AMANAT LEBUHRAYA RAKYAT BERHAD

SUSTAINABILITY SUKUK FRAMEWORK

13 MAY 2022









1. INTRODUCTION

1.1 Business Overview

Amanat Lebuhraya Rakyat Berhad (referred as 'ALR') will be acquiring the four (4) concession companies (LITRAK, SPRINT, KESAS and SMART) with the Sustainability Sukuk or Sustainable Responsible Investment ("SRI") Sukuk proceeds raised. The four (4) concession companies will continue to operate as usual (including materialising the "Current and Future Projects") with more than 900 employees in total.

CONCESSIONAIRE	HIGHWAY AND EXPRESSWAY	DETAILS
KESAS Sdn Bhd (KESAS SB)	Shah Alam Expressway (KESAS)	34.5 kilometres (km), dual 3-lane highway, 14 interchanges, three (3) toll plazas
Syarikat Mengurus Air Banjir & Terowong Sdn Bhd (SMART SB)	Stormwater Management and Road Tunnel (SMART)	9.7km road and Stormwater Tunnel
Sistem Penyuraian Trafik KL Barat Sdn Bhd (SPRINT SB)	SPRINT Highway	26.5km, dual 3-lane highway, 15 interchanges, three (3) toll plazas, 700m twin bored tunnel
Lingkaran Trans Kota Holdings Sdn Bhd (LITRAK SB)	Lebuhraya Damansara Puchong (LDP)	40km, dual 3-lane highway, 19 interchanges, four (4) toll plazas

The only key change to the current corporate structure is the holding company of these toll concessions, with NO change in the core employees (i.e. engineers and highway maintenance team) and the operations of the highway concessions. The highway concessions will continue to collect tolls and perform maintenance on the highways as usual.

The key parameter differences between pre- and post-transaction are that;

(i) toll rates will be maintained at the current rate until end of concession extension period and concessions will be extended between 6 years to 10 years depending on the concession

Table 1: Concession Original and Extension End Dates

Concession	Concession Original End Date	Extension	Concession Extension End Date
KESAS	Aug-28	6 years	Jul-34
LDP	Aug-30	10 years	Jul-40
SPRINT (Damansara)	Dec-34	10 years	Nov-44
SPRINT (Pantai)	Dec-34	10 years	Nov-44
SPRINT (Bukit Kiara)	Dec-31	10 years	Nov-41
SMART	Dec-42	6 years	Nov-48

(ii) the Government will be absolved from paying any compensation to the concessionaires, for the difference between the current toll rate and the earlier concession rate(s), and

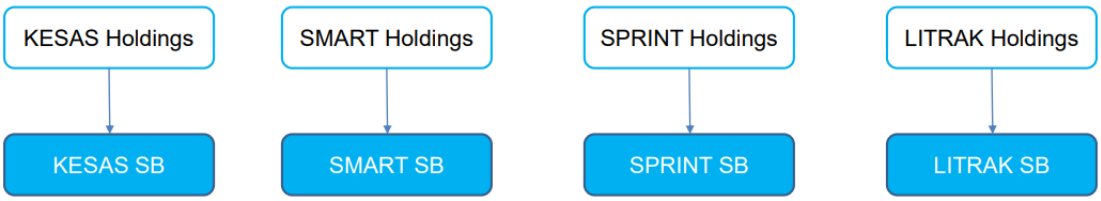
(iii) the duration of the concession can be shortened (as further elaborated below)

Whilst ALR is a traditional private company whose Board of Directors have full fiduciary duty to the company's capital providers, any profit or surplus it generates would not be to the account of its shareholders, since its shareholders have waived their rights to such profits. Instead, these profits or surpluses would be channelled purely for the benefit for the users of the highways, to shorten the concession(s). As such, there will be no leakage whatsoever of the cash surpluses of ALR neither by shareholders (in terms of dividends or distributions) nor the Government (in terms of corporate income tax), as the Government has also granted a waiver on corporate income taxes to ALR.

