obligation. The proceed of guarantee claim will be assigned to Lenders. |

***Financial Risks***

|  |  |
| --- | --- |
| **Analysis** | **Mitigation Mechanism** |
| Loan repayment risk | Sponsors to provide undertaking on providing cash deficiency support to MAU. |
| Interest Rate Risk  The increase in interest rate risk could affect the repayment capability of MAU. | * Based on the sensitivity case of increasing interest rate by 250 bps, MAU still be able to repay the loan. * We will monitor the increase of interest rate and discuss with MAU in the case the increase is above 250 bps (note: currently there is no market for interest rate hedging with tenor 17 years). * We recommend MAU to enter into interest rate hedging, to be based on MAU’s assessment on the market and economics. |

***Social & Environmental Risks***

|  |  |
| --- | --- |
| **Analysis** | **Mitigation Mechanism** |
| Social Risk  Any claim from community around the Project site could disrupt the business. | * We have conducted SEDD to assess the social impact, and to impose CAP to minimise the negative social impact. * BKK/GAI are experience in transmission pipeline project, hence expected to be able to manage the social aspect of the Project. * EJPG has conducted socialization to the affected people, particularly in the surrounding area of the raw water source. |
| Environmental Risk  The intake of bulk water may have negative impact to the existing ecosystem in the river. | We have conducted SEDD to assess the environmental impact, and to impose CAP to address the negative environmental impact. |
| Raw Water Supply   * Decreasing catchman area that leads to reduction of raw water supply. * The quality of raw water is declining. | * East Java Governor has issued Governor Regulation no.80/2014 regarding Closely Monitored Area (Kawasan Pengendalian Ketat) that also includes regulating the catchman area of Umbulan. * EJPG is aware of the importance of catchman area, hence include this as one of the main risks of the Project. EJPG has engaged stakeholders to devise a plan to maintain the area, and will put this under Joint Monitoring Committee (as part of Regress Agreement with IIGF. * Based on the Cooperation Agreement, EJPG is responsibility for the quantity and quality of raw water supply. MAU is paid based on reliable capacity, and any additional cost related to improving the raw water quality can be charge to EJPG. * IIGF provides guarantee on default of EJPG to MAU, and the claim proceed will be assigned to Lenders. |

**IV.H. Exception to IIF Policy**

Maximum Facility Limit to a Single Project

The proposed financing amount of IDR 550 billion (23.6% of total project cost) is exceeding the maximum 20% of total project cost financing limit (which is at IDR465 billion). We recommend to proceed with this excess limit with justification as follows:

* This is a PPP Project which is also prioritized by the Government. The Project is considered as strategic infrastructure project which received support from the Government in the form of VGF and guarantee from IIGF.
* The Project is well-structured.
* IIF is the Mandated Lead Arranger of this deal. We would like to have a substantial participation amount.
* By leading the financing exercise, we will increase our profile in the market as the financier of infrastructure projects.

Commitment Fee

The Commitment Fee is payable based on the undrawdn facility amount at the end of Availability Period (a deviation to the Commitment Fee Guideline, whereby the fee shall be calculated/payable based on the undrawn amount on each quarter within vailability Period). This was a negotiated item with MAU, in which we are comfortable to proceed as:

* We obtained a lucrative Facility Fee and Structuring Fee at total 3%.
* The Commitment Fee is relatively high at 2% (although, most likely the loan will be fully drawn).
* This Commitment Fee calculation method is common in local banks, hence we do not foresee objection from invited participant lenders.

**IV.I. Conclusion of the Project Analysis**

We recommend to proceed with the participation to loan syndication as arranged by us as well, with participation amount of IDR 550 billion to be allocated in Tranche A/B/C depends on the commitment provided by other invited lenders, under the considerations as follows:

* The Project is under Public-Private-Partnership scheme, and included in the national strategic infrastructure project.
* IIGF provides guarantee to cover CGA’s payment obligation, and MOF provides VGF to ensure the viability of the Project.
* Based on the financial projection and the sensitivity analysis thereon, the Company is expected to be able to service the loan.
* The Project is needed to provide clean water to the people in 5 regencies in East Java provinces.

# Part III – Historical Financial & Financial Projection

## Financial Highlights

The below table presents financial statement of Wind Renewables III Ltd, a holding company who shares 72.34% ownership of PTEG. The Financial Statement are audited by PricewaterhouseCoopers, certified public accountant in Hong Kong.

|  |  |  |  |
| --- | --- | --- | --- |
| **Description (USD)** | **2015** | **2016** | **1H2017** |
| **Audited** | **Audited** | **Unaudited** |
| Loss from operation | (4,492) | (12,983) | (1,719,956) |
| Finance cost - loan interest | (38,979) | (113,664) | (12,407) |
| Loss before tax | (43,471) | (126,647) | (1,388,489) |
| Loss for the year | (43,471) | (126,647) | (1,388,489) |
|  |  |  |  |
| Non-current Assets | 854,335 | 854,335 | 15,831,376 |
| Current assets | 1,290 | 1,290 | 44,856,577 |
| Total current liabilities | 901,648 | 1,028,295 | 43,348,033 |
| Net Liabilities | 46,023 | 172,685 | 46,348,033 |
| Equity |  |  |  |
| Share capital | 1,290 | 1,290 | 21,865,835 |
| Accumulated losses | (47,313) | (173,960) | (8,905,773) |
| Total Capital Deficiencies | (46,023) | (172,685) | 14,513,117 |

* In 2016, the total non-current asset is regarding interest/investment in PTEG with ownership of 25%. On 11 January 2017, ENERGI Asia III entered into agreement for allocation of newly issued shares to ENERGI Renewables Asia I Ltd and AC Energy International Holdings Pte Ltd (the owners of ENERGI Asia III) at a consideration of USD 21.86 million to provide capital for ENERGI Asia III. The cash contribution for issued shares has been fully received by ENERGI Asia III on 11 January 2017.
* Pursuant to a Shareholders’ Agreement between ENERGI Renewables Asia I Ltd, AC Energy Holdings Inc, AC Energy International Holdings Pte Ltd, Energi Gratis (HK) Ltd, ENERGI Asia III, and PTEG dated 11 January 2017, ENERGI Asia III’s investment in PTEG increased from 25% to 72.34% making it a subsidiary of ENERGI Asia III, where ENERGI Asia III owns PTEG which project is currently still on construction phase hence no revenue recognition recorded. ENERGI Asia III portion of capital injection amounting to USD 13.89 million was paid in full on 12 January 2017.

## Financial Projection

We understand that the financial advisor has provided OPIC with the agreed financial model which is one of the Condition Precedent to sign the Facility Agreement. Scotland has assessed the reasonableness of the technical assumptions in the financial model which they found no major concerns over the assumptions used in the model. For this PAM purposes, we conduct some review on the financial models.

**Base Case Scenario**

|  |  |
| --- | --- |
| Construction Phase |  |
| Sunt Construction | January 2017 |
| Construction Period | 12 months |
| Scheduled Completion | January 2018 |

|  |  |
| --- | --- |
| Operation Phase |  |
| Commercial Operation Date | January 2018 |
| No of Wind Turbines Generators | 30 units |
| Annual energy production (P90) | 216.90 Gwh |
|  |  |

|  |  |
| --- | --- |
| Tariff | * Component A: 10.55 cUSD/kWh * Component B: 1.17 cUSD/kWh * Component E: 0.44 cUSD/kWh   17 years after COD, component A and E will be reduced to 6.33 cUSD/kWh and 0.26 cUSD/kWh, respectively. |
| Interest Rate | Fixed rate of US Treasury Constant Maturity Yields + 3.75% p.a. |



In the PAM, we assume that ENERGI will draw 100% of the limit provided which is USD 120 million before the end of availability period i.e. December 2018 and the COD of the project is on January 2018.

Under the base case with P90, the minimum DSCR achieved over the loan tenor is 1.56x or above the covenant of minimum DSCR of 1.15x. The annual energy production for the base case P90 is 216.90 Gwh p.a. The project generate high DSCR which provides enough buffer for the Project to service the debt service to OPIC, SMBC and IIF , if necessary. This high DSCR also provides enough as conditions for distribution as the historic DSCR greater than 1.15x and forward DSCR greater than 1.25x have been achieved.

Based on the SMBC assessment of the financial projection, it has been sensitized to the cases depicted in the table below. From the table we can see that under P99 scenario, the project is able to maintain the average DSCR of 1.32x with minimum DSCR recorded at 1.28x, above the threshold of P99 scenario in 1.05x or with annual energy produced of 189.30 Gwh p.a., which the energy production is 12.7% lower than base case. Under the worst case scenario (scenario No.8), the project also able to maintain the average DSCR of 1.32x with minimum of 1.08x, which the deal team views that this is still acceptable considering that the average DSCR still fulfill the minimum debt service.



Source: SMBC

# Part IV – Supplemental, Procurement and Insurance

**B7. Other Notable Information**

**B.7.1. Insurance**

As stated in the PPJT, ABC is required to cover the Project with insurance during construction and after starting operation. During construction, ABC is required to cover the project with third party liability and contractor’s all risk.. During the construction period, the insurance is covered by contractors which are DEF and SMJ.

ABC has submitted Contractors All Risk insurance policies during construction and the insurance details include:

1. DEF’s Package I and II: Asuransi Sinarmas (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability;
2. SMJ’s Package III: Asuransi Jasindo (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability;
3. DEF’s Package IV: Lippo Insurance (14 April 2016 – 4 April 2018) for Material Damage and Third Party Liability.

As the insurance policies have recently expired in 4 April 2018, we have requested ABC for a new insurance policy. The new policy is currently in process with the banks and will be shared with us once become available.

ABC is also in the process of collecting CECR insurance quotes for preparation of operation. During operation phase, ABC is required to cover the project (toll road, building, utilities, facilities, and other installations) with Civil Engineering Completed Risk (“CECR”) insurance to avoid any loss and damage in accordance with industry practice. Included in the CECR insurance are property damage and business interruption. Property damage covers any unforeseen and sudden physical loss or damage caused by fire, lightning, explosion, earthquake, volcanic, tsunami, storm, flood or inundation, subsidence, landslide, rockslide, frost, avalanche, ice and vandalism of single persons.

For operational phase, ABC does not have coverage on third party liability insurance as it assumes that the probability of a lawsuit/ class action is unlikely that it makes more sense to pay the claim for loss incurred on an ad hoc basis than by purchasing third party liability insurance. Furthermore, the third party liability insurance is not a requirement from BPJT.

**B.7.2. Procurement**

As a guideline for their internal procurement process, ABC has set up a procurement manual and standard for service and goods procurement on 23 February 2016 through Standard Operating Procedure. This manual refers to standard owned by ABC for tendering process of goods and services. In the Standard Operating Procedure , it is stipulated that procurement process shall adhere to the principles found in Presidential Decree No. 54 year 2010 re: Procurement of Goods and Services by Government and later amended in Presidential Decree No. 70 year 2012. The Standard Operating Procedure for Procurement must also adhere to principles of efficiency, effectiveness, competition, transparency, fairness, reasonableness and accountability.

# Part V – Social and Environmental Assessment/IIF’s Principles

**Introduction**

This is a social and environmental assessment of the ABC Toll Road project of which concession was awarded to PT ABC Toll Road or hereafter is “**ABC**”. The assessment is based on the result of a social and environmental due diligence (SEDD) of the project, led by an independent social and environmental consultant, PT Hatfield Indonesia. The SEDD was produced through assessing project documents, interview, and observation of the project site. Visit to project site was held during 23 – 27 April 2018, to observe the project activities, interviews, and collect documents, of which all are assessed against IIF S&E Principles. During the site visit, the assessment team managed to interview project management team, contractors, local land acquisition agency personnel, villagers as affected people, and village administration staff. The overall SEDD aimed to find the social environmental gap as a result of project situation against IIF Principles, resulting in some of corrective action plans which will be elaborated below.

**Project Description**

The toll road project is 39.2 in length and crosses 3 regencies in Central Java province, namely Pemalang, Pekalongan (including Pekalongan City), and Batang, with 14 sub-districts, and 52 villages. The project is part of the National Strategic Project as stipulated in PP 58/2017, which connecting the western part and the eastern part of Java, of which is expected to be functional for the massive home coming Muslim festive of Iedul Fitri in June 2018. The toll road is categorized as a public interest, requested by the Ministry of Public Works and Public Housing (Menpupera) as the institution who needs the land that follows the Law of Land acquisition for Public Interest no. 2 year 2012. The Company, in this case is acting only as a special purpose vehicle which will develop, operate, and transfer the facility to the government by the end of concessionaire period. Although ABC is only an SPV, risks and impacts from land acquisition process and involutary resettlement caused by this project, will be borne by ABC. Therefore, it is expected that the Company to manage risks and impacts of land acquistion and resettlement, to avoid potential project disruption.

ABC is owned by a joint share of DEF, DEF (60%), and PT. Sumber Mitra Jaya, SMJ (40%). While the land acquisition is a government-led process, the construction of the toll road is shared between the 2 entities (DEF and SMJ), comprising of 4 packages, which is as of 20 April 2018, the overall progress reached around 70% with the following details:

|  |  |  |
| --- | --- | --- |
| **Progress as of 20 April 2018** | | |
| Package 1 | 83% | include all building structures along Pemalang-Batang |
| Package 2 | 65% | construction of main toll road between Paduraksa and Sitemu Villages (point 330+000 to 336+500), about 6.5 km |
| Package 3 | 64% | construction of main toll road between Jarakah and Ambokembang Villages (point 336+500 to 359+660), about 23 km |
| Package 4 | 67% | main toll road between Ambokembang and Pasekaran Villages (point 359+660 to 369+200), about 9 km |

The land needed for the toll road is approximately 343 hectares, consists of 4,374 land parcels which were mostly utilized as rice fields. The alignment of the toll road does not pass any biodiversity sensitive or protected areas. The number of households affected by the project according to Amdal is approximately around 4,300 households. The land was acquired under the Land Law no. 2 year 2012 of which was requested by the Ministry of Public Works and Public Housing. The land issue will be further elaborated below in Principle 5 - Land Acquisition and Involuntary Resettlement.

1. **Social and Environmental (S&E) Assessment**

The detail of project compliance to IIF S&E Principles will be elaborated in the following table below. The SEDD result confirmed that this project is a Category A project with IIF S&E Principles triggered as in the table below:

| **IIF’s S&E Principles** | | **Yes** | **No** |
| --- | --- | --- | --- |
| 1. | Social and Environmental Assessment and Management System |  |  |
| 2. | Labor and Working Condition |  |  |
| 3. | Pollution Prevention, Abatement and Climate Change |  |  |
| 4. | Community Health, Safety and Security/Dam Safety |  |  |
| 5. | Land Acquisition and Involuntary Resettlement |  |  |
| 6. | Biodiversity Conservation and Sustainable Natural Resource Management |  |  |
| 7. | Indigenous People |  |  |
| 8. | Cultural Property and Heritage |  |  |

Principle 1 of social and environmental management system is triggered as ABC is required to have a sufficient management system to manage risks and impact to the environment and the social aspects. In Principle 2, ABC needs to manage workers-management relationship, and ensures safety and good quality of working condition to all workers, to achieve company’s objective. ABC is required to continuously prevent pollution, use energy efficiently, and start to take part in reducing global climate change, as stipulated in IIF Principle 3. Toll road works that take place adjacent to communities activities and residential areas, will require safety standard to prevent communities from being harmed from construction activities as stipulated in Principle 4. The land acquisition and involuntary resettlement principle is triggered because there are resettlement and land required by this project which shall be managed and adhered to the Principle 5 requirement. The Principle 6, 7, and 8, are deemed not triggered as indicated by SEDD studies. This is due to no critical and protected habitat which is affected by the project, and also no any ethnic minority will be affected as well as no cultural heritage found in the project area.