It is in these narratives above, that ALR is thus described as a "not-for-profit" entity. Whilst ALR is fully motivated to generate surpluses to secure the repayment of its Sukuk financiers, ***any such surpluses would thereafter be directed towards reducing the concession length for the benefit of the motoring rakyat.***

ALR's cash management modus operandi is as follows; all cash flow will be used to fund the operating expenses (OPEX) and capital expenditure (CAPEX) first, and then only servicing payments for its Sukuk (debt financing). ALR is subject to the Sukuk's negative covenant where there can be NO distribution to shareholders for as long as even one (1) Ringgit (RM) of Sukuk is still outstanding. Hence, any cash surpluses generated shall be used to redeem the Sukuk earlier, and once the Sukuk are fully redeemed, ALR shall be obliged to return the concessions back to the Government (Lembaga Lebuhraya Malaysia or LLM) as per the Supplemental Agreement to the Concession Agreement. In this manner, all upside generated is enjoyed by the motoring *rakyat* in terms of the shorter concession.

Current Structure: -



Structure Post-transaction: -



1.2 Sustainability Strategy and Vision

Spanning 110.7km (total length of all four highways), these highways and expressways serve over two (2) million commuters daily in the Klang Valley, Malaysia.

Since the first inception of the highways starting with KESAS Highway in 1996, these highways and expressways has helped the socio-economic development of Malaysia through infrastructure developments that has impacted the everyday lives of Malaysians in the way they commute and live. The provision of these infrastructure highways has spurred the country's economic growth by providing essential inter-city and intra-city travel for urban and suburban commuters.

The value-added creation and optimum benefits of these highways servicing as critical road networks have catalysed growth for commercial and residential developments along its North-South Klang Valley path. Connecting people from suburbs to the city centre, and to major townships such as Petaling Jaya, Puchong, Sunway, Shah Alam and Klang which have prospered tremendously as a result of easy connectivity from these highways.

Additionally, the SMART (Stormwater Management and Road Tunnel) serves as a Climate Mitigation infrastructure. A showcase of Malaysia's technological innovation being the world's first dual-purpose tunnel – it continues to serve two objectives of diverting flood waters and relieving traffic congestion in Kuala Lumpur. SMART has been mitigating stormwater flooding since 2007.

"**Infrastructure of the people**" is the cornerstone of ALR's environmental, social and governance (ESG) strategy. ALR is committed to operating the highways and expressways with particular emphasis on environmental and social benefits with a clear vision - "To be a sustainable and leading highway service provider".

Strategy 1: Socially Responsible • ALR is a not-for-profit entity with proceeds managed in a transparent manner. • Keeping toll rates affordable and at a static rate throughout the concessionaire period.
Strategy 2: Climate Action • Being a low-carbon highway operator with the use of renewable energy (solar) and green programmes for carbon avoidance. • Reduce negative impacts to the environment and consumption of natural resources.
Strategy 3: Maintaining A Resilient Asset • Deliver unrivalled highway connectivity services to our commuters in a safe manner. • New ideas and approaches to improve the reliability of journey time.

ALR Sustainability Position

The **Sustainability Sukuk** (recognised as "Sukuk") is categorised into these main sections: Social and Environmental with Governance, along the advancement for access to affordable tolled highways (basic infrastructure).

The Three Main Social Value Propositions:

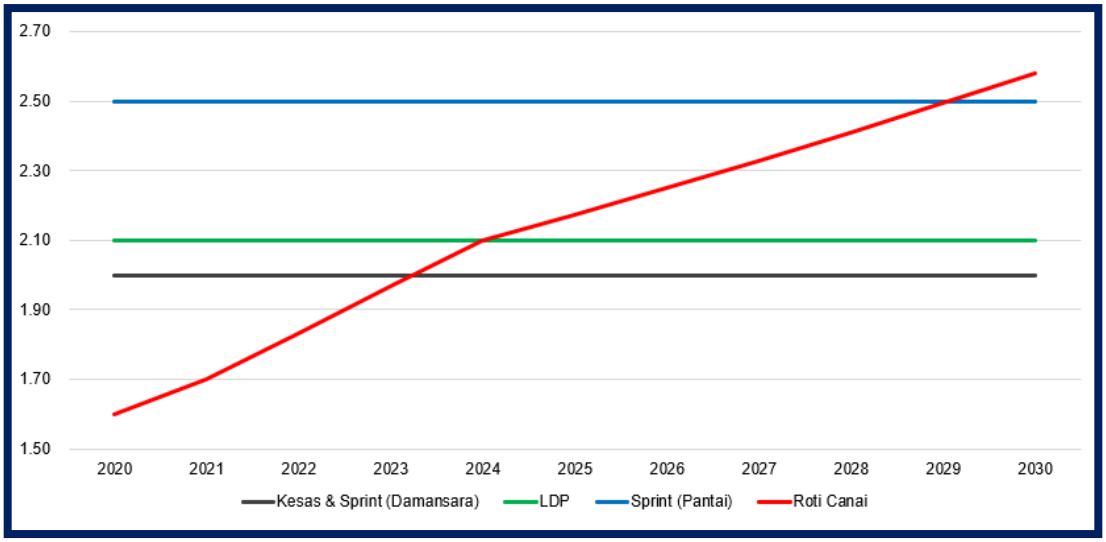
Social (Refer to section 2.1 for more details on Current and Future Projects)

1) **NO INCREASE IN TOLL RATE**

Toll rate is maintained at the current rate until the end of concession extension; substantial discount from actual Concession Agreement Rate. As the LDP toll rate is maintained, toll rate will be cheaper than a *roti canai* in nominal terms from 2025 onwards. This is because the toll rate remains unchanged while the price of a *roti canai* increases (assuming 3.5% inflation rate from 2024 to 2030) as illustrated in Figure 1.

By 2030, *roti canai* would cost 20% more than paying toll when using the LDP; the price of the *roti canai* and LDP toll would have reached parity in year 2024. Similar scenario is seen for the other highways at different years.

Figure 1: The maintained toll rates compared to *roti canai* pricing until 2030



In comparison to the contracted toll rate as per concession agreements, the savings to the motorists for each highway and for all highways in total, up to the end of their original concession is RM5.01 billion as shown in Table 2.

Table 2: Equivalent Savings by Motorist (until the end of the original concession period)

No.	Highway	Current Toll (Rates Maintained)	Concession Agreement Rate (increment based on business-as-usual scenario)	Effective Discount (%)	Equivalent Savings by Motorist (until the end of the original concession period) (RM billion)
1	**KESAS**	RM2.00	RM3.00 (*2021-2028*)	33	**0.83**
2	**LDP**	RM2.10	RM3.10 (*2016 - 2030*)	32	**1.50**
3	**SPRINT**: Damansara	RM2.00	RM2.50 (*2022 - 2034*)	20	**1.73**
	SPRINT: Pantai	RM2.50	RM4.50 (*2022 - 2034*)	44	
	SPRINT: Bukit Kiara	RM3.00	RM5.00 (*2019 - 2031*)	40	
4	**SMART**	RM3.00	RM5.00 (*2020 - 2024*)	40	**0.95**
			RM6.00 (*2025 - 2029*)	50	
			RM7.00 (*2030 - 2042*)	57	
				TOTAL	**5.01**

The RM5.01 billion is a direct savings by the toll users - especially benefitting the B40 and M40 groups (providing assistance to the increasing urban poverty). This assistance accrues every month and every year, for many years to come which far outweighs the typical one-off household living aid (Bantuan Sara Hidup or Bantuan Khas COVID-19) that ranges from RM500 – RM1,600 (depending on the levels of household income) as illustrated in Figure 2.

Figure 2: How a typical B40 Malaysian household would benefit, per month and per year

(Savings from the freezing of toll rate; using current toll rate vs until end of concession rate)

	Savings in RM			
	KESAS	**LDP**	**SPRINT:** Pantai	**SMART**
1 month	RM 52	RM 52	RM 104	Yr 2022 – 2024 (RM 104) Yr 2025 – 2029 (RM 156) Yr 2030 onwards (RM 208)
1 year	RM 624	RM 624	RM 1,248	Yr 2022 – 2024 (RM 1,248) Yr 2025-2029 (RM 1,872) Yr 2030 onwards (RM 2,496)
End of concessionaire	RM 4,446 (by year 2028)	RM 5,694 (by year 2030)	RM 16,796 (by year 2034)	RM 46,176 (by year 2042)

Note:
Assumption is based on each household using the highway twice a day for 6 days a week for 52 weeks in a year and only one highway/toll plaza is utilised.

Example: A Malaysian (*from a lower M40 group*) and a daily toll user of SPRINT (Pantai) will be able to save RM 2,496 in two years which is more significant than the maximum amount claimable from the one-off *Bantuan Sara Hidup* of RM 1,000 a year.