1. **The Social and Environmental (S&E) Assessment**

**Principle 1: Social and Environment Assessment and Management System (SEMS)**

*Screening and Categorization, Policy, and Risk and Impact identification.*

The SEDD result has confirmed that the project is a Category A project, which although construction phase has reached nearly more than 70% as of April 2018, the project may still potentially hold unmitigated risks. Some of the risks may derive from social issues concerning land acquisitions. Although 98% of land acquisition has been settled and people have been compensated well, the management of project affected people (PAP) and their expectation in the future and their well being, may still be issues, unless well-managed by ABC. Project also needs to put effort in managing environmental impacts due to project existence, especially in the contribution of noise level to sensitive receptors near the toll road, as well as regular maintenance of construction facilities that have taken place such as irrigation channels and drainage.

The ABC Company’s policy has not yet formulated. This policy instrument refers to rules and regulations that Company’s provided as their commitment to manage social and environmental risks and impacts that are caused by project activities. This policy need to be developed and understood by ABC top management to ensure that the management system can work effectively and sustain the project. It is recommened that ABC top management provides a policy statement, as required in the corrective action plan (CAP#2)

The social and environmental risk and impact identification and assessment are available in Amdal document. The document was prepared by PT Perentjana Djaja and approved in 2010 through a Decree of Central Java Governor No. 660.1/21/2010. Given the fact that AMDAL was approved prior to the No. 27 Year 2012 regarding Environmental Permit, an Environmental Permit for the Project is not required as specified in Article 73 of Law No. 27/2012. This AMDAL document shall remain valid and is regarded equivalent to the environmental permit. The AMDAL document is considered still relevant for this Project as there has been no changes to the Project design and/or toll alignment that would require amendment or preparing a new AMDAL document. Similarly, there were no other significant developments around the toll road alignment and hence no significant changes to the baseline conditions that would require amendment.

*Management Programs.*

The management program of the toll road is reflected in the project’s RKL/RPL or environmental management and monitoring plans as well as on some documents related to HSE procedures for construction and operation phases. Furthermore, the Andal does not provide detail assessment and risk identification from land acquisition, the RKL/RPL suggests management program on land-related issues.

ABC in its capacity as the toll road concession holder has the ultimate responsibility for submitting the RKL-RPL implementation reports to the environmental authority in Pemalang, Pekalongan and Batang Regencies. ABC has mandated the responsibility of implementing the environmental management programs to the supervision consultant, Jakarta Rencana Selaras (JRS). JRS has prepared the RKL-RPL implementation reports for Semester I Year 2017 and submitted the reports to the local governments.

As previously mentioned above, the toll road is expected to be functional to serve homecoming traffic of Ied Mubarak festive in June 2018, and the first formal operation date is targeted in July 2018 for package 2. Following that, package 4 will be operated in September, whereas Package 3 is set to be operated in October 2018. ABC is in the process of developing procedures for operating the toll road as required by the government in form of Minimum Services Standards of Toll road, regulated in Government Regulation No. 15 Year 2005 and the Ministry of Public Works Regulation No.16/PRT/M/2014. This operational procedure will be part of corrective action plan (CAP#3).

*Organizational Capacity and Competency*

ABC has prepared a draft of organization structure for operational phase. The proposed organization structure does not have a unit or division which is dedicated for managing environmental and social issues. For the construction phase, ABC engages JRS for managing environmental issues which contract agreement will be ended in February 2018. Therefore it is recommended that ABC develops organization structure with a spesific unit that will manage environmental and social issues. ABC is expected to also empower its staff and workers, and therefore we recommend ABC to prepare training plan and its impelementation. This recommendation is part of the CAP#4 and #5.

*Emergency Preparedness and Response*

The nature of toll road construction and operational phase is likely to generate risks and impacts which the project Company needs to prepare a respond to any accidental or emergency situation associated with toll road activities both for construction and operational phase. Currently, ABC does not yet have a emergency response plan both for construction phase and operational phase.

*Stakeholder Engagement Community Grievance Mechanism*

As part of the trans Java toll road program, this ABC Toll Road is classified as a national strategic infrastructure project, which draws many public interests. It is believed that stakeholder engagement is the basis for building a strong, constructive, and responsive relationship which are essential for the successful management of social and environemntal impacts. ABC staff and personnel whose task is communicating and informing communities on ABC activities and plan, should be familiar with social situation and community’s constellation on ABC activities. However, ABC has not made any documentation of all stakeholders who are interested in and can influence ABC activities. It is necessary for ABC to identify all stakeholders and maintain good external communication with them.

**Principle 2: Labor and Working Condition.**

Under Indonesian Law No. 13/2003 article 108 on Manpower, the law requires company that employ more than 10 (ten) workers, to establish company regulations and obtain approval from the local manpower authority. ABC has developed and provided a hard copy of the Company Regulations memo, issued to all staffs on 15 June 2016 through ABC Letter No. I/ABC/DIR/SOP/2016. The Company Regulations memo include human resources policies on recruitment guidelines, work hours, leave entitlements, business travel, medical allowance, company uniform and allowance, lunch allowance, overt time work and pay entitlement, bonus for big festive Religious celebration, communication allowance, tax allowance paid by company, petty cash guideline, expense reports and payment for third party, financial reporting.

All ABC direct workers are provided with housing. ABC management rent two houses nearby the office to accommodate the workers. At contractor levels, workers (non-local) are provided with accommodation quarters. During site visit we observed 2 (two) worker accommodations under DEF Contractor and concluded that the accomodation is sufficient. It is free of charge and provided with clean water (sourced from groundwater wells), lighting and electricity, fire extinguisher, toilets and bathing, laundry services, kitchen, open air ventilation, prayer room, common dining room, and single bed rooms. Each accommodation can hold up to 40-50 workers (administration staff, engineers, officers, heavy equipment operators). For SMJ contractor, SMJ rent few houses nearby to accommodate workers.

Additional to the law, IIF Principle 2 requires the management of labor and working conditions, to include: prohibition of forced labor and child labor, enforcement of equal opportunity and non discrimination principal in labor management. ABC, however, has not yet addressed theses IIF Principle 2 in its Company Regulation. We recommend that ABC to provide additional statement to its Company regulation to include the IIF core labor principle and to seek approval from the authority for the Company Regulation (CAP#9).

Occupational Health and safety aspects at ABC for the construction phase is managed at the contractor’s level, both at Waskita and SMJ. ABC occupational health and safety reference uses the health and safety guidelines of the contractors. Waskita and SMJ provide visitors to the construction site with Personal Protective Equipment (PPE) that includes safety helmet and vests whenever personnel enter the construction sites, and a safety induction. The PPE are in good condition and adequate for working order. The health and safety induction sessions include explanation on the safety regulations, PPE requirements, hazard identification and management, incident reporting, and Waskita HSE contacts. ABC informs that health and safety management and monitoring is being implemented through a regular biweekly meeting with its contractors, which include PPE inspections, control of traffic, hazard signage and incident records. There was an incident occurred at Package 1 (Waskita) during the construction phase, 30 December 2018, concerning a collapsed of L50 girder beam, but causing no injury to human being or worker.

With regard to several event of accidents occured nationwide in construction working related to the erection of girder beam, in March 2018 the Ministry of Public Works and Community Housing has revised the national SOP on the installation of Girder Beams[[1]](#footnote-1). We were not provided with evidence of ABC, through Waskita, in implementing the revised SOP. However, all the girder erection works in package 1 have been completed.

**Principle 3: Pollution Prevention and Abatement and Climate Change.**

This Principle seeks ways and effort to minimize adverse impact on human health and the environment by avoiding or minimizing pollution from project activities. It also seeks way to reduce emission from greenhouse gas produce by project activities.

The main potential sources of pollution as result of the project site activities (land preparation, toll road construction, asphalt mixing plant, concrete batching plant, base camp, site offices and quarry) include the following key components i) air emissions (TSP, SO2, CO, NOx, CO, HC and Pb); ii) noise; iii) erosion and sedimentation to runoff waters; iv) water quality and disruption of irrigation and river channels; v) disposal of solid and liquid wastes (hazardous and domestic); and vi) housekeeping activities. Pollution prevention, wastes and hazardous materials safety is being managed through the Project contractors, Waskita and SMJ.

SMJ Standard Operating Procedures (SOPs) for Package 3 include: i) waste oil storage and management; ii) spill management; iii) non-hazardous waste management; iv) management of garbage waste; v) workshop waste management; and v) oil trap maintenance. Waskita HSE Plan (RK3PL) for Toll Road Packages 1, 2 and 4 includes guidelines for pollution prevention (air emissions, water pollution, housekeeping, general waste management, hazardous materials, and efficient use of electricity and water). Pollution prevention (water and air pollution and wastes handling), resource conservation and wastes management is addressed in the RKL-RPL Plan and should be implemented for the Project, which ABC has reported regularly to the local government every 6 months.

The construction of the toll road has potential for emitting greenhouse gases (GHG). With regards to GHG emissions, IIF S&E Principle 3 requires the quantification of direct emissions from the facilities and equipment owned or controlled within the physical Project boundary and indirect emissions associated with the off-site production of power used by the Project. Quantification and monitoring of GHG emissions will be conducted annually in accordance with internationally recognized methodologies. GHG quantification of direct emissions has not been developed. Therefore, it is our recommendation for ABC to quantify its GHG emission annually.

It is observed during site visit that the open yard, rebar assembly area, warehouse, fuel storage and temporary hazardous waste storage were all in satisfactory and tidy conditions. Safety signage were observed available at the accommodation camp and Concrete Batching Plant locations. Some scrap waste were observed ready to be hauled at accommodation and basecamp for Package 2, while domestic waste is being collected by the garbage trucks operated by the local government. Flagmen are assigned at construction sites to assist controlling traffic, heavy equipment and public vehicles. Wastes generated from the AMP is observed to be appropriately managed onsite.

Pollution prevention, wastes and hazardous materials safety is being managed through the Project contractors, Waskita and SMJ. Through the site visit procedures on handling hazardous materials were observed to be implemented appropriately. Fuel storages and secondary containments were provided adequately in an enclosed and secure area.

**Principle 4: Community Health, Safety and Security/Dam Safety.**

Infrastructure project activities can increase community exposure to risks and impacts. This principle seeks to avoid or minimize the risks and impacts to community health, safety and security with regard to project activities. The ANDAL document assessed potential impacts of community exposure to diseases as result of Project activities. The communities’ main exposure to fugitive dust as result of construction activities may potentially lead to respiratory illness. Mitigation efforts for minimizing fugitive dust during the construction phase include watering of roads, cleaning of heavy equipment tires, and repair of damaged public roads are addressed in the RKL-RPL document.

Based on observation, the number of temporary skilled workers are about 150, and are accommodated at the *mess* (Waskita) and leased houses (SMJ). The ANDAL, in the public health baseline data and assessment, does not specify the prevalence of communicable diseases for the Project.

ABC has permission from the local governments to use public access roads for mobilizing heavy equipment and material for the Project. The use of heavy equipment damages the existing public roads due to the class of public road is not suitable for heavy equipment and rainy season. DLH informs that road accidents, primarily involving motorcycles, were caused by poor and damaged road conditions. As part of stakeholder engagement, ABC, contractors and local government has signed an MoU on provisions of repairing damaged public roads.The MoU requires preparing minutes on the acceptance of road repairs made by the contractors. Based on verbal information, the road maintenance will be conducted in early June at the latest. To ensure the road maintenance is conducted properly and on schedule, ABC shall monitor the public road maintenance conducted by contractors. This is part of the corrective action plan.

**Principle 5; Land Acquisition and Involuntary Resettlement**

The land acquisition process for the toll road is following the Law no 2 year 2012, of which BPJT (national toll road agency) is the institution who ensure the land acquisition conforms to the law. The land acquisition process started in 2014 and the process was all cleared (100%) for the main route of the toll road. However, in end of 2017 there was additional land needed for one of the interchange due to change of design (Bojong interchange). The Amdal document has identified this additional area and has already assessed, but this additional land was not included in the earlier *penetapan lokasi* (location permit). The location permit for this new additional land came subsequently, and approved in March 2018 by the Provincial Government of Central Java. The new land acquisition was determined around 157 blocks of land, and are all now being verified, measured, and compensated. Most of the blocks of land acquired were paddy fields. Based on our interview with BPN (National Land Agency) officers in Pekalongan Regency, the process for acquiring the land went well.

During our site visit, we managed to interview BPN personnel from Pekalongan and Pemalang regencies and also Land Acquisition Compensation Payment Authority (*PPK*). We were explained that the process for the land acquisition and all consignment lands at the local court have already been cleared and settled. There are some of waqf land that are still waiting for the administration process from the Ministry of Religion at national level to be released, but all processes were relatively without significant problems. All unused and left land (*tanah sisa*), have been identified and also measured, waiting for further process if requested by the owner to be compensated.

We also managed to discuss with affected people who have been compensated and moved to the newly bought and built houses, with regards to the process of land acquisition. All claimed that they are very satisfied with the amount of compensation received, and managed to settle in the new-built houses. All their grown up children are provided with motorcycle and new bank account. They said that it is a common joke now that land acquisition is not a nightmare but rather than a gift that villagers are waiting for. During the time of the visit, there has been a rumor that PT Kereta Api Indonesia will also have plan to enlarge the existing railway and land may be needed for this expansion. This rumor is eagerly anticipated as villagers know that compensation is beyond good.

The process of land acquisition according to the affected people went relatively well and without any objection from affected villagers. The socialization and public consultation process were held twice and amount of compensation was announced and well accepted. The compensation paid after all administration are cleared. Most affected land owner chose to settle on their own after receiving compensation money. The government, and through local BPJT/PU have offered the affected people other forms of compensation such as land and housings, but none of the affected land owners chose the offers.

The process of land acquisition can be considered as clean and clear, without objection or protest against the process and the amount of compensation. This clarity and clean process ensures that ABC will have limited or no risks from the land acquisition process. The remaining gaps of this land acquisition however, rest in the hand of ABC on how to manage potential expectation from affected people after compensation being paid. ABC may trace again at best effort, the remaining of affected people who did not receive benefits from compensation money. Groups of sharecropper, and informal sector people who used to make a living from the land expropriated, but may not necessarily receive compensation from the loss of economic, are the people whom ABC should provide assistance.

Along Pekalongan, Pemalang and Batang Regencies, people makes a living from cultivating rice fields, and agricultural business, as well as trading in small scale, and working in Batik manufacturer found all over Pekalongan Regencies. People who work in rice fields may not originally from Pekalongan, Pemalang or Batang. They can be a daily or weekly laborer who work based on request of land owner. According the information during interview with local people, this group of people (labor in rice fields) may have received some of compensation money shared by the land owner. These free laborer people will find other landlords to work which can be found all over the Regencies.

Potential concern may come from growing expectation of larger members of communities near toll road, who seek job opportunity in the business following the development of the toll road. This growing expectation must be managed through stakeholder and community engagement program of ABC, otherwise this may create another social risks, from growing of misunderstanding and bad rumor contribute to bad reputation of the company.

Having this constellation of working and labor arrangement in rice field cultivation, ABC may need to some extent trace and verify on the existence of all potential people who were in the past had been working or enjoying the income generated from the land that had been expropriated, but now may be disadvantaged by the economic displacement. This group of indirectly affected are subject for ABC social assistance program, especially if vulnerable groups are identified (such as women, and elderly). ABC can formulate social development or assistance program to the groups through consultation.

**Conclusion**

The ABC Toll Road poses risks and impacts that have been identified in the Amdal and gap assessment during SEDD. Based on the opportunity to visit the project site, and interview with affected people and relevant institutions, some risks and impacts can be mitigated by adhering to IIF Principles and other international best practices. Gap assessment are reflected in the corrective action below. We support this project with the note that ABC shall fulfill and comply with the required action reflected in the CAP.

1. **Social And Environmental Recommendation**

* **S&E Action Plan**: please refer to Corrective Action Plan (CAP) below.
* **S&E Covenants**: Corrective Action Plan (CAP) will be a Condition Precedent to signing required by IIF. Compliance with the CAP and other standard covenants will be included in the loan agreement.

**Corrective Action Plan**

**ABC Toll Road**

**ABC**

| **No** | **Finding description** | **Action Plan** | **Output** | **Targeted timeline** |
| --- | --- | --- | --- | --- |
| 1 | A Consent letter from ABC to allow IIF upload Social and Environmental documents Amdal with RKL/RPL matrix at IIF website prior or at the same time of facility agreement signing | ABC approves and signs a consent letter, stating that ABC allows IIF to upload Amdal document with RKL/RPL matrix, at IIF website prior to or at the same time of facility agreement signing | A consent letter  for uploading Amdal document with RKL/RPL matrix at IIF website | CP to signing |
| 2 | ABC has not established a company policy to manage social and environmental risks and impacts, including to manage health and safety aspect of workers and working condition | ABC makes a policy or statement of commitment that the Company will manage project risks and impacts to social and environmental which include monitoring and evaluation of social and environmental aspects, as well as health safety environment or the workers. | Policy or statement of commitment signed by ABC Directors or board of Directors, stating that ABC will manage social and environmental risk and impact of project activities, including occupational health and safety management. | CP to signing. |
| 3 | ABC plans to operate the package 2 in July 2018, package 3 and 4 in October. ABC is now undergoing process of developing toll road operational procedures. | ABC develops and implements toll road operational procedures in accordance with Minimum Standard Requirements issued by Toll Road National Agency (BPJT) regulation no. 16/PRT/M/2014 | Operational Procedure Document approved by board of Directors or Director. | 1 month after signing. |
| 4 | ABC has developed an organization structure for construction phase and a draft for its operational phase. However, the draft has not provided with unit or division which will be responsible to manage social and environmental, and HSE issues. | ABC develops an organization structure for operational phase with a dedicated unit to manage and implement social and environmental management program, including occupational health and safety. | 1. Organization structure for operational phase with a unit to manage and implement social and environmental management program and occupatinal health and safety. 2. Social and environmental Personnel according to competencies and capacities acceptable to IIF standard | 1. 2 months after signing 2. 3 months after signing |
| 5 | ABC has not yet develop a training program or plan to increase capacities of workers, including possibility to train non employee workers if needed. | ABC develops a training plan to increase workers capacities, including training for third party workers if needed. This training plan will be designed as a dynamic documents as part of growing company business toward sustainability. The training plan will contain subjects to provide ABC workers in understanding SEMS and other kind of training subjects needed | 1. Training plan for ABC workers with objective to increase personnel capacities in understanding social and environmental management system, including social and environental risk and impact, and other training subjects ABC needs for operational phase 2. Training implementation. | 1. 4 months after signing 2. Annualy (please see regular report below). |
| 6 | ABC has not yet established an emergency response plan or program which is designed to prepare all ABC workers to anticipate with emergency situation and disaster. | ABC develops an emergency preparedness and response plan, which also inlcude procedures in response to emergency situation. The plan will be based on the result of risk assessment of which ABC shall develop emergency scenario to different emergency situations in the operational of ABC Toll Road | 1. Emergency and disaster situation mapping and priority scenario, including procedures for each situation. 2. Implementation of training or simulation in handling emergency situation. | 1. 4 months after signing 2. Annually (please see regular report below). |
| 7 | ABC has not developed a document containing a identification of stakeholders, including local communities who are affected by the project, and their roles in influencing ABC activities. | ABC produces a documentation containing stakeholder identification including communities affected, and their influence and interest toward ABC project and acitivities. | 1. Stakeholder identification and plan for engagement and management. 2. Stakeholder engagement implementation document | 1. 4 months after signing 2. annually (please see regular report below). |
| 8 | During construction phase, ABC relies on contractors in handling community grievances. Such grievances can occur at anytime including during operational phase. ABC has not yet developed a community grievance handling mechanism for operational phase that allows community to express grievances to ABC and seek solution. | ABC develops a community griveance handling mechanism which will be managed by the established dedicated unit. | 1. Community grievance handling mechanims. 2. Implementation and documentation of grievances. | 1. 3 moths after signing. 2. Annually (please see regular report below). |
| 9 | ABC has already had Company Regulation according to Law no. 13/2003 but has not yet approved by local manpower atuhority. ABC also needs to incorporate IIF additional requirements which are; prohibition on using force labor, and child labor, encourage non discrimination and equal opportunity for all workers. | ABC provides additional statement to its Company Regulation, stating ABC to: (i) prohibit forced labor, (ii) prohibit child labor, (iii) provide non discrimination and (iv) equal opportunity for workers | 1. A statement from ABC that company is committed to enforce principles of (i) prohibition of forced labor (ii) prohibition of child labor, (iii) equal opportunity, and (iv) non discrimination 2. Company Regulation which has been approved from local manpower authority. | 1. 3 months after signing 2. 12 months after signing, or after the draft is approved by government authority, whichever earliest. |
| 10 | ABC is supported by Jakarta Rencana Selaras (JRS) as a supervisor consultant, including HSE inspection and monitoring to contractors’ work. ABC is fully relying on JRS performance and so bearing impacts if JRS is not fully satisfaction. ABC is recommended to also develop procedures in monitoring HSE implementation | ABC develops procedures in monitoring and evaluate HSE implementation both for direct monitoring to contractors and using supervisor consultant | 1. Procedures of routine HSE monitoring to contractors 2. Implementation of HSE inspection procedures | 1. 3 months after signing 2. 3 months for during construction and annual for operational phase (please see regular report below) |
| 11 | ABC is expected to start positive effort to reduce impact of climate change. One of effort is ABC to start to calculate emission from greehouse gas annually | ABC starts to make GHG calculation from project activities | Result of GHG calculation reported to IIF at end of 2018 and annually. | Annual report, starting at end of 2018 |
| 12 | ABC has an MOU and permit from local government to use local public roads as access road in mobilizing heavy equipments which resulting in local road damage. ABC has repaired damages and improve the conditions, but is not communicating the effort well to local communities and often creating misunderstanding, especially if accident occur due to damaged road. | ABC needs to ensure that road rehabilitation or repair is conducted according to the permit. In the event of damage roads repairement, ABC needs to communicate to communities nearby and puts safety signages in the construction areas. | Evidence of ABC is conducting repair of damage roads and communicating with the locals, and putting up safety signages to prevent incidents. | CP to sgining |
| 13 | Land acquisition process have reached around 98% in April 2018. There are still around 2% land acquisition clearing in the process due to new additional land required because of changing in design. All land acquisition processes have been conducted according to UU 2/2012, and no disputes or refusal from affected communities, and 100% affected landowners have been compensated according to the law. As required by IIF Principle 5, project affeted people shall receive a assistance to make sure that vulnerable groups can restore their livelihood and cope with the resettlement. | ABC needs to have and develop baseline data on project affected people, especially those who are vulnerable. The baseline data will be used for ABC to develop an effective assistance programs for those who are vulnerable after experiencing land acquisition and resettlement. | 1. A program assistance for project affected people, especially to include those who are vulnerable after compensation paid to land owners. 2. Program implementation of livelihood restoration or social development assistance program. | 1. 8 months after signing 2. 6 monthly regular reports |
|  | | | | |

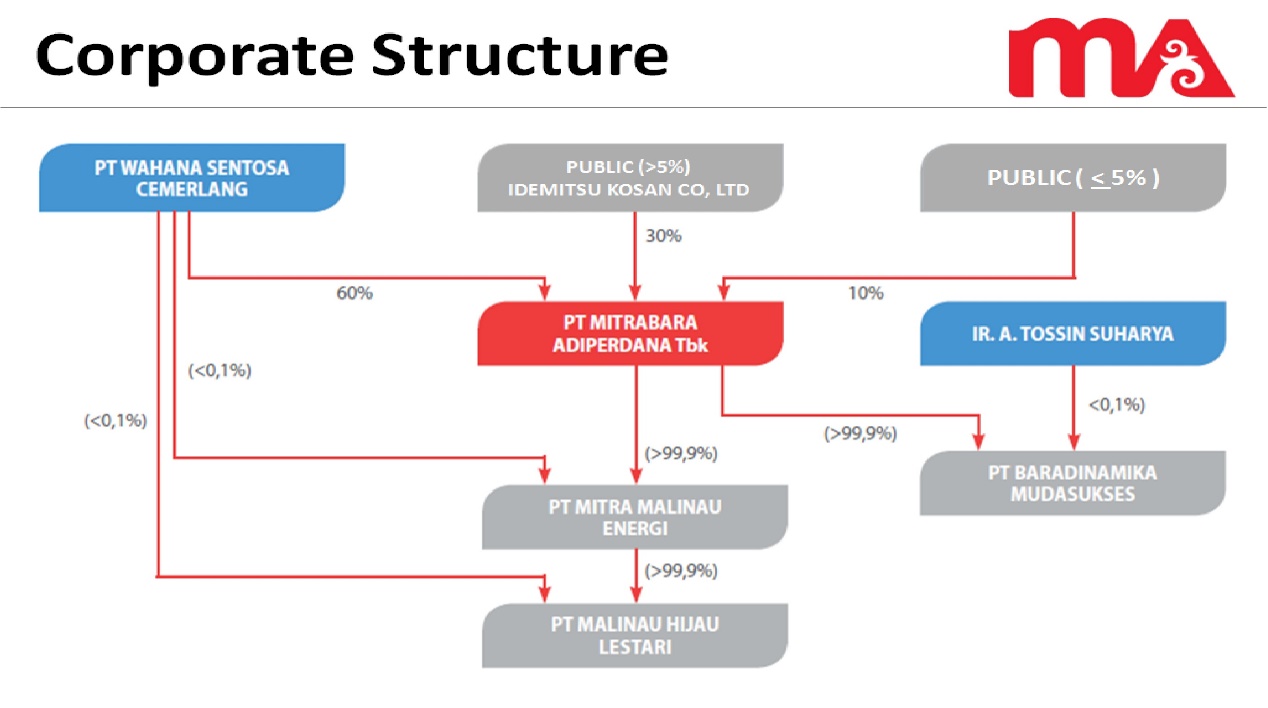
**Regular Reporting Requirements**

| **No.** | **Report** | **Quarterly** | **Semester** | **Annually** |
| --- | --- | --- | --- | --- |
| 1. | SEMS self assessment and improvement for 24 months, starting in 2018 |  |  |  |
| 2. | RKL/RPL implementation report both during construction and operational phase. |  |  |  |
| 3. | HSE inspection report during operational phase, including road accident report |  |  |  |
| 4. | Livelihood restoration program or social development programs for project affected people. |  |  |  |
| 5. | Annual environmental and social monitoring report which include: log book of community grievances, stakeholder engagement, training implementation, emergency drills, etc. |  |  |  |
| 6. | Any fatality accident happens, ABC must inform IIF within 1X24 hour, followed by the investigation report. | Anytime happen | | |

# Part VI - Attachment

## Group Structure

## Organization Chart



## General Client Information

Below are the information on the key principals of PTEG.

**Bern K. Muffine – President Director**

After an extensive career first involved in development operations and sales for a manufacturer of waste to energy systems and later as a financier to the energy industry in the United States working for GE Capital and Heller Financial, Bern became President of Cannon Energy in San Diego CA managing over fifty people involved in developing, constructing, operating and maintaining over seven hundred

WTGs in California. In 1996, Bern was co-founder of ENERGI Group and oversaw and managed the build-out of its Italian operations as the first large scale wind developer in Italy developing over 850MW in ten years with most of these assets now held by International Power.

In 2000, Bern K established ENERGI Wind LLC as a wind developer in North America and served as Chairman until 2009. ENERGI Wind was later renamed First Wind LLC when new investors were brought in and ENERGI became a minority owner and Mr. Muffine then served only as Director. First Wind also added Pertalite development and was subsequently sold to Sun Edison for $2.4Bn in Jan 2015. In 2006 Bern formed ENERGI Pertalite which developed almost 200MW of roof-top and ground based Pertalite project in the USA and Canada. Also in 2006 Bern formed new wind and Pertalite development companies in a number of other countries, of which there are ongoing activities in Morocco and Tunisia under ENERGI North Africa. Since 2006 Bern also formed and managed ENERGI Group’s efforts in China, the Philippines and most recently in Indonesia.

Bern is based in Bali Indonesia and has a Bachelor’s degree in Finance and Quantitative Methods from Babson College.

**Andrew Charles Alamanzo – President Commissioner**

Andrew Charles Alamanzo Sunted his career with Trafalgar House, now part of Kvaerner Energy as a chemical and process engineer before moving to Asia for 7 years working in financial services support roles and corporate investigation. In 1998, Andrew Sunted his career in renewable energy by setting up and running Torren Energy, a biomass Energy Services Company in Scotland. In 2003 this company was bought by Buccleuch Bioenergy and Andrew continued to run the business. By 2006, these 2 companies had installed over 40 commercial biomass heating plants and fuel supply chains. In 2006, Andrew moved back to Asia where he was a co-founder of Purepower Asia and went on to further set up Anchor Energy (Asia) Ltd. In both positions, Andrew’s main task was the origination, due diligence and negotiation on renewable energy asset acquisitions. Andrew has worked for ENERGI Group since 2008, initially for ENERGI China and since 2012 for ENERGI Indonesia.

Andrew holds a bachelor degree in Chemical, Process and Energy Engineering from Newcastle University. Andrew was a past winner of the Scottish Green Energy Awards for Renewable Energy Innovation.