2) SAVINGS OF TOLL COMPENSATION PAYMENTS BY THE GOVERNMENT

The **RM4.98 billion of future compensation savings** (as shown in Table 3) is a tremendous boost to the Government's coffers at a critical time of pandemic crisis management and extremely tight fiscal constraints. It is essentially savings for the entire Malaysia (whether it is the people of East Coast, Sabah or Sarawak besides the Peninsular). In the past, the *rakyat* from the rural and urban areas out of the Klang Valley have been subsidising the toll rate of the urban motorists in Klang Valley. In the future, the savings is of the entire people of Malaysia.

The requested extension is only 6 years (for KESAS and SMART) and 10 years (for LDP and SPRINT). With **modest traffic growth of only 0.9% annually, concession can end by May 2033.** Concession extension is at its minimum as it is fully funded by the Sukuk at Weighted Average Cost of Capital (WACC) of 5.07%.

Table 3: Government Compensation Savings by highways

Highways	Government Compensation Savings (RM billion)
KESAS	0.91
LDP	1.50
SPRINT	1.62
SMART	0.95
Total	**4.98**

As such, the Government can effectively spend the entire RM4.98 billion (breakdown by highways as per Table 3 above) immediately this year (via Government debt issuance) during the pandemic, and repay the debt using cash "earmarked" for future compensation payment, over the duration of the original concession period.

This important assistance provided directly via this ALR transaction to the Government, is the primary over-riding benefit to the nation, which aids the entire country and the *rakyat*.

As the savings is assured at the present, the entire RM4.98 billion impacts can be felt immediately for all Malaysians. The savings also keep the Government from paying a compensation (Concession Agreement Rate) – which could be used and equivalent to:

- purchasing 4.3 million medical oxygen sets (ventilators) for Covid-19 patients (average price of RM1,160 per unit);
- or 5 million nursing beds (average price of RM1,000 per unit);
- or funding one year of *Bantuan Sara Hidup* for the country's B40 population;
- or donating 5 million laptops to students in need (average price of RM1,000 per unit).

3) SHORTENING OF TOLL CONCESSIONS

All surplus or profit generated would be channelled back to redeem the Sukuk earlier, which enables the concession to be shortened. In essence, ***'the more the rakyat uses the highways, the shorter the concession will be'***. This voluntary and automatic reduction of concession period resulting from surpluses generated, is unique in any privatisation, be it in Malaysia or anywhere else around the world.

For a typical commuter on the SRINT (Damansara & Pantai tolls), the commuter will be paying for toll until 2044 (refer to Table 1). With a modest traffic growth of only 0.9% per year, the SPRINT concession will end 11.5 years earlier in 2033. Historically, SPRINT has grown by 3.4% per year in the last 15 years.

We expect the traffic growth in SPRINT to be at least 0.9% per year in the future because the toll rates are now maintained, (whereas in the past 15 years the toll rate was hiked in 2015 by 67% and 100% for Pantai and Damansara respectively)

Thus, shortening the concession by 11.5 years is a real possibility, and if it does materialise, the concession would have ended EVEN earlier than the ORIGINAL concession by 1.5 years.

Similarly, the same would happen at SMART where in its case there can be a reduction of 14.5 years, and a reduction of EVEN the original concession by an entire decade, which is simply incredible and remarkably fortuitous for the road users.

In fact, we are confident that for all the highways, the "base case" traffic growth of 1.7% is a real possibility bringing many years of reduced concession. The total amount of toll saved for the motoring *rakyat* of this reduced concession is approximately RM6.51 billion.

Our conviction on the 1.7% "base case" traffic growth becomes very clear when compared to the historical growth rates (as shown in Table 4) of our highways and other Klang Valley highways; where all those highways incurred several toll rates hikes in the relevant past growth periods. For your noting, the Tables 5 and 6 show the effects of the concession shortening under various scenarios of traffic growth for each highway.

Table 4: Historical CAGR of different highways

Traffic Historical CAGR (%)	15 Years (2004 – 2019)	20 Years (1999-2019)
KESAS, LDP, SPRINT, SMART (average)	2.0%	5.7%
Klang Valley Highways	4.5%	4.9%

Table 5: Years Saving of Concession Extension

		Concession Extension End Date	Year Saving of Concession Extension for:	
			1.7% Traffic Growth (Jacobs) Redeem by May-32	0.9% Traffic Growth Redeem by May-33
Kesas		Jul-34	2.2 years	1.2 years
Ldp		Jul-40	8.2 years	7.2 years
Sprint	Damansara	Nov-44	12.5 years	11.5 years
	Pantai	Nov-44	12.5 years	11.5 years
	Bukit Kiara	Nov-41	9.5 years	8.5 years
Smart		Nov-48	15.5 years	14.5 years
Total Saving			**RM6.51 bill**	**RM4.50bn**

Table 6: Years Saving from Concession Original End Date

		Concession Original End Date	1.7% Traffic Growth (Jacobs)			0.9% Traffic Growth		
			Years Saving from Concession Original End Date	Savings to Motorist (CA Rate)	Savings to Motorist (Current Rate)	Years Saving from Concession Original End Date	Savings to Motorist (CA Rate)	Savings to Motorist (Current Rate)
			Redeem by May-32			Redeem by May-33		
Sprint	Damansara	Dec-34	2.5 years	RM0.13bil	RM0.11bil	1.5 years	RM0.08bil	RM0.06bil
	Pantai	Dec-34	2.5 years	RM0.47bil	RM0.26bil	1.5 years	RM0.29bil	RM0.16bil
Smart		Dec-42	10.5 years	RM1.09bil	RM0.47bil	9.5 years	RM1.00bil	RM0.43bil
Total Saving				**RM1.69bil**	**RM0.84bil**		**RM1.37bil**	**RM0.65bil**

Governance

a. Board of Directors (BOD) criteria - **highly respected individuals with unquestionable integrity and no political affiliation**. These criteria will be enshrined in the constitution of ALR to ensure **transparency** in the ALR structure. In the event of the resignation or demise of a director, a replacement will be appointed by the remaining Board members.

b. All Board members are equal shareholders and all shareholders are Board members. ALR anticipates no more than seven Board members/shareholders.

c. Complete alignment of interest: Incentive structure in place to reward Board only in the event there is reduction of concession extension, i.e. early redemption of Sukuk. The incentive is directly proportionate to the duration of concession extension reduction. Complete alignment of interest for Board with interest of Sukukholders and the motoring *rakyat* => drives the Board's behaviour to optimise cash and Treasury management, fully optimise cost efficiency and constantly seek operational efficiencies to improve traffic flow and hence, maximise revenues.

d. The shortening of concession is affected via a Supplemental Agreement (of the Concession) whereby the concession is handed over back to LLM (Govt.) once the Sukuk is fully redeemed

e. ALR is committed to producing a Sustainability Policy that focuses on both Social and Environmental aspects. The policy will be a strategic tool to promote social and environmental awareness among its internal and external stakeholders (employees, contractors, suppliers and business partners).

f. ALR aims to obtain relevant International Organisation for Standardisation ("ISO") certification within the first three (3) years of commencement of the Sukuk's progress. Below are the targeted ISOs:

14001	Environmental Management System
9001	Quality Management System

In addition, ALR will strive to obtain My Green Highway certification from Lembaga Lebuhraya Malaysia (LLM) every five (5) years (renewal period) and be in higher ranks in the My Expressway Ranking by the Malaysian Institute of Road Safety Research (MIROS).

g. An overview risk framework will be established to monitor and assess the following indicative risk factors:
   i. Policy & Legislation
   ii. Customer Service
   iii. Capacity
   iv. Collection System
   v. Safety Measures
   vi. Maintenance
   vii. Fund Management
   viii. Human Resource Management
   ix. Asset security
   x. Data security
   xi. Corrupt practices

Environmental (Refer to section 2.1 for more details on Eligible Environmental Projects)

a. The SMART highway has the greatest environmental benefit among all highways in Malaysia since its primary function is to save Kuala Lumpur from environmental disaster (flooding). Designed for climate resistance with climate observation and an early warning system, SMART has diverted floodwaters on 40 occasions and adverted an estimated RM 1.4bil in public damage since opening to traffic in May 2007. Regular and technological maintenance is necessary to continue SMART's dual-purpose function as stormwater management and road tunnel.

b. Provision of 1,375 tree planting and saplings at key places such as the rest service areas/R&R and alongside the highways for improved air quality (carbon sequestration) and roadside vegetation, which will reduce the urban heat island effect, control surface water runoff and reduce noise pollution. The indicative investment for this is RM 540,000.