## Term Sheet

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
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| **Term Sheet – Cash Deficiency Support**   |  |  | | --- | --- | | **PT ABC TOLL ROAD**  **INDIKASI SYARAT DAN KETENTUAN FASILITAS PINJAMAN BERJANGKA**  **UNTUK CASH DEFICIENCY SUPPORT** | | | ***Indikasi Syarat dan Ketentuan ini (“Indikasi Syarat dan Ketentuan”) hanya untuk kepentingan diskusi semata. Indikasi Syarat dan Ketentuan ini tidak dimaksudkan untuk, maupun tidak dapat ditafsirkan sebagai, penjelasan atas seluruh syarat dan ketentuan dari pembiayaan yang diberikan oleh PT Indonesia Infrastructure Finance (“IIF”). Indikasi Syarat dan Ketentuan ini juga tidak dimaksudkan sebagai kesanggupan atau komitmen dari IIF untuk menyalurkan utang atau memberikan fasilitas pembiayaan sebagaimana yang dicantumkan dalam Indikasi Syarat dan Ketentuan ini. Persyaratan dan ketentuan yang terkandung di dalam Indikasi Syarat dan Ketentuan ini bergantung kepada hasil uji tuntas aspek keuangan, sosial & lingkungan, teknis, asuransi, dan hukum yang memuaskan; persetujuan komite investasi internal IIF; dan dokumentasi final yang memuaskan.***  ***IIF tidak memberikan pernyataan bahwa struktur pembiayaan yang diajukan dalam Indikasi Syarat dan Ketentuan ini sesuai untuk Debitur dan Debitur harus meminta saran hukum dan profesional lainnya sendiri mengenai kesesuaian struktur serta dampaknya terhadap Debitur, anak (-anak) perusahaannya dan pihak (-pihak) afiliasi. Istilah-istilah yang tidak didefinisikan dalam Indikasi Syarat dan Ketentuan ini akan didefinisikan pada tahap dokumentasi final.*** | | |  | | | **PARA PIHAK** | | | **Debitur** | PT ABC Toll Road (“**ABC**”). | | **Para Sponsor** | 1. PT XYZ (“**XYZ**”) 2. PT Sumber Mitra Jaya (“**SMJ**”) | | **Kreditur** | PT Indonesia Infrastructure Finance (“**IIF**”). | | **FASILITAS** | | | **Jenis Fasilitas** | Fasilitas Pinjaman Berjangka *Cash Deficiency Support* (“**Fasilitas**”). | | **Jumlah Fasilitas** | Sampai dengan Rp600.000.000.000,00 (enam ratus miliar Rupiah). | | **Tujuan Penggunaan Dana** | Untuk membiayai kekurangan kas (*cash deficiency*) yang timbul pada saat Proyek telah beroperasi. | | **Tanggal Perjanjian Kredit Sindikasi** | Tanggal penandatanganan Perjanjian Kredit Sindikasi (Konvensional) Nomor 37 yaitu tanggal 24 Mei 2017; | | **Tanggal Jatuh Tempo Final** | 222 (dua ratus dua puluh dua) bulan sejak Tanggal Perjanjian **Kredit Sindikasi** atau 60 (enam puluh) bulan sejak pelunasan utang berdasarkan: (i) Perjanjian Kredit Sindikasi (Konvensional) Nomor 37 tanggal 24 Mei 2017; (ii) Perjanjian Kredit Sindikasi (Syariah) Nomor 38 tanggal 24 Mei 2017; dan (iii) Perjanjian Kredit Sindikasi yang akan ditandatangani untuk keperluan Proyek dimana Kreditur akan berpartisipasi (selanjutnya secara bersama-sama disebut sebagai “**Fasilitas Kredit Sindikasi**”), mana yang lebih dahulu. | | **Periode Ketersediaan** | [Sejak Tanggal Perjanjian Fasilitas sampai dengan 31 Desember 2018.] | | **Masa Tenggang** | 162 (seratus enam puluh dua) bulan sejak Tanggal Perjanjian **Kredit Sindikasi** atau setelah Fasilitas Kredit Sindikasi lunas, mana yang lebih dahulu.  Guna menghindari keragu-raguan:   1. Pembayaran pertama atas angsuran pokok akan dimulai pada 3 (tiga) bulan setelah berakhirnya Masa Tenggang; 2. Bunga akan tetap dibayarkan selama Masa Tenggang, dengan syarat dan ketentuan yang diatur pada “Suku Bunga Fasilitas” di bawah. | | **Pembayaran Kembali Pinjaman** | Pinjaman akan dibayarkan secara proporsional setiap 3 (tiga) bulan.  “**Hari Kerja**” berarti hari (selain hari Sabtu, Minggu, atau hari libur nasional) di mana bank berlisensi buka dan beroperasi di Jakarta, serta Bank Indonesia dapat melakukan kliring. | | **HARGA** | | | **Biaya Fasilitas** | [1] % dari Jumlah Fasilitas berlaku tetap, dibayarkan pada 5 (lima) Hari Kerja setelah Tanggal Perjanjian Fasilitas, atau pada tanggal penarikan awal, mana yang lebih dulu. | | **Biaya Komitmen** | [1] % per tahun berlaku tetap, yang dihitung secara harian rata-rata dari Jumlah Fasilitas yang tidak ditarik selama Periode Ketersediaan.  Biaya Komitmen dibayarkan selama Periode Ketersediaan secara bulanan, selambat-lambatnya 5 (lima) Hari Kerja setelah berakhirnya periode bulanan terkait. . | | **Suku Bunga Fasilitas** | Sebesar tingkat suku bunga Fasilitas Kredit Sindikasi yang berlaku per tahun (“**Suku Bunga Sindikasi**”) + [3% (tiga persen)] per tahun.  Suku Bunga Sindikasi adalah Suku Bunga Acuan (LPS) + 4.25% p.a.  Pembayaran suku bunga di atas akan dilakukan dengan ketentuan sebagai berikut:   1. Selama Masa Tenggang:  * Bunga sebesar [3% (tiga persen)] per tahun, akan dibayarkan secara tunai selama Masa Tenggang; dan * Bunga sebesar Suku Bunga Sindikasi yang belum dibayar akan dikapitalisasi dan menambah pokok pinjaman yang akan dikenakan Suku Bunga Sindikasi + [3% (tiga persen)] per tahun (”**Akumulasi** **Suku Bunga Sindikasi**”) dan akan dibayarkan oleh Debitur setelah Masa Tenggang.  1. Setelah Masa Tenggang:  * Bunga sebesar Suku Bunga Sindikasi + [3% (tiga persen)] per tahun, ditambah dengan pembayaran Akumulasi Suku Bunga Sindikasi secara pro-rata. | | **Suku Bunga Cidera Janji** | Setiap jumlah yang tidak dibayarkan (yaitu bunga yang harus dibayarkan dan/atau pembayaran kembali jumlah pokok setiap Periode Bunga) akan dikenakan suku bunga cidera janji sebesar [2]% per tahun di atas Suku Bunga Fasilitas yang berlaku, yang diperhitungkan sampai dengan tanggal aktual pembayaran jumlah yang tertunggak. | | **Periode Bunga** | [Bulanan, sesuai dengan Perjanjian Fasilitas Kredit Sindikasi.]  Pembayaran suku bunga akan dilakukan pada akhir tiap Periode Bunga (“**Tanggal Pembayaran Bunga**”), dengan ketentuan Tanggal Pembayaran Bunga tidak melewati Tanggal Jatuh Tempo Final. | | **KETENTUAN-KETENTUAN LAIN** | | | **Pembayaran Dipercepat yang Wajib** | Debitur harus melakukan Pembayaran Dipercepat dalam hal terjadinya peristiwa-peristiwa berikut ini:   1. Ketidakabsahan (*Illegality*)   Setiap saat apabila Kreditur dalam yurisdiksi yang berlaku menjadi tidak sah untuk melaksanakan kewajiban apapun yang diatur di dalam Dokumen Pembiayaan (sebagaimana didefinisikan di bawah ini), Debitur harus melunasi secara penuh setiap jumlah yang tertunggak, dan Fasilitas yang masih tersedia, akan dibatalkan seketika.   1. Percepatan pembayaran terjadi terhadap Fasilitas Kredit Sindikasi, termasuk dan tidak terbatas pada: 2. Pelepasan aset, 3. Penerimaan Klaim Asuransi; 4. Kompensasi terkait dengan pengakhiran Perjanjian Pengusahaan Jalan Tol sehubungan dengan Proyek (“**PPJT**”);   dimana Kreditur mendapatkan pembayaran prorata dengan Kreditur Senior.   1. Pembiayaan Kembali Fasilitas Kredit Sindikasi   Debitur harus membayar seluruh Fasilitas kepada Kreditur apabila Debitur melakukan pembiayaan kembali atau penjadwalan pembayaran kembali atas Fasilitas Kredit Sindikasi.   1. Excess Cash Setelah Pelunasan Fasilitas Kredit Sindikasi   [50%] dari excess cash yang tersisa dalam rekening transaksi Debitur setelah pelunasan penuh atas Fasilitas Kredit Sindikasi, wajib digunakan sebagai pembayaran dipercepat yang wajib kepada Kreditur.   1. Peristiwa pembayaran dipercepat wajib lainnya berdasarkan hasil *due diligence*   Catatan:   1. Setiap Fasilitas yang telah dibayarkan, tidak dapat ditarik kembali oleh Debitur; 2. Setiap pembayaran dipercepat (kecuali karena “**Ketidakabsahan**”) wajib dilakukan dari urutan jatuh tempo terakhir (*inverse order of maturity*) dari angsuran pembayaran pinjaman; 3. Setiap pembayaran dipercepat harus dibayarkan pada Tanggal Pembayaran Bunga. | | **Percepatan Pembayaran yang Bersifat Sukarela** | Akan dikenakan penalty sebesar 5% dari maksimum Baki Debet yang dilunasi atau dibayar dipercepat. | | **Jaminan** | *Cross collateral* dengan jaminan yang diberikan kepada kreditur senior berdasarkan Fasilitas Kredit Sindikasi (“**Kreditur Senior**”) yang memiliki peringkat *pari passu* dengan Kreditor, yang akan dituangkan lebih lanjut dalam Perjanjian Pembagian Jaminan, yang termasuk diantaranya:   1. Hak konsesi jalan tol Proyek berdasarkan PPJT, termasuk kuasa yang tidak dapat ditarik kembali untuk menunjuk pihak ketiga sebagai operator jalan tol (*cessie*); 2. Seluruh tagihan dan pendapatan operasional dari pengoperasian Proyek (termasuk pendapatan yang diperoleh dari usaha-usaha lain yang berhubungan dengan Proyek), yang diikat dengan fidusia atas tagihan; 3. Gadai atas rekening milik Debitur yang berkaitan dengan Proyek atau kuasa dan pengalihan hak atas Proyek, termasuk namun tidak terbatas pada rekening pendapatan, rekening pencadangan pembayaran utang, rekening pembayaran utang/, Rekening Operasional, rekening dana lebih (“**Rekening Proyek**”); 4. Tagihan atas seluruh klaim asuransi, yang diikat dengan fidusia atas hasil klaim asuransi; 5. Tagihan atas seluruh klaim klaim bank garansi yang diikat dengan fidusia atas tagihan bank garansi 6. Jaminan Perusahaan dari PT Sumber Mitra Jaya; 7. Jaminan Perusahaan dari PT XYZ. 8. Gadai saham milik Para Sponsor pada Debitur beserta kuasa untuk menjual saham dan kuasa untuk mengeluarkan hak suara;   (secara bersama-sama selanjutnya disebut “**Dokumen Jaminan**”).  [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] | | **Peringkat** | Kecuali untuk pembayaran bunga sebesar [3% (tiga persen)] per tahun yang wajib dibayarkan selama Masa Tenggang, kewajiban pembayaran Akumulasi Suku Bunga Sindikasi maupun pembayaran kembali Fasilitas akan bersifat junior dan disubordinasikan dengan kewajiban pembayaran terhadap Fasilitas Kredit Sindikasi, kecuali untuk kewajiban-kewajiban yang diutamakan menurut hukum diaplikasikan kepada perusahaan-perusahaan secara umum.  Setelah berakhirnya Masa Tenggang, Fasilitas dan kewajiban pembayaran bunga dan pokok berdasarkan Perjanjian Fasilitas dan dokumen lainnya yang dibuat sehubungan dengan Perjanjian Fasilitas ("**Dokumen Pembiayaan**”) akan memiliki peringkat senior dan setara dengan Fasilitas Kredit Sindikasi. Lebih jauh *negative covenant* yang berlaku di Fasilitas Kredit Sindikasi akan juga diberlakukan pada Fasilitas ini  Untuk menghindari keragu-raguan, kewajiban pembayaran berdasarkan Perjanjian Fasilitas setiap saat senantiasa memiliki peringkat senior terhadap pinjaman pemegang saham dan pinjaman antar perusahaan yang ada saat ini maupun yang akan ada di kemudian hari.  [Note: There is a bridging shareholder loan for land acquisition purpose that may be required to be paid and rank Senior]. | | **Pernyataan dan Jaminan** | Debitur akan memberikan pernyataan dan jaminan yang sewajarnya diberlakukan terhadap jenis Fasilitas ini pada Tanggal Perjanjian Fasilitas dan pada setiap tanggal permintaan penarikan Fasilitas dan hari pertama Periode Bunga, termasuk tetapi tidak terbatas pada:   1. Status dan kewenangan untuk menandatangani; 2. Kekuasaan dan wewenang; 3. Kewajiban-kewajiban mengikat; 4. Tidak ada pertentangan dengan kewajiban-kewajiban lain; 5. Keberlakukan dan penerimaan sebagai bukti; 6. Seluruh persetujuan dari pemerintah dan yang disyaratkan oleh peraturan perundang-undangan, dan setiap persetujuan dari pihak ketiga lainnya (apabila dibutuhkan) telah diperoleh; 7. Tidak ada kewajiban pelaporan maupun bea meterai; 8. Tidak berada dalam keadaan pailit atau menjalani proses pengadilan yang memiliki efek yang sama; 9. Tidak ada cidera janji; 10. Tidak ada infomasi yang menyesatkan; 11. Laporan keuangan Debitur untuk tahun keuangan periode tertentu telah disusun berdasarkan PSAK dan telah mengungkapkan seluruh kewajiban Debitur; 12. Peringkat *pari passu*; 13. Tidak terdapat proses hukum atau proses pengadilan yang material yang sedang tertunda atau terancam; 14. Tidak terdapat pelanggaran atas hukum; 15. Tidak terdapat dampak merugikan yang material; ; 16. Seluruh pemotongan pajak telah dilaporkan dan pajak-pajak yang telah jatuh tempo telah dibayarkan kecuali pembayaran pajak yang sedang dibantah dengan itikad baik; 17. Tidak terdapat utang finansial, pinjaman dan garansi atau jaminan, kecuali utang finansial, pinjaman dan garansi atau jaminan yang telah diungkapkan kepada Kreditur dalam Laporan Keuangan Debitur; 18. Tidak terdapat kekebalan hukum; 19. Seluruh transaksi yang telah dilakukan antara Debitur dengan afiliasi atau pihak terkait telah dilakukan dengan dasar *arms’ length*; 20. Debitur memiliki hak kepemilikan yang sah terhadap seluruh asetnya, kecuali atas jaminan yang telah diungkapkan; 21. Kecuali yang telah teridentifikasikan dalam pemeriksaan lingkungan dan sosial, tidak terdapat resiko atau masalah-masalah lingkungan dan sosial yang bersifat material sehubungan dengan Debitur; 22. Debitur telah melaksanakan proses pengadaan barang dan jasa dengan prinsip keadilan, persaingan sehat, transparan, tanpa konspirasi dan layak secara komersial (*value for money*); 23. Debitur ataupun setiap afiliasi atau orang yang bertindak untuk dan atas nama mereka tidak telah terlibat praktik korupsi, penipuan, pemaksaan, kolusi, atau praktik obstruktif apapun yang berkaitan dengan Proyek; 24. Debitur tidak pernah mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa; 25. Debitur tidak pernah melakukan transaksi dan terlibat dalam kegiatan apapun yang dilarang berdasarkan “Daftar Negatif IIF”; 26. [Debitur menyatakan dengan pengetahuan terbaiknya bahwa proyeksi keuangan beserta asumsi dan analisa sensitivitasnya yang disajikan kepada Kreditur pada saat penandatanganan Perjanjian Fasilitas sudah mencerminkan proyeksi terkini dari Debitur]; 27. Pernyataan dan jaminan lainnya yang sesuai terhadap transaksi sejenis. | | **Janji Pemberian Informasi** | Debitur wajib untuk memberikan informasi kepada Kreditur, termasuk tetapi tidak terbatas pada, berupa:   1. Segera setelah tersedia, namun pada segala kondisi dalam waktu 180 (seratus delapan puluh) hari kalender setelah berakhirnya setiap tahun keuangan, laporan keuangan konsolidasi dari Debitur dan Para Sponsor yang diaudit untuk tahun keuangan tersebut, dengan melampirkan sertifikat kepatuhan dari Debitur berdasarkan Janji Finansial; 2. Segera setelah tersedia, namun pada segala kondisi dalam waktu 60 (enam puluh) hari kalender setelah berakhirnya triwulan disetiap tahun keuangan, laporan keuangan konsolidasi dari Debitur dan Para Sponsor untuk triwulan tersebut dalam setiap tahun keuangan terkait dengan melampirkan sertifikat kepatuhan dari Debitur berdasarkan Janji Finansial; 3. Segera setelah tersedia, namun paling lambat dalam waktu 30 (tiga puluh) hari kalender sebelum dimulainya tahun buku atau bersamaan dengan penyerahan budget expense untuk Fasilitas Kredit Sindikasi, mana yang lebih dahulu, dokumen proyeksi Lalu Lintas Harian selama 1 (satu) tahun ke depan; 4. Segera setelah tersedia, namun paling lambat dalam waktu 30 (tiga puluh) hari kalender sejak periode akhir laporan triwulanan, Laporan Realisasi Lalu Lintas Harian dan Laporan Pendapatan Tol sehubungan dengan Proyek; 5. Informasi lainnya mengenai kondisi finansial, bisnis dan operasional sebagaimana Kreditur dapat meminta secara wajar; 6. Pemberitahuan atas perubahan pihak penandatangan yang berwenang dari Debitur yang ditandatangani oleh Direktur dari Debitur tersebut dan memuat contoh tanda tangan dari setiap pihak penandatangan yang baru; 7. Persyaratan pelaporan tertentu menurut Prinsip-Prinsip Lingkungan dan Sosial dan Rencana Tindakan Perbaikan IIF, termasuk dan tidak terbatas mempublikasikan (mengunggah) dokumen terkait dengan kajian sosial dan lingkungan dan rencana yang terkait dengan aspek sosial dan lingkungan dalam website Debitur atau IIF, sebagaimana berlaku; dan 8. Persyaratan pelaporan lainnya yang sesuai dengan transaksi sejenis. | | **Janji-Janji Finansial** | *[Tahap diskusi dengan ABC]*  Janji-janji