2. SUSTAINABLE FINANCE FRAMEWORK OVERVIEW

The Proposed Sustainable and Responsible Investment (SRI) Sukuk Framework (referred to as the "Framework") is aligned with the transparency and disclosure requirements of the Securities Commission Malaysia's (SC) Sustainable and Responsible Investment (SRI) Sukuk Framework (SC SRI Sukuk Framework).

Out of the 17 United Nations Sustainable Development Goals (UN SDGs) of the 2030 Agenda, seven (7) UN SDGs have been identified and selected as the core areas of the Framework due to their relevance to the ALR's sustainability strategies. The UN SDGs include Goal 4, Goal 7, Goal 8, Goal 9, Goal 11, Goal 12 and Goal 13.

The proposed Sukuk also adheres to the transparency and disclosure requirements of SC SRI Sukuk Framework.

For the Sukuk, ALR management asserts that it will adopt the following core components of the SC SRI Sukuk that focuses on:

i. Use of Proceeds;
ii. Process for Project Evaluation and Selection;
iii. Management of Proceeds;
iv. Reporting; and
v. External Review.

ALR may update this Framework and commits that any new version will keep or improve the current level of transparency and reporting.

2.1 Use of Proceeds

The total Sukuk proceeds to be raised will be **RM5.5 billion**, of which estimated RM2.06 billion will be used to redeem existing debt/Sukuk held by the four (4) concession and to acquire the four (4) concession companies. The debt balance of RM 2.06 billion to be paid from the RM 5.5 billion Sukuk raised (KESAS – RM0.20 billion; LDP – RM0.39 billion; SPRINT – RM1.15 billion and SMART – RM0.32 billion). This would be done in compliance with BURSA Malaysia requirements and Securities Commission regulations/guidelines.

The vast bulk (99%) of the Sukuk proceeds which is used to settle the entire Enterprise Value for the acquisition of the 4 concession companies (including transaction cost) which thus enables the entirety of Table 7, amounting to RM16.50 billion.

The Enterprise Value of this transaction shall be determined based on an arms-length basis and market valuation principles, and the governance of the entire transaction shall be in

compliance with Bursa Malaysia requirements and Securities Commission guidelines and requirements.

An estimated RM10 million will be retained to fund the projects in Table 8.

Table 7. Key benefits of the transactions (Sukuk)

Socioeconomic Advancement and Empowerment (especially significant to B40 & M40 groups)
Increase in national (Malaysian) household lowest income group, B40 (20% of M40 has moved down to B40) indicates the great urgency for assistance on the socio-economic aspect. Thus, the impact of the value propositions include:

No.	Key Aspects	Key benefits	Benefits Quantified (RM in billion)	In support of UN SDGs
1.	**Freezing Of Toll Rates** serves as a benefit to highway users.	Compared to the contracted toll rate as per concession agreements, the total savings to the motorists for all highways in total, up to end of their original concession is RM5.01 billion.	**5.01**	
2.	**Savings Of Toll Compensation Payments** by the Government that can possibly be used for urgent expenditure on Covid-19 care, or household living aid packages.	Immediate RM4.98 billion of future Government compensation savings is a tremendous boost to the Government's coffers at a critical time of pandemic crisis management and extremely tight fiscal constraints.	**4.98**	
3.	**Shortening Of Toll Concessions –** voluntary and automatic shortening of toll concession results in more savings by all Malaysians.	All surplus or profit generated would be channelled back into the system to redeem the Sukuk earlier, to enable the concession to be shortened. Based on an assumed modest traffic growth rate of only 0.9% and 1.7% CAGR (base CAGR by Jacob's), the financial benefit (in nominal value) is RM 4.50 billion and RM 6.51 billion, respectively.	**6.51**	
		TOTAL	**16.50**	

Note: With the Sustainability Sukuk of retaining toll rates at their current rate until the end of each concession extension, road users are assured of affordable commute with substantial savings from the actual concession agreement rate.
Refer to page 4 to 6, section ALR Sustainability Position (Social) for more information.