Finansial ini akan terus berlaku selama Fasilitas masih terutang. | | **Janji-Janji Umum** | Janji-janji yang sewajarnya diberlakukan untuk jenis Fasilitas ini akan disertakan dalam Perjanjian Fasilitas, termasuk (tanpa pembatasan)   1. Status; 2. Mempertahankan seluruh izin-izin, registrasi dan persetujuan-persetujuan material; 3. Larangan perubahan susunan pemegang saham; 4. Tidak ada perubahan dalam struktur Grup Debitur; 5. Kepatuhan terhadap peraturan perundang-undangan yang berlaku; 6. Penggunaan jasa auditor eksternal bereputasi yang dapat diterima oleh Kreditur; 7. Peringkat *pari passu ;* 8. Mempertahankan asuransi dalam jumlah dan jenis yang sesuai dengan persyaratan asuransi yang sewajarnya dibuka untuk bisnis/industri serupa ; 9. Kepatuhan atas pembayaran pajak; 10. Larangan atas akusisi/pengambilalihan dan penanaman modal; 11. Debitur harus mendapatkan persetujuan tertulis terlebih dahulu dari Kreditur dalam hal melakukan peleburan, pemisahan, penggabungan, restrukturisasi, dan akuisisi perusahaan; 12. Memastikan bahwa tidak terdapat kejadian yang akan menimbulkan dampak merugikan material; 13. Setiap transaksi yang telah dilakukan antara Debitur dengan afiliasi atau pihak terkait telah dilakukan dengan dasar *arms’ length;* 14. Larangan atas perubahan kegiatan usaha; 15. Subordinasi atas seluruh pinjaman pemegang saham dan pinjaman antar perusahaan; 16. Debitur hanya akan menggunakan Fasilitas untuk tujuan pembiayaan *cash deficiency* yang terjadi setelah Proyek beroperasi; 17. Debitur tidak terlibat praktik yang dapat dikenai sanksi, yang meliputi korupsi, penipuan, pemaksaan, kolusi dan praktik obstruktif; 18. Debitur wajib meminta persetujuan tertulis kepada Kreditur sebelum Debitur mendapatkan setiap utang baru dari kreditur lain,; 19. Debitur harus melakukan proses pengadaan barang dan jasa berdasarkan prinsip-prinsip keadilan, persaingan sehat, transparan, tanpa konspirasi dan layak secara komersial (*value for money*); 20. Debitur wajib mematuhi Prinsip-prinsip Sosial dan Lingkungan IIF, termasuk pemenuhan Rencana Tindakan Perbaikan dan persyaratan pelaporannya; 21. Debitur tidak boleh mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa; 22. Debitur tidak boleh menggunakan Fasilitas dari IIF untuk membiayai proyek proyek yang termasuk dalam *Exclusion list* dari IIF; 23. Debitur dan pihak manapun yang bertindak atas nama Debitur wajib mematuhi ketentuan-ketentuan dan berjanji tidak akan terlibat dalam segala kegiatan yang dilarang dalam *World Bank’s Anti Corruption Guideline*; 24. Debitur tidak boleh mengadakan transaksi atau terlibat dalam kegiatan apapun yang dilarang berdasarkan setiap keputusan Dewan Keamanan Perserikatan Bangsa-Bangsa berdasarkan Bab VII Piagam Perserikatan Bangsa-Bangsa dan *World Bank Listing of Ineligible Firms & Individual* sebagaimana dipublikasikan dan diperbaharui pada situs resmi World Bank; 25. Larangan atas pelepasan (aset) kecuali pelepasan aset yang merupakan kegiatan bisnis Debitur sehari-hari dengan nilai sampai dengan [Rp. 10.000.000.000,- (sepuluh miliar rupiah)]; 26. Debitur wajib mempertahankan kontrak-kontrak material sehubungan dengan kegiatan operasional Debitur; 27. Setelah pemberitahuan sebelumnya, Debitur harus mengizinkan perwakilan IIF atau setiap agen atau orang yang ditunjuk untuk mengunjungi lokasi Proyek, memiliki akses terhadap rekening pembukuan, dan akses kepada pegawai, agen, kontraktor yang memiliki atau mungkin memiliki pengetahuan atas hal-hal yang berhubungan dengan yang dimintakan informasi oleh IIF. Untuk menghindarkan keragu-raguan, pemberitahuan terlebih dahulu tidak diperlukan jika terdapat potensi atau berlanjutnya keadaan Cidera Janji, atau jika keadaan-keadaan khusus mensyaratkannya; 28. Debitur wajib menginformasikan terlebih dahulu kepada Kreditur mengenai rencana pembiayaan proyek lainnya milik Debitur dan anak-anak perusahaan yang membutuhkan pendanaan dari pihak ketiga; 29. Debitur harus mendapatkan persetujuan tertulis terlebih dahulu dari Kreditur dalam hal akan menjaminkan asetnya kepada bank atau pihak lain kecuali yang dijaminkan untuk Fasilitas Kredit Sindikasi; dan 30. Debitur tidak diperkenankan untuk membagikan dividen; 31. Kondisi-kondisi lainnya yang standar untuk transaksi sejenis. | | **Peristiwa Cidera Janji** | Standar untuk Fasilitas ini, termasuk namun tidak terbatas pada hal-hal sebagai berikut:   1. Kegagalan untuk membayar jumlah pokok, bunga atau jumlah lain yang jatuh tempo berdasarkan Fasilitas ini (selain dikarenakan kesalahan administrasi dan bergantung pada masa perbaikan sampai dengan 3 (tiga) Hari Kerja; 2. Setiap Janji-Janji Finansial dan non finansial yang tidak terpenuhi; 3. Kegagalan untuk mematuhi setiap kewajiban, termasuk tetapi tidak terbatas pada Janji-janji Umum, bergantung pada 30 (tiga puluh)] hari masa perbaikan apabila mampu memperbaiki; 4. Pernyataan yang salah atau menyesatkan; 5. Cidera janji silang; 6. Kepailitan/keadaan tidak mampu membayar (*insolvency)* dan keadaan lainnya yang sejenis; 7. Ketidakabsahan; 8. Penyangkalan dan ketidaksesuaikan hukum; 9. Litigasi dan putusan final atau perintah pengadilan dalam hubungannya dengan Dokumen Pembiayaan atau aset-aset mereka yang mungkin dapat diduga menyebabkan dampak merugikan yang material; 10. Penghentian bisnis/kegiatan usaha; 11. Pembatalan setiap Dokumen Jaminan; 12. Pengakhiran perjanjian-perjanjian yang bersifat material sehubungan dengan Proyek; 13. Terjadinya setiap kejadian atau kondisi yang telah menimbulkan atau yang secara wajar dapat diperkirakan akan memiliki dampak merugikan yang material; dan 14. Ketentuan lainnya yang berlaku umum terhadap transaksi sejenis. | | **Persyaratan Pendahuluan untuk Penandatanganan** | Standar yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Penyerahan atas seluruh persetujuan korporasi dari Debitur (termasuk keputusan direksi dan keputusan pemegang saham, sebagaimana berlaku) yang membuktikan bahwa segala persetujuan telah diperoleh, termasuk bukti yang memuaskan bahwa persetujuan dari seluruh institusi pemerintah dan persetujuan, kewenangan, ijin, dan pengecualian pajak yang dibutuhkan untuk bisnis/kegiatan usaha dan Fasilitas telah diperoleh; 2. Diterimanya surat penawaran atas Syarat dan Ketentuan Fasilitas dari Kreditur yang telah ditandatangani oleh Debitur; 3. Laporan pemeriksaan (*due diligence*) atas aspek (sosial dan lingkungan, dan hukum (sebagaimana berlaku) dalam bentuk dan isi yang memuaskan bagi Kreditur; 4. Penyerahan salinan bukti penunjukan Para Agen; 5. Kondisi-kondisi yang berlaku sebelum penandatanganan Perjanjian Fasilitas terkait persyaratan Sosial dan Lingkungan telah terpenuhi, termasuk mengunggah dokumen terkait dengan kajian social dan lingkungan dalam situs IIF atau situs Debitur (apabila ada); 6. Salinan atas pemberitahuan kepada, dan persetujuan atau pengesampingan dari kreditur yang saat ini ada, sehubungan dengan: 7. transaksi yang dirumuskan berdasarkan Perjanjian Fasilitas dalam hubungannya dengan pembiayaan fasilitas oleh Kreditur; dan 8. Pembagian penjaminan seluruh aset Debitur yang menjadi jaminan atas Fasilitas Kredit Sindikasi, untuk kepentingan Kreditur; 9. Persyaratan-persyaratan lain yang akan ditentukan kemudian pada saat tahap dokumentasi final. | | **Persyaratan Pendahuluan untuk Efektif** | Telah menyerahkan copy dokumen Berita Acara Kesepakatan Penerusan Pengusahaan Jalan Tol ABC dan Perjanjian Pengusahaan Jalan Tol (PPJT) ruas ABC berikut amandemen-amandemennya dalam bentuk dan isi yang dapat diterima oleh IIF. | | **Persyaratan Pendahuluan untuk Penarikan Awal** | Syarat pendahuluan untuk penarikan awal dari Fasilitas Kredit Sindikasi yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Seluruh Dokumen Pembiayaan telah ditandatangani dan berlaku efektif; 2. Bukti bahwa seluruh biaya yang dibebankan untuk dibayarkan oleh Debitur telah dibayarkan pada tanggal penarikan awal; 3. Menyerahkan surat pernyataan Debitur yang menyatakan bahwa akan terjadi kekurangan kas dan dengan lampiran berupa laporan *projected* *cashflow*. 4. Menyerahkan surat permohonan penarikan selambat-lambatnya 5 (lima) Hari Kerja sebelum tanggal penarikan; 5. Menyerahkan polis asuransi atas Proyek selama masa operasi, dengan syarat banker’s clause sesuai dengan syarat Asuransi pada Perjanjian Kredit; 6. Kreditur telah menerima Pendapat Hukum yang memuaskan yang ditujukan kepada Kreditur mengenai validitas dan keberlakukan Perjanjian Fasilitas, termasuk konfirmasi persyaratan pendahuluan untuk penarikan awal dari penasehat hukum 7. Penyerahan salinan bukti bahwa DEF telah melunasi pinjaman sejumlah Fasilitas yang akan ditarik sebagaimana diatur perjanjian fasilitas yang dibuat antara DEF dengan Kreditur; 8. Kondisi yang memuaskan atas seluruh kondisi-kondisi yang berlaku dari janji-janji Sosial dan Lingkungan serta Rencana Tindakan Perbaikan Sosial dan Lingkungan untuk memenuhi Prinsip – Prinsip Sosial dan Lingkungan dari Kreditur; dan 9. Syarat-syarat ataupun dokumen lainnya yang berlaku umum terhadap transaksi jenis ini yang akan ditentukan kemudian; | | **Persyaratan Penarikan Selanjutnya** | Standar yang berlaku umum dan sewajarnya untuk jenis fasilitas ini, termasuk tetapi tidak terbatas pada:   1. Debitur memberitahukan secara tertulis Surat Permohonan Penarikan *(notice of drawdown)* selambat-lambatnya 5 (lima) Hari Kerja sebelum tanggal penarikan Fasilitas yang dimaksud; 2. Kondisi memuaskan atas seluruh kondisi yang berlaku dari janji Sosial dan Lingkungan serta Rencana Tindakan Perbaikan untuk memenuhi Prinsip-prinsip Soaial dan Lingkungan dari Kreditur; 3. Persyaratan lain yang akan ditentukan kemudian pada saat tahap dokumentasi final. | | ***Cash Waterfall* Fasilitas** | Untuk didiskusikan lebih lanjut, agar kewajiban pembayaran berdasarkan Perjanjian Fasilitas masuk dalam urutan cash waterfalls dari Fasilitas Kredit Sindikasi | | **Penasihat Eksternal (Hukum, Lingkungan dan Sosial (“E&S”))** | Debitur wajib memberikan penggantian (reimbursement) kepada kreditur atas segala biaya dna pengeluaran yang secara wajar telah dikeluarkan sehubungan dengan persiapan, uji tuntas, negosiasi, penandatanganan dan amandemen serta pelaksanaan atas Dokumen Pembiayaan.  Biaya di atas wajib dibayarkan segera setalah Dbeitur menerima permintaan tertulis dari kredit atau dalam hal Dokumen Pembiayaan ditandatangani oleh Para Pihak, maka biasya tersebut wajib dibayarkan pada penarikan awal atas Fasilitas, biaya mana mencakup termasuk namun tidak terbatas pada: (a) segala pengeluaran yang wajar, biaya out-of-pocket expense (“**OPE**”) yang dikeluarkan sehubungan dengan penunjukan konsultan/penasehat eksternal, yaitu konsultan hukum, notaris, konsultan social dan lingkungan, konsultan keuangan dan konsultan teknik, serta konsultan lainnya yang ditunjuk dengan konsultasi dan persetujuan sebelumnya dari Debitur; dan (b) segala pengeluaran OPE yang telah dikeluarkan oleh Kreditur dan konsultan terkait, termasuk biaya sehubungan dengan kunjungan ke lokasi Proyek. | | **Mata Uang dan Pembulatan Pajak** | Seluruh pembayaran yang akan dibuat oleh Debitur akan dibayarkan secara penuh dengan menggunakan mata uang Fasilitas, tanpa suatu perjumpaan utang (pengurangan) atau klaim balik dan bebas dan bersih dari, dan tanpa pengurangan untuk atau pada tanggungan dari, setiap pajak, bea, retribusi, cukai, biaya atau pajak penghasilan baik sekarang maupun yang akan ada. Apabila setiap pajak tersebut disyaratkan oleh hukum untuk dikurangi atau dipotong dari setiap jumlah yang harus dibayarkan, maka Debitur harus menambahkan jumlah yang akan dibayarkan agar penerima pembayaran menerima jumlah secara penuh (dan menyediakan bukti dari setiap bukti potongan pajak penghasilan yang dibayarkan kepada Pemerintah Republik Indonesia). | | **Transfer dan**  **Pengalihan oleh Kreditur** | Kreditur berhak untuk memindahkan atau mengalihkan secara bebas seluruh atau sebagian hak-hak dan manfaat berdasarkan Syarat dan Ketentuan (termasuk komitmen fasilitasnya) dan Dokumen Pembiayaan kepada pihak manapun, tanpa persetujuan terlebih dahulu dari Debitur. Dalam hal pengalihan oleh Kreditur kepada pihak (-pihak) lainnya, Kreditur akan memastikan bahwa kewajiban-kewajiban Debitur dan Kreditur tidak berubah disebabkan pengalihan tersebut.  Debitur tidak berhak untuk mengalihkan hak, manfaat atau kewajiban apapun berdasarkan Syarat dan Kententuan dan Dokumen Pembiayaan kepada pihak lain manapun tanpa persetujuan tertulis dari Kreditur. | | **Pembatasan Kerugian** | Debitur setuju bahwa Dewan Komisaris, Direksi, pegawai, agen, penasihat, konsultan dan konsultan hukum dari Kreditur (masing-masing disebut sebagai “**Pihak Yang Diganti Kerugian**”) tidak akan bertanggung jawab atas kehilangan, tuntutan, kerusakan atau kerugian (“**Kerugian**”) yang mungkin diderita atau ditimbulkan oleh Debitur atau pihak lain sehubungan dengan Syarat dan Ketentuan ini atau transaksi sebagaimana dibuat berdasarkan Syarat dan Ketentuan ini, kecuali apabila Kerugian tersebut merupakan akibat dari kelalaian atau kesalahan yang disengaja dari Pihak Yang Diganti Kerugian. Tuntutan tersebut akan dibatasi hanya untuk kerugian yang dapat diperkirakan dan tidak termasuk kerugian atas keuntungan atau akibat kerugian atau kerugian hukuman. | | **Penggantian Kerugian** | Debitur wajib mengganti kerugian dan menjaga Pihak Yang Diganti Kerugian terhadap Kerugian dimana Pihak Yang Diganti Kerugian tersebut dapat menjadi subjek sehubungan dengan atau yang timbul dari aktivitas Pihak Yang Diganti Kerugian sebagaimana diatur dalam Syarat dan Ketentuan ini, sehubungan dengan transaksi yang diatur dalam Syarat dan Ketentuan ini dan untuk mengganti Pihak Yang Diganti Kerugian atas seluruh biaya, termasuk namun tidak terbatas pada biaya hukum, yang ditimbulkan oleh Pihak Yang Diganti Kerugian sehubungan dengan hal tersebut atau sehubungan dengan investigasi atau pembelaannya; namun, dengan ketentuan bahwa Debitur tidak akan bertanggung jawab atas Kerugian sepanjang Kerugian tersebut adalah sebagai akibat dari kelalaian atau kesalahan yang disengaja dari Pihak Yang Diganti Kerugian. | | **Kerahasiaan** | Informasi dan materi yang dihasilkan oleh Kreditur berdasarkan Syarat dan Ketentuan ini adalah untuk kepentingan Kreditur sendiri dan bukan untuk kepentingan Debiturataupun kreditur lainnya. Seluruh materi tertulis yang disampaikan kepada Debitur, termasuk Syarat dan Ketentuan ini, hanya akan didistribusikan oleh Debitur kepada penasihat profesionalnya untuk tujuan transaksi sebagaimana disebutkan di dalam Syarat dan Ketentuan. Materi-materi tersebut tidak boleh didistribusikan kepada pihak ketiga tanpa persetujuan tertulis sebelumnya dari Kreditur. Debitur tidak boleh mengatasnamakan pandangan Kreditur atas seluruh hal, atau menggunakan nama Kreditur pada materi tertulis kepada pihak ketiga. | | **Hukum yang Berlaku** | Hukum Negara Republik Indonesia. | | **Penyelesaian Perselisihan** | Para Pihak setuju bahwa setiap perbedaan, perselisihan, konflik atau kontroversi (“**Perselisihan**”) yang muncul dari/atau sehubungan dengan Syarat dan Ketentuan ini, Para Pihak akan berusaha dalam jangka waktu 30 (tiga puluh) hari kalender setelah diterimanya pemberitahuan oleh salah satu pihak dari pihak yang lain mengenai keberadaan Perselisihan, untuk menyelesaikan Perselisihan dengan secara musyawarah dan mufakat diantara para pihak.  Jika tidak ada penyelesaian tercapai dalam jangka waktu tersebut, maka Para Pihak wajib menyelesaikan Perselisihan tersebut melalui badan arbitrase yang pada saat ini beralamat kantor di Wahana Graha Lantai 1&2, Jalan Mampang Prapatan No. 2 Jakarta 12760, berdasarkan Peraturan Arbitrase Badan Arbitrase Nasional Indonesia (“**BANI**”) dan menggunakan Bahasa Indonesia. | |

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| **PT ABC TOLL ROAD**  **INDICATIVE TERMS AND CONDITONS FOR SENIOR TERM LOAN FACILITY** | |
| ***These Indicative Terms & Conditions (“Term Sheet”) is for discussions purpose only. The Term Sheet is not meant to be, nor shall it be construed as, an attempt to define all of the terms & conditions of financing provided by PT Indonesia Infrastructure Finance (‘IIF’). The Term Sheet is also not intended as an undertaking or commitment by IIF to extend a loan or provide the financing facility contemplated herein. The terms and conditions set out in this Term Sheet are subject to satisfactory result of financial, social & environmental, technical, insurance and legal due diligence; IIF’s internal investment committee approval; and satisfactory final documentation.***  ***No representation is made by IIF that the structure proposed herein is appropriate for the Borrower(s) and the Borrower(s) should seek its own legal and other professional advice as to the appropriateness of the structure and its impact on the Borrower(s), its subsidiary(ies), and affiliate(s). Terms not defined herein shall be defined at the final documentation stage.*** | |
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| **PARTIES** | |
| **Borrower** | PT ABC Toll Road (“**ABC**”). |
| **Sponsor** | 1. PT XYZ (“**XYZ**”); and 2. PT Sumber Mitra Jaya (“**SMJ**”). |
| **Lender** | PT Indonesia Infrastructure Finance (“**IIF**”). |
| **FACILITY** | |
| **Facility Type** | Cash Deficiency Support Facility (“**Facility**”). |
| **Facility Amount** | Up to IDR 600.000.000.000 (six billion thousand Rupiah) |
| **Project** | Construction and operating of Pemalang – Batang Toll Road section |
| **Purpose of the Facility** | To finance any cash deficiency incurred from Project after Commercial Operating Date (“**COD**”) of the Project. |
| **Facility Agreement Date** | Signing date of Syndication Credit Agreement (Conventional) No. 37 dated 24 May 2017. |
| **Final Maturity Date** | Maximum 222 (two hundred twenty two) months since the Facility Agreement Date or 60 (sixty) months since the full repayment of facility according to: (i) Syndication Credit Facility Agreement (Conventional) No. 37 dated 24 May 2017; (ii) Syndication Credit Facility Agreement (Sharia) No. 38 dated 24 May 2017; and (iii) Other Syndication Credit Agreement which will be signed to finance the project where Lender could participate (afterwards will be called together “**Syndication Credit Facility**”), whichever comes first. |
| **Availability Period** | The facility is available for drawdown from the signing date of the Facility Agreement (“**Signing Date**”) until [31 December 2018]. |
| **Grace Period** | Maximum of 162 (one hundred sixty two) months from the Facility Agreement Date or following the full prepayment of the Syndication Credit Facility whichever earlier.  For avoidance of doubt:   1. First repayment of principal will start from 3 (three) months after the end of Grace Period; 2. Interest shall be paid during the Grace Period, with terms and conditions as set out in ”Interest Rate” section below. |
| **Repayment** | Repayment shall be paid quarterly proportionally.  “**Business Day(s)**” means a day (other than Saturday, Sunday or public holiday) on which licensed banks are open for business in Jakarta and Bank Indonesia conducts clearing. |
| **PRICING** | |
| **Facility Fee** | [1]% flat of the Facility Amount, payable at 5 (five) Business Days after the Signing Date, or at the initial drawdown date, whichever is the earlier. |
| **Commitment Fee** | [1]% p.a. of the undrawn Facility Amount. Commitment fee is calculated based on daily average of undrawn portion during Availability Period.  Commitment Fee shall be paid monthly at the end of each month during Availability Period, at the latest 5 (five) Business Days after the end of each month. |
| **Interest Rate** | Amounting to annual interest rate of Syndication Credit Facility (”**Syndication Interest Rate**”) + [3% (three percent) p.a.]  Syndication Interest Rate equals to Reference rate (LPS) + 4.25% p.a.  Payment of the Interest Rate shall be paid with the followings conditions:   1. During Grace Period:  * Interest rate at [3% (three percent)] p.a shall be paid during the Grace Period; and * Interest Rate at unpaid Syndication Interest Rate will be capitalized and increase the principal amount, which will be calculated using Syndication Interest Rate + [3% (three percent)] p.a (”**Accumulated Syndication Interest Rate**”) and shall be paid by Borrower after the Grace Period.  1. After Grace Period:  * Syndication Interest Rate + [3% (three percent)] per annum, added with the payment of Accumulated Syndication Interest Rate in pro-rata. |
| **Default Interest Rate** | Any unpaid due amount (i.e. interest payable and/or principal repayment) will be charged with a default interest rate at 2.0% p.a. above the applicable Interest Rate, calculated until the actual payment date of the overdue amount. |
| **Interest Period** | [Monthly, as regulated in Syndication Credit Facility Agreement.]  Payment of the interest shall be made at the end of each Interest Period (“**Interest Repayment Date**”) with condition of Interest Repayment Date shall not exceed the Final Maturity Date. |
| **OTHER TERMS** | |
| **Mandatory Prepayment** | The Facility shall be prepaid to the Lender if and when:   1. Illegality   If, at any time, it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as completed under the Finance Documents, the Borrower shall fully repay the outstanding loan and the available Facility (as applicable), will be immediately cancelled.   1. Other Prepayment customary to financing of this nature, including but not limited to: 2. Asset disposal, 3. Acceptance of Insurance Claim; 4. The payment of money compensation to the Borrower due to a cancellation of the Toll Road Concession Agreement;   where, the Lender shall receive the payment in pro-rata with Lender of Syndication Credit Facility (“**Senior Lender**”).   1. Refinancing of Syndication Credit Facility   The Borrower shall fully repay the Facility if the Borrower does refinancing and/ or rescheduling to the Syndication Credit Facility.   1. Excess Cash after repayment of the Syndication Credit Facility   [50%] of the remaining excess cash from Borrower’s transaction account after final repayment of Syndication Credit Facility, shall be used to prepay the loan to Lender.   1. Other mandatory prepayment events according to due diligence report.   Notes:   1. Each repaid facilty is irrefundable by Borrower. 2. Each prepaid facility (except due to ”illegality”) shall be done inverse order of maturity according to loan repayment schedule. 3. Each prepayment shall be done in Interest Repayment Date. |
| **Voluntary Prepayment Penalties** | In the amount of 5% (five percent) from prepaid amount. |
| **Collateral** | Cross collateral with the collateral for Senior Lender. Additionally, the collateral is pari passu with Lender to be elaborated further in the Security Sharing Agreement, which includes:   1. Toll Road Concession Rightsbased on the Toll Concession Agreement of ABC, which irrevocable power of attorney to the Lender to appoint third parties as a toll road operator; 2. All operational invoices and revenues from the operation of the toll road (other ventures pertaining to the Project) to be secured with fiduciary over receivables; 3. Pledge of Borrower’s accounts and its related Power of Attorney, including but not limited to Revenue Account, Debt Service Reserve Account, Debt Service Account, Operational Account, and Excess Cash Account (“**Project Account**”); 4. Proceeds from Insurance Claims, to be secured with fiduciary over proceeds of insurance claim; 5. Proceeds of bank guarantee claim to be secured with fiduciary over proceeds of bank guarantee claim; 6. Corporate Guarantee from PT Sumber Mitra Jaya; 7. Corporate Guarantee from PT XYZ; 8. Pledged of ABC shares owned by sponsors along with power of attorney to vote and power attorney to sale shares;   (Collectively referred to as the ”**Security Document**”).  [Note: In addition to the above, the shareholders of ABC (joint and severally) agree to provide cash deficiency support, cost overrun and to maintain positive equity in a term of notarial deed of shareholders general meeting. In the notarial deed of shareholders general meeting, shareholders also provide assurance that the interest payment and principal repayment schedule are being kept on time until full repayment of the Facility.] |
| **Ranking** | The payment of Accumulated Syndication Interest Rate and payment of Facility shall rank junior and subordinated with the repayment of the Syndication Credit Facility, except for company’s obligation which regulated under the common law for companies. This item excludes the 3% p.a. interest payment during Grace Period which shall rank senior.  After the end of Grace Period, the interest and principal repayment obligation under Facility Agreement and other documents related to Facility Agreement (“**Financing Document**”) shall rank the same with Syndication Credit Facility. The Negative Covenant set out in Syndication Credit Facility Agreement shall also apply in this Facility Agreement.  For avoidance of doubt, the payment under the Facility Agreement shall rank senior to any shareholders loans and inter-company loans both now and in the future.  [Note: There is a bridging shareholder loan for land acquisition purpose that may be required to be paid and rank Senior]. |
| **Representation & Warranties** | The Borrower will make representations and warranty customary for facilities of this nature on the date of the Agreement and on the date of each utilisation request and the first day of each Interest Period, including but not limited to:   1. Status and due authorization; 2. Power and authority; 3. Binding obligations; 4. Non conflict with other obligations; 5. Validity and admissibility in evidence; 6. All government and regulatory approval, and any other third party consents (if required) have been obtained; 7. No filing or stamp taxes; 8. No insolvency or similar proceeding; 9. No default; 10. No misleading information; 11. The Borrower’s financial statements for a specified period have been prepared in accordance with the Indonesian Accounting Standards, and disclose all liabilities; 12. *Pari-passu* ranking; 13. No material litigation or proceeding pending or threatened; 14. No breach of laws; 15. No material adverse effect; 16. All tax return have been filed, and all taxes due have been paid save for tax payment, which is being contested in good faith; 17. No financial indebtedness, loans and guarantees or security, save as financial indebtedness, loans and guarantees or security which has been disclosed to the Lender; 18. No immunity; 19. All transactions conducted with affiliates or related party have been made on arm’s length basis; 20. The Borrower have a good title to all of its assets, subject only to permitted and disclosed liens; 21. Except as identified in the social and environmental assessment, there are no material social or environmental risks or issues in relation to the Project; 22. The Borrower has conducted procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 23. Neither the Borrower, nor the Sponsor, nor any affiliate nor any person acting on their behalf has engaged in any corrupt, fraudulent, coercive, collusive or obstructive practice; 24. The Borrower has not entered into any transaction nor engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter; 25. The Borrower has not involved in any business activities listed under the IIF’s Exclusion List; 26. The Borrower has stated with the best knowledge that the financial statements already reflects the current Borrower’s projection; 27. Such other representations and warranties appropriate for transaction of this type. |
| **Reporting Covenant** | The Borrower shall supply to the Lender with, including but not limited to:   1. As soon as they become available, but in any event within 180 (one hundred and eighty) days after the end of each of its audited financial years, the Borrower and sponsors audited consolidated financial statements for that financial year, by enclosing the compliance certificate pursuant to Financial Covenant; 2. As soon as they become available, but in any event within 60 (sixty) days after the end of each quarter of each financial years, the Borrower and sponsors consolidated internal financial statements for that quarter of the relevant financial year by enclosing the compliance certificate pursuant to Financial Covenant; 3. As soon as they become available, but in any event within 30 (thirty) days before the starts of each of its fiscal years or together with the submission of budget expense for Syndication Credit Facility, whichever comes earlier, the projected daily traffic report for the next 1 (one) year; 4. As soon as they become available, but in any event within 30 (thirty) days before the starts of each of quarterly report period, the Daily Traffic Realization Report and Toll Revenue Report related to the Project; 5. Such other information regarding the financial condition, business and operations on any member of the Group as the Lender may reasonably request; 6. Notice of change in the authorised signatories of any [Obligor] signed by a director of such [Obligor] and containing the specimen signature of any new authorised signatories; 7. Certain reporting requirements under IIF’s Social & Environmental Principles and its Corrective Action Plan including to upload documents related to social & environmental impact assessment and action plans related to social & environmental aspect in the Borrower’s or IIF’s website as applicable; and 8. Such other reporting requirement appropriate for transaction of this type |
| **Financial Covenants** | *[In discussion with ABC]*  The Financial covenants applied all times through out the Facility Tenor. |
| **General Undertakings** | Undertakings customary for the Facility of this nature will be included in the Facility Agreement, including (without limitation):   1. Status and due authorization; 2. Maintenance of all material licenses, registrations, and authorizations; 3. No change of shareholders; 4. No changes in Borrowers group structure; 5. Compliance with laws; 6. Retention of external reputable auditor acceptable to the Lender; 7. *Pari passu* ranking; 8. Maintenance of insurances in the amount and type appropriate for the business as agreed by the Lender; 9. Compliance to tax payment; 10. Restriction on acquisition or investments; 11. The Borrower shall not engage in mergers, consolidation, separation, or restructurisation without written approval from Lender; 12. Ensuring no material adverse effect; 13. Any transaction with affiliates or related party is conducted based on arm’s length basis; 14. No change of business; 15. Subordination of all shareholders’ loan and inter-company loans; 16. The Borrower shall only use the Facility to provide cash deficiency for the Project after COD; 17. The Borrower shall not engage in sanctionable practices, which includes corrupt, fraudulent, coercive, collusive, and obstructive practices; 18. The Borrower shall not apply a new loan from other lender without prior written consent of the existing Lender; 19. The Borrower shall conduct procurement of goods and services based on the principles of fairness, competition, transparency, no conspiracy and value for money; 20. The Borrower shall comply with IIF’s Social & Environmental Principles, which includes the compliance to Corrective Action Plan and its reporting requirements; 21. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter ; 22. The Borrower shall not use the Facility to finance any business activities listed under the IIF’s Exclusion List; 23. The Borrower and its affiliation that act as behalf of the Borrower, shall comply with the regulation and will not engage in any activity prohibited by World Bank’s Anti Corruption Guideline; 24. The Borrower shall not enter into any transaction or engaged in any activity prohibited by any resolution of the United Nations Security Council under Chapter VII of the United Nations Charter and World Bank Listing of Ineligible Firms & Individual as publicized and updated in official website of World Bank ; 25. Restriction on asset disposal, except for daily business activities of the Borrower with maximum value up to IDR 10.000.000.000,- (Ten Billion Rupiah). 26. The Borrower shall maintain all material contracts related to business activity; 27. Upon prior notice, the Borrower shall permit Lenders’ representative or any of its agents or designees to visit the project site, to get information and/or queries access related with the financial statements, and have access to employees, agents, contractors who have or may have knowledge of matters with respect to which IIF seeks information. For avoidance of doubt, no prior notice shall be necessary if there is potential or continuing Event of Default or if special circumtances so require; 28. The Borrower shall notify the Lender of any other Borrowers’ project financing plan and its subsidiaries that needs financing from third parties; 29. The Borrower shall not pledge its asset to banks or other parties, except as collateral for the Syndication Credit Facility, without prior written consent of the Lender; and 30. The Borrower shall not pay any dividend; 31. Such other conditions standard for transaction of this type.   . |
| **Events of Default** | Events of default customary for Facility of this nature will be included in the Agreement , including (without limitation):   1. Failure to pay principal, fees, interest, or any other sums due under this Facility (other than due to administrative error, subject to remedy period of up to 3 (three) Business Days), 2. Any Financial and non Financial Covenants not satisfied; 3. Failure to comply with any other obligations, including but not limited to General Undertakings, subject to 30 (thrity) calendar days remedy period if capable of remedy; 4. Misrepresentation; 5. Cross default; 6. Insolvency, bankruptcy, or any other similar events; 7. Unlawfulness; 8. Repudiation and rescission; 9. Litigation and final judgments or court orders in relation to the Borrower or their assets which could reasonably be expected to have a material adverse effect; 10. Cessation of business; 11. Revocation of any Security Document; 12. Termination of any material agreements related to the Project; 13. Any event or circumstance occurs which has had or could reasonably be expected to have material adverse effect; and 14. Such other events standard for transaction of this type. |
| **Conditions Precedent for Signing** | Standard and customary for this type of facility, including but not limited to:   1. Submission of all Corporate Approval of the Borrower (including approval from Board of Directors and Shareholders, as applicable) proofing that all approval has been obtained, including satisfactory evidence that approval from governmental institution and approval, authority, permit, and waiver of tax as might be required has been obtained; 2. Receipt of offering letter on Terms and Conditions of Facilitiy from Lender signed by the Borrower; 3. Submisison of [Legal Due Diligence and Social & Environment Due Diligence Report] in the form and substance satisfactory to the Lender; 4. Submission of document evidencing appointment of the Agent; 5. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with IIF’s Social and Environmental Principles, including uploading documents related to social and environmental studies on the IIF website or the Lender website (if any); 6. A copy of notification, and approval or waiver from existing Lender, related to:  * transactions defined under the Facility Agreement in conjunction with the facility from Lender; and * Security sharing the Borrowers’ assets as collateral to Syndication Credit Facility, for the benefit of the Lender;  1. Such other documents standard for transaction of this type. |
| **Conditions Precedent to Effective** | Submission of certified true copy of Minutes of Meeting of ABC Toll Road Concession Continuation and ABC Toll Road Concession Agreement (*PPJT*) including its amendments in form and substance satisfactory to IIF. |
| **Conditions Precedent for Initial Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. All Financing Documents have been signed and effective; 2. Evidence that all fees, cost and expenses due from the Borrower have been paid on the initial drawdown date; 3. Submission of the Borrowers’ letter stating that there will be cash deficiency and an attachment of projected cash flow report. 4. Submission of the notice to drawdown at the latest 5 (five) Business Day prior the drawdown date; 5. Submission of insurance policy on the Project during the operation period, provided that the banker's clause correspond to the terms of the Insurance in the Credit Agreement; 6. Lender has received satisfactory legal opinion addressed to the Lender on the validity and enforceability of Finance Documents, including conditions precedent confirmation to initial drawdown from external legal adviser; 7. Submission of copy receipt that stated PT DEF has paid off the loan made under Facility Agreement between PT DEFr with the Lender; 8. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 9. Such other documents standard for transaction of this type which will be determined later; |
| **Condition Precedent to Subsequent Drawdown** | Standard and customary for this type of facility, including but not limited to:   1. Borrower to provide written notice of drawdown at the latest 5 (five) Business Days prior the drawdown date; 2. Satisfaction of all applicable conditions to Social & Environmental covenants and Corrective Action Plans to comply with Lender’s Social and Environmental Principles; 3. Any other documents as might be required and requested during the final documentation stage. |
| **Cash Waterfall Mechanism** | To be discussed later, so that priority of payment made under Facility Agreement shall be included in cash waterfalls mechnism from Syndication Credit Facility. |
| **External Advisor (Legal, Environment & Social (“E&S”))** | The Borrower shall reimburse the Lender (or pay directly, if requested by the Lenders) for all costs and expenses reasonably incurred in connection with the preparation, negotiation, due diligence, printing, execution (and amendment) of the Finance Documents and any documents referred by it, whether or not the Finance Documents is actually signed and executed.  The reimbursable expenses shall be paid immediatelly upon Lender request or in the event the Finance Documents are signed and executed, these shall be paid prior to disbursement of the Facility and shall include but not limited to, (a) all reasonable fees, charges and out-of-pocket expenses (“**OPE**”) of all external advisor (including but not limited to: legal counsel, notary, social and environmental consultant, insurance consultant, finance consultant, and independent technical consultant (if necessary)), appointed in consultation with and consented by the Borrower, and (b) all reasonable OPE incurred by the Lender and its consultants, including those related to the right to inspect. |
| **Currency and Tax Gross Up** | All payments to be made by the Borrower shall be paid in full using the currency of the Facility, without any set-off or counter-claim and free and clear of, and without deduction for or on account of, any present and future taxes, duties, levies, imposts, charges or withholdings. If any such taxes are required by law to be deducted or withheld from any sum so payable, then the Borrower shall increase the amount so paid so that the recipient receives the full amount due to it (and provide the evidence of any withholding tax slips payable to the Government of Indonesia). |
| **Assignment and Transfer by Lender** | A Lender shall be entitled to freely transfer or assign the whole or parts of their rights and benefits under the Term Sheet (including their facility commitment) and the Finance Document to any party, without prior consent of the Borrower. In the event of assignment by Lender to other party(ies), Lender shall ensure that Borrower’s and Lender’s obligations do not change due to such assignment.  The Borrower shall not be entitled to assign any rights, benefits or obligations under the Term Sheet and the Finance Documents to any other party without the Lender’s prior written consent. |
| **Limitation of Liability** | The Borrower agree that none of the Lender’s commissioners, directors, employees, agents, advisors, consultants and legal counsel (each, an “**Indemnified Party**”) will be liable for any loss, claim, damage, or liability (“**Loss**”) that the Borrower(s), or any other party might suffer or incur in connection with this Term Sheet, or any transaction contemplated hereby, except to the extent that such Loss resulted from such Indemnified Party’s gross negligence or wilful misconduct. Any such claim will be limited to reasonably foreseeable losses and will not include lost profits or consequential or punitive damages. |
| **Indemnity** | The Borrower shall indemnify and hold harmless the Indemnified Party against any Loss to which such Indemnified Party may become subject in connection with or arising from any Indemnified Party’s activities as contemplated under this Term Sheet, in connection with the transaction contemplated hereby and to reimburse such Indemnified Party for all expenses, including any legal expenses, incurred by such Indemnified Party in connection therewith or with the investigation or defence thereof; provided, however, that the Borrower shall not be liable in respect of any Loss to the extent that such Loss resulted from such Indemnified Party’s gross negligence or wilful misconduct. |
| **Confidentiality** | The information and works produced by Lender under this Term Sheet are for the Lender own benefit and not for the Borrower or any other lender. All written material delivered to the Borrower, including this Term Sheet, may only be distributed by the Borrower to its professional advisors, for purposes of transaction contemplated in the Term Sheet. The said materials shall not be distributed to other third parties without the Lender’s prior written consent. The Borrower may not represent Lender’s views on any matter, or use Lender’s name in any written material for third parties. |
| **Governing Law** | The Laws of the Republic of Indonesia. |
| **Settlement of Disputes** | The parties agree that for any difference, dispute, conflict or controversy (a “**Dispute**”) arises out of or in connection with the Term Sheet, the parties will attempt for a period of thirty (30) days after the receipt by one party of a notice from the other party of the existence of the Dispute, to settle the Dispute by amicable settlement between the parties.  If no settlement is reached within such period, the parties shall settle the Dispute by arbitration under the Rules of Arbitration of the Indonesia National Board of Arbitration (*Badan Arbitrase Nasional Indonesia*) in Jakarta and by using Bahasa Indonesia. |