Table 8. Current and Future Project Categories

No	Project Categories	Criteria and Description	Project Examples for ALR	Key Benefits	In support of UN SDGs
1	Renewable Energy	Development, installation, operation and maintenance of renewable energy systems including solar (photovoltaic)	Installation of solar panels at 13 identified locations namely Kerinchi Link Tol, PJ South Tol, Plaza West Tol, Damansara Tol A, Plaza Tol Pantai, Plaza Tol Bukit Kiara (Penchala), Plaza Tol Kemuning, Plaza Tol Sunway, Plaza Tol Awan Besar East and West, Awan Besar RSA and Kinrara RSA by December 2023, with a total estimated value of **RM 4.4 million** to generate an estimated 1.5 GWh of green energy per annum. The installed solar generation capacity is estimated to account for 25% of the buildings' average annual load consumption. The solar panels can last for 20 years.	**RM15.62million** *The estimated savings over the next 20 years quantified from the electricity generated via RE (solar panels), avoiding the dependency on the national grid (predominantly generated from coal power plants)*	
2	Socioeconomic Advancement and Empowerment	Education enables upward socioeconomic mobility upward and is a key to escaping poverty.	Provision of scholarship for tertiary education an average investment of RM132,000 a year. The indicative investment for this is **RM 1.45 million** until 2032.	**Social benefit** *(Benefiting B40 students pursuing at local universities)*	
3	Climate Change Adaptation	Collaborate with local communities to plant trees	Plant 1,375 trees and saplings at key places such as the rest service areas/R&R with assistance from the local communities (by 2032). The indicative investment for this is **RM 0.54 million**	**Carbon offset** *(Estimate of 84 metric tonnes CO_2 equivalent is offset from the atmosphere, every 10 years)**	

4	Pollution Prevention and Control	Managing e-waste through effective collection process	Allocate e-waste collection points at strategic locations along the highways. This collection point will be active throughout the e-waste collection campaign (for a month in a year). The number of collection points: • Two (2) at LDP • Two (2) at KESAS Highway • One (1) at SPRINT Highway • One (1) at SMART The indicative investment for this is under **RM 1.32 million**	**Responsible management of e-waste** *(Ensure avoidance to landfill and environmental degradation – through toxic material leaching)*	
5.	Climate Change Adaptation (Flood Mitigation) (**ON-GOING**)	Hybrid the highway to provide as a medium of logistics and during heavy rainfall, it is used as stormwater diversion system	SMART has diverted floodwaters on 40 occasions and adverted an estimated RM 1.4bil in public damage since opening to traffic in May 2007. SMART will continue to prevent significant flooding and damages. There is no indicative investment as it is included in the capital and operational cost for SMART.	**RM 1.4 billion** *(The average cost of 9 major floods prevented, since 2007)*	

*Source: www.epa.gov

2.1.1 Exclusions

The following industries are excluded from consideration for eligibility ("Exclusions"):

- Luxury sectors (precious metals wholesale or brokerage, precious minerals wholesale or brokerage, artworks and antiques wholesale or brokerage)
- Weapon
- Alcohol
- Tobacco
- Gambling
- Fossil fuel
- Nuclear

2.2 Process for Project Evaluation and Selection

The set of Key Benefits of Transactions and Current and Future Projects as listed in **Table 7 and 8**, respectively must meet the eligibility criteria set out in the "Use of Proceeds" section of this Framework.

Project evaluation and selection will be carried out by the **Sukuk Kelestarian ALR Committee**, which will be chaired by the Chief Executive Officer (CEO) and comprises the following in this governance structure:

- Group CEO – Chairman
- Chief Operating Officer(s)
- Chief Financial Officer

The Sukuk Kelestarian ALR Committee will convene, evaluate and approve Current and Future Projects during the annual expenditure budgeting process, or when necessary.

Current and Future Projects are considered based on how they contribute towards achieving ALR's sustainability vision and strategic plans, their impact on ALR's ESG's performance, cost and viability.

If a project is deferred or no longer meets the eligibility criteria, the Sukuk Kelestarian ALR Committee will, on a best-efforts basis, substitute the project with another Current and Future project.

In addition to project evaluation and selection, the Sukuk Kelestarian ALR Committee will also be responsible for the following:

- Management of sustainability risks and opportunities including compliance with relevant environmental, social and governance standards or recognised best practices relating to the Eligible SRI projects.
- Integration of various policies, guidelines and systems which will guide ALR's ethical business conduct, environmental and social conscious practices.
- Monitoring and reporting compliance.
- Manage any future updates to this Framework.