## Risk rating

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |  |
|  | **Summary** | |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Sector** | **Infrastructure** | |  | **Country** | Indonesia |  |
|  |  | **Sub-Sector** | **Toll Roads/Bridges/Tunnels** | |  | **External Rating** |  |  |
|  |  | **Project Name** | **ABC Toll Road** | |  | **Project ID** |  |  |
|  |  | **Analyst** | **Eduard** | |  | **Financials** |  |  |
|  |  | **Group** | **DEF** | |  | **Date** | 4/2/2018 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | **Score** |  |  | **S&P Scale** | **Bank Master Scale** |  |
|  |  | Market Protection and Revenue Contracts | - |  |  |  |  |  |
|  | Competitive Market Position | 7.00 |  |  |  |  |  |
|  |  | 1.00 |  |  |  |  |  |
|  | **Market Risk Exposure** | 1.0 | 1 |  |  |  |  |
|  |  |  |  |  |  |  |  |
|  | Financial Strength | 9.00 | 7 |  |  |  |  |
|  | Technology, Construction & Operations | 8.00 | 7 |  |  |  |  |
|  | Legal & Finance Structure | 7.00 | 3 |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  | 7.8 |  |  |  |  |  |
|  |  | Project Level Score (1-10) | 7.91 |  |  |  |  |  |
|  |  | **Implied Project Rating** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Force Majeure Adjustment | - |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Implied Project Rating after Force Majeure Risk** | 7.50 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Country Risk Cap | 6.00 |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Implied Project Rating after Country Risk** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  | Credit Enhancements |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  | **Final Project Rating** | 7.50 |  |  | B+ | IIF4 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

## KYC Checklists

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Legal and General Information | | | | | | | | | |
| Name of Institution | : | PT ABC Toll Road | | | | | | | |
| Legal Domicile | : | Gedung Graha Irama Blok X-1 Lantai 14,  Jl. HR. Rasuna Said Kav. 1-2,  Kel. Kuningan Timur, Kec. Setiabudi  Jakarta Selatan 12950 | | | | | | | |
| Company Address (if different than above) | : | (same as above) | | | | | | | |
| Phone | : | 62(21) 5261616 | | | | | | | |
| Fax | : | 62(21) 5261615 | | | | | | | |
| Email | : | ABC@mitrajaya.co.id | | | | | | | |
| Taxpayer ID \*) | : | 02.419.564.6-063.000 | | | | | | | |
| Company Type (refer to AoA) | : | State-owned enterprise | Local Investment | Joint venture | | | Foreign Investment | Others | |
| ☐ | ☐ | ☐ | | |  |  | |
| Business License Number | : |  | | | | | | | |
| Corporate Registration Number | : | 09 03.1.52.50649 | | | | | Expiration Date of Registration Number:  15 September 2021 | | |
| Letter of Domicile Number | : | 1333/27.1BU.1/31.74.02.1008/-071.562/e/2016 | | | | | Expiration Date Letter of Domicile:  23 December 2021 | | |
| Current Line of Business | : | Transportation | | | | | | | √ |
| Oil and Gas | | | | | | | ☐ |
| Electricity | | | | | | | ☐ |
| Construction | | | | | | | ☐ |
| Water | | | | | | | ☐ |
| Other, Telecommunication | | | | | | | ☐ |
| Business Activities (refer to Aoa) | : | Toll road operation | | | | | | | |
| Eligible Activities (refer to Annex A: Exclusion List) | : | √ Yes | | | | ☐ No | | | |
| Company Status |  | ☐ Established Company | | | √ Special Purpose Vehicle/Project Company | | | | |
| If Established Company: | | | | | | | | | |
| Net Assets | : |  | | | | | | | |
| Annual Operating (Loss) | : |  | | | | | | | |
| Annual Gross Income | : |  | | | | | | | |
| House Banks | : |  | | | | | | | |
| If SPV/Project Company: | | | | | | | | | |
| Paid in Capital | : | IDR 891.681.225.300 | | | | | | | |
| House Banks | : | - | | | | | | | |
|  | | | | | | | | | |
| Source of Equity \*) | : | Injection from Shareholders | | | | | | | √ |
| Bank Loan | | | | | | | ☐ |
| Mezzanine | | | | | | | ☐ |
| Investment Result | | | | | | | ☐ |
| Internal Profit | | | | | | | ☐ |
| Others, please specify | | | | | | | ☐ |

**Article of Association**

|  |  |  |
| --- | --- | --- |
| Number of deed of establishment \*) | : | 10 |
| Date \*) | : | 15 Juni 2006 |
| Country of incorporation \*) | : | Indonesia |
| Authorized Capital \*) | : | IDR 3.490.492.176.000 |
| Paid up Capital \*) | : | IDR 891.681.225.300 |

**Shareholding Structure**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Name | Article of Association | Ownership (%) | Nationality | |
| WNI | WNA |
| PT XYZ | - | 60% | V |  |
| PT Sumber Mitra Jaya | - | 40% | V |  |

**DIRECTORS AND COMMISIONERS UNDER ARTICLES OF ASSOCIATION**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | BOD Name | Position | ID Number | Date of Birth |
| 1 | Supriyono | President Director | 3374060407610002 | 04/07/1961 |
| 2 | Ir. Arman D Panjaitan, MBA | Director | 3275052507520007 | 25/07/1952 |
| 3 | Fathul Anwar | Director | 6471051212780026 | 12/12/1978 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No | BOC Name | Position | ID Number | Date of Birth |
| 1 | Kuhan Selvaretnam | Pres. Commissioner | 3174051608745001 | 16/08/1974 |
| 2 | Amir Syamsudin | Commissioner | 3175022705450004 | 27/05/1945 |
| 3 | Ir. Nyoman Wirya Adnyana | Commissioner | 3175082309630007 | 23/09/1963 |
| 4 | Aan Akhmad Prayoga | Commissioner | 3274050604830004 | 06/04/1983 |

## Other Banks Facilities / Summary of Pefindo report

**Ijin Ijin Perusahaan & Kontrak**

**Ijin-ijin Usaha Perusahaan**

1. Nomor Pokok Wajib Pajak (NPWP) No. 02.419.564.6-063.000 terdaftar tanggal 2 Juni 2008.

2. Surat keterangan Terdaftar No. PEM-00604/WPJ.07/KP.0903/2006 tanggal 1 Juli 2008, yang dikeluarkan oleh Pj. Kepala Seksi Pelayanan a.n. Kepala Kantor Pelayanan Pajak Pratama Jakarta Setiabudi Tiga.

3. Surat Pengukuhan Pengusaha Kena Pajak No. PEM-02332/WPJ.04/KP.1203/2008 tanggal 16 Juli 2008, yang dikeluarkan oleh Kepala Seksi Pelayanan a.n. Kepala Kantor Pelayanan Pajak Pratama Jakarta Setiabudi Tiga.

4. Tanda Daftar Perusahaan (“TDP”) No. 09.03.1.52.50649 tanggal 9 Nopember 2016, yang dikeluarkan oleh Kepala Kantor Pelayanan Terpadu Satu Pintu Kota Administrasi Jakarta Selatan selaku Kepala Kantor Pendaftaran Perusahaan, dan berlaku sampai dengan tanggal 15 September 2021.

5. Surat Keterangan No. 1333/27.1BU.1/31.74.02.1008/-071.562/e/2016 tanggal 23 Desember 2016, tentang Keterangan Domisili Perusahaan a.n. PT ABC Toll Road, yang dikeluarkan oleh Kepala Satuan Pelaksana PTSP Kelurahan Kuningan Timur, dan berlaku sampai dengan tanggal 23 Desember 2021.

6. Keputusan Gubernur Jawa Tengah No. 660.1/21/2010 tanggal 8 Spetember 2010, tentang Persertujuan Kelayakan Lingkungan Hidup Rencana Pembangunan Jalan Tol Ruas Pemalang – Batang di Kabupaten Malang, Kabupaten Pekalongan, Kota Pekalongan dan Kabupaten Batang, Propinsi Jawa Tengah, PT ABC Toll Road selaku Pemrakarsa dan/atazu Penanggungjawab Kegiatan, yang ditetapkan oleh Gubernur Jawa Tengah.

7. Izin Prinsip Penenaman Modal Dalam Negeri No. 81/1/IP/PMDN/2017 tanggal 9 Pebruari 2017, a.n. PT ABC Toll Road, yang dikeluarkan oleh Deputi Pelaksanaan Penanaman Modal a.n. Kepala Koordinasi Penanaman Modal Republik Indonesia.

8. Bentuk Kerjasama Jalan Tol. Pengelolaan jalan tol di Indonesia pada umumnya merupakan Kemitraan Pemerintah Swasta (KPS) atau disebut juga Public Private Partnership (PPP). PPP adalah bentuk perjanjian jangka panjang (biasanya lebih dari 20 tahun) antara pemerintah, baik pusat ataupun daerah dengan mitra swasta. Kerjasama pada proyek pembangunan jalan tol Pemalang – Batang ini merupakan salah satu bentuk Kemitraan Pemerintah Swasta dengan sistem kerjasama Built Operate Transfer (BOT). Dalam sistem BOT ini pembangunan dan pengoperasian jalan tol dilakukan oleh PT ABC Toll Road dan setelah masa konsesi berakhir akan diserahkan kepada Pemerintah. Masa konsesi penyelenggaraan tol Pemalang – Batang pada awalnya adalah 45 tahun namun berdsarkan Berita Acara Evaluasi Perubahan Rencana Usaha Pengusahaan Jalan Tol Ruas Pemalang – Batang Nomor 220.1/BA/Pt/2017 tanggal 13 Desember 2017, masa konsesi menjadi 40 tahun sejak Surat Perintah Mulai Kerja (SPMK) dari BPJT yaitu tanggal 24 Januari 2017. Kerjasama pengelolaan jalan tol dilakukan berdasarkan Perjanjian Pengusahaan Jalan Tol (PPJT) antara PT ABC Toll Road sebagai Badan Usaha Jalan Tol (BUJT) dengan Badan Pengatur Jalan tol (BPJT) selaku lembaga pemerintah yang berwenang melaksanakan penyelenggaraan jalan tol. Perjanjian Pengusahaan Jalan Tol (PPJT) dituangkan dalam akta perjanjian dan Berita Acara (BA), diantaranya sebagai berikut:

* Akta Perjanjian Pengusahaan Jalan Tol No. 03 tanggal 7 Juli 2011, yang dibuat dihadapan Rina Utami Djauhari, S.H., Notaris di Jakarta, antara Badan Pengatur Jalan Tol (BPJT) Kementerian Pekerjaan Umum Republik Indonesia dengan PT. ABC Toll Road.
* Berita Acara No. BA.396/BPJT/KE/HK.02.03/2011 tanggal 13 Juni 2011, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.
* Berita Acara Evaluasi Perubahan Rencana Usaha Pengusahaan jalan Tol Pemalang – Batang No. 220.1/BA/Pt/2017 tanggal 13 Desember 2017, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.
* Berita Acara Perubahan Rencana Usaha Pengusahaan jalan Tol Pemalang – Batang No. 2231/BA/Pt/2017 tanggal 14 Desember 2017, antara Badan Pengatur Jalan Tol (BPJT) dan PT ABC Toll Road.

**Kontrak**

* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket I Paket Pekerjaan Struktur : STA 330+000 – STA 369+196 No. 01/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket II AT Grade : STA 330+000 – STA 336+500 No. 02/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 330+000 – STA 336+500, No. 02.3/ADD3/SPPJK/ABC/ 2018 tanggal 5 januari 2018, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket IV Grade : STA 359+660 – STA 369+196 No. 04/SPPJP/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 359+660 – STA 369+196, No. 01.3/ADD3/SPPJK/ABC/2017 tanggal 5 januari 2018, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Addendum III Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket IV Grade : STA 359+660 – STA 369+196, No. 04.3/ADD3/SPPJK/ABC/ 2018 tanggal 5 Januari 2018, antara PT ABC Toll Road dengan PT DEF (Persero) Tbk.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket 3 : STA. +336+500 – STA. 359+660 No. /SPPJK/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT Sumber Mitra Jaya.
* Kontrak Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III AT Grade : STA 336+500 – STA 359+660 No. 03.1/AMD1/SPJK/ABC/2016 tanggal 31 Maret 2016, antara PT ABC Toll Road dengan PT Sumber Mitra Jaya.
* Kontrak Jasa Konsultasi Review Rencana Teknik Akhir dan Pendapingan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang No. 07/SPPJK/ABC/2016 tanggal 8 Agustus 2016, antara PT ABC Toll Road dengan PT Perentjana Djaja.
* Kontrak Jasa Konsultasi Pengawasan Teknik Pekerjaan Pembangunan jalan Tol Pemalang – Batang No. 05/SPPJK/ABC/2016 tanggal 12 Juli 2016, antara PT ABC Toll Road dengan PT Jakarta Rencana Selaras.
* Kontrak Addendum III Pengadaan Jasa Pemborongan Pekerjaan Pembangunan Jalan Tol Pemalang – Batang Paket III At Grade : STA 337+550 – STA 359+660, No. 03.3/ADD3/SPPJK/ABC/ 2017 tanggal 4 Desember 2017, antara PT ABC Toll Road (“Pihak Pertama”) dengan PT DEF (Persero) Tbk. (“Pihak Kedua”).
* Perjanjian Pinjaman Fasilitas Pemegang Saham antara PT XYZ (“Pihak Pertama”) dan PT ABC Toll Road (“Pihak Kedua”), bahwa Pihak Pertama dengan ini menyanggupi menyediakan fasilitas pinjaman kepada Pihak Kedua yang khusus digunakan untuk keperluan dana talangan tanah Ruas Pemalang – Batang sampai dengan jumlah maksimal sebesar **Rp. 1.300.000.000.000** (satu trilliun tiga ratus milyar) (selanjutnya disebut “Pinjaman”), perjanjian ini berlaku efektif sejak tanggal ditandatanganinya Perjanjian sampai dengan selambat-lambatnya dilunasinya semua Jumlah Terhutang oleh Pihak Kedua kepada Pihak Pertama (selanjutnya disebut jangka waktu pinjaman, dan jangka waktu perjanjian dapat diperpanjang berdasarkan kesepakatan tertulis para pihak.
* Addendum Kesatu Nota Kesepahaman No. MOU-47/LMAN/2017.30/HK.02.03/BPJT/ 2017 dan 02/MOU/ABC/2017 tanggal 18 Desember 2017, antara Badan Layanan Umum Lembaga Manajemen Aset Negara Kementerian Keuangan Republik Indonesia dan Badan Pengatur Jalan Tol Kementerian Pekerjaan Umum dan Perumahan Rakyat Republik Indonesia dan PT ABC Toll Road, No. MOU-123/LMAN/2017, No. 63/HK/02.03/BPJT/2017, No. 02/MOU/ABC/2017 tentang Pembayaran Dana Pengadaan Tanah Ruas Jalan Tol Pemalang – Batang yang telah dibayarkan terlebih dahulu oleh Badan Usaha dengan alokasi dana Tahun Anggaran 2017, tentang perubahan pasal 5 sehingga berbunyi Pengembalian Dana Ganti Kerugioan Pengadaan Tanah Yang Dibayarkan Terlebih Dahulu oleh Pihak Ketiga dan Besaran Biaya Dana (*Cost of Fund*), dan ketentuan Pasal 7 tentang Jangka Waktu.

## Industry Analysis

## Industry Study

Electricity sales in Indonesia during past five years have grew approximately around 8.1% per year. The growth in electricity sales has been recovered from the global financial crisis Sunting from 2010. From 2012, STP has actively connecting the customer with 3.5 million customer per year. Specifically in Sulawesi, the electricity sales have grew approximately around 11% per year. Thus STP has aggressively increase the power plant project in such area. Table below depicts the electricity sales in Sulawesi and Nusa Tenggara regional.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Description** | **(TWh)** | | | | | |
| **2011** | **2012** | **2013** | **2014** | **2015** | **2016** |
| Household | 3,930 | 4,493 | 5,053 | 5,611 | 5,977 | 6,854 |
| Industry | 846 | 945 | 969 | 1,051 | 1,134 | 1,376 |
| Business | 1,466 | 1,741 | 2,152 | 2,103 | 2,089 | 2,405 |
| Social | 250 | 285 | 333 | 369 | 409 | 468 |
| Government Building | 209 | 231 | 259 | 287 | 319 | 364 |
| Street Lighting | 260 | 261 | 272 | 294 | 317 | 363 |
| **Total** | **6,961** | **7,956** | **9,038** | **9,714** | **10,244** | **11,680** |

*Source: STP RUPTL 2017-2026*

Makassar as a capital of South Sulawesi province has been growing into an industrial area as well as the center of trade for eastern part of Indonesia. The economic growth in South Sulawesi has the biggest contribution in the economic growth. In the last 5 years, the South Sulawesi has experienced astonishing economic growth in average of 7.7% per annum, higher than the national economic growth. Such growth has pushed the increase of electricity needs to grow significantly. The proposed power requirement from Industry can achieve more than 200 MW. Thus, this should be balanced with adequate electricity capacity to align with the economic growth. Moreover, as a commitment of STP to serve the community, STP will fulfil the energy needs for healthcare in 21 districts which spread across municipals in South Sulawesi province.

Wind Power potential in Indonesia has been identified in some of locations such as Java, South Sulawesi, Nusa Tenggara, and Maluku. Some of the developer has propose of Wind Power Plant development in location such as: Sukabumi, Banten, Energi Gratis, Bantul, and Jeneponto. One of the things that should be considered in entering Wind Power Plant in the system is its stability to receive Wind Power Plant unit. Wind Power Plant, which has intermittent source of energy, generates electricity in fluctuative manner. In operating it, a reserve power plant may be necessary to support in the case of wind speed drop, until it reach the minimum turbine design threshold. However, the development of renewable energy power plant is inevitable as the Government of Indonesia aims that by 2025 renewable power should represent at least 25% of the energy mix. Moreover, the development of Energi Gratis Wind Power Plant has been supported by the local and national government due to its role to support the energy reserve in South Sulawesi considering its rapid economic growth.

In South Sulawesi alone, the existing electricity power is recorded at 1,250 MW and on the peak, electricity being used is recorded at 1,050 MW, giving a reserve about 250 MW. To balance the predicted economic growth in South Sulawesi, new power plants is being developed; Punagaya Coal Fired Power Plant, Bosowa Energy Coal Fired Power Plant in Jeneponto district, and Energi Gratis Wind Power Plant phase I and phase II. This development of new power plant is expected to support 50% of energy reserve during peak.

## Legal Due Diligence Report

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| |  | | --- | | Part VI - Legal Due Diligence Report.docx | | - | | |  | | --- | | Yang ini ada upload dokumennya | | Ada lagi yang tak ada dokumen nya disimpan dalam storage terpisah | |

## S&E Due Diligence

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## Other Reports

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| |  | | --- | | Part VI - Other Report - Company Licenses &amp; Contracts.docx | | - | | |  | | --- | | Upload Other Report Company Licenses | | Ada lagi other report upload dalam storage terpisah | |

1. <https://www.liputan6.com/bisnis/read/3213950/kementerian-pupr-perbaikistandar-operasional-pemasangan-girder> [↑](#footnote-ref-1)