2.3 Management of Proceeds

2.3.1 Type of Funding Transaction

Prior to Sukuk issuance, Main Servicing Reserve Account (MSRA) will be opened with a Shariah-compliant bank. This account will solely be operated by Security Agent (ie the investment bank managing the Sukuk issuance). Sukuk proceeds will be used for, amongst others for redemption for existing debt held by the 4 concession companies and acquisition of the 4 concession companies upon completion of documentation and fulfilment of all conditions precedent set in all relevant transaction documents to the satisfaction of the Security Agent.

The utilisation of Sukuk proceeds is only for Shariah-compliant purposes only following Shariah principles approved by the Securities Commission Malaysia.

2.3.2 Permitted Investments of Sukuk Proceeds

ALR will adhere to the permitted investments as provided for in the Sukuk PTC with permitted investments limited to the following:-

i. Shariah compliant deposits and investment accounts with licensed Islamic banks (as defined in the Islamic Financial Services Act 2013 ("**IFSA**")) and/or development financial institutions as prescribed under the Development Financial Institutions Act 2002 ("**DFIA**"), each with a short term rating of P1 and a minimum long term rating of AA3 or their equivalent;
ii. Islamic bankers acceptances, Islamic Accepted Bills, and other Islamic money market instruments issued by licensed financial institutions (as defined in the Financial Services Act 2013 and IFSA), with a short term rating of P1 and a minimum long term rating of AA3 or their equivalent;
iii. Islamic Treasury bills, Islamic money market instruments and sukuk issued by the Government of Malaysia or Bank Negara Malaysia;
iv. sukuk guaranteed by the Government of Malaysia; and
v. unit trust that invests in Islamic money market instruments,

subject to the following:

(a) no Dissolution Event has occurred;
(b) the maturity of the Permitted Investments shall fall on a date which is at least three (3) business days before the next profit payment date and/or the maturity date, whichever is earlier;
(c) the Permitted Investments shall be denominated in Ringgit; and
(d) all income earned and return of principal monies from Permitted Investments shall, upon maturity or earlier divestment of such Permitted Investment, be credited or transferred into the respective Designated Accounts from which such principal monies originated.

2.4 Reporting

ALR understands the importance of transparent reporting. Thus, ALR is committed to reporting to the Sukuk holders as stipulated in the Sukuk Agreement. ALR will communicate changes and updates via https://www.amanatlr.com/

2.4.1 Impact Reporting

Table 9 set out examples of the impact indicators for current and future ESG projects as detailed in Table 8.

Table 9: Impact Reporting

No.	Current and Future Project	Impact Indicators – Examples
1	Socioeconomic Advancement and Empowerment	• Number of scholars (and investment)
2	Renewable Energy	• Reduction rate of energy consumption • Annual kWh of power generated from renewable energy
3	Climate Mitigation	• Annual number of trees planted • Annual number of communal members participate in the tree planting exercise
4	Pollution Prevention and Control	• Annual amount of e-waste collected (tonnes) – avoidance from landfill/ health issues from toxic leaching
5	Climate Change Adaptation (Flood Mitigation) (ON-GOING)	• Flood avoidance data (frequency and capacity) • Volume of water diverted (m^3)

2.4.2 Reporting on Allocation of Use of Net Proceeds

- The name and description of Current and Future Projects to which the proceeds of the Sukuk have been allocated in accordance with the Framework.
- Allocation of the proceeds of Sukuk to Current and Future Projects.
- The balance of unallocated proceeds.
- Information of temporary investment for unallocated proceeds.
- The remaining balance of unallocated and/or unutilised proceeds, and where such unallocated and/or unutilised proceeds are placed or invested pending utilisation

The above allocation reporting will be done on aggregate basis unless stated otherwise.

2.4.3 Reporting on Savings as the Key Benefits of the Transaction

Annual savings due to the freezing of toll rates will be reported by highway basis using the same traffic data provided to Lembaga Lebuhraya Malaysia.

3.0 External Review

Pre-issuance external review

ALR obtained an external review of this Framework from two independent parties, RAM Sustainability Sendirian Berhad. ("RAM Sustainability") and MARC Ratings Berhad ("MARC Ratings"), in the form of a Second Party Opinion and Sustainability Sukuk framework assessment respectively. The external review confirmed alignment with The SC's SRI Sukuk Framework and MARC's Impact Bond Assessment (IBA) Methodology.

Post-issuance external review

ALR will engage an independent third party to provide assurance on its stakeholder report(s) if required.

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