



Alam Flora Sdn Bhd

Green Financing Framework

October 2022

Contents

1.	BACKGROUND	
1.1	About ALAM FLORA	2
1.2	ALAM FLORA's Corporate Governance	3
1.3	ALAM FLORA's Responsibility Towards the Environment	4
1.4	ALAM FLORA's Sustainability Strategy and Commitment to the UN SDGs	5
2.	ALAM FLORA GREEN FINANCING FRAMEWORK	
2.1	Use of Proceeds	7
2.1.1	Eligible Categories and Eligible Criteria	8
2.2	Process for Project Evaluation and Selection	9
2.3	Management of Proceeds	10
2.4	Reporting	10
3.	EXTERNAL REVIEW	11

1. Background

1.1 About ALAM FLORA

Alam Flora Sdn Bhd (Company Registration No.: 199501038511 (367713-X)) (“the Company” or “Alam Flora”) is one of the leading environmental management companies in Malaysia that is dedicated to serving the communities by managing and reducing waste with minimal environmental impact. Alam Flora is a subsidiary of Malakoff Corporation Berhad (“Malakoff”), Malaysia’s leading Independent Power Producer (“IPP”) listed on the main market of Bursa Malaysia.

Alam Flora was incorporated in 1995 to undertake the privatisation of Solid Waste and Public Cleansing Management Services within the concession areas that cover the Federal Territories of Kuala Lumpur & Putrajaya, Selangor, Kelantan, Pahang and Terengganu. Alam Flora started its operations with the interim takeover of Solid Waste Management Services (“SWM” or “Collection”) from the local authority of Kuala Lumpur in August 1996.

Year 2022 is the 26th year of operation for Alam Flora since its inception. On the 1st of September 2011, Alam Flora entered into a Concession Agreement (“CA”) with the Government of Malaysia (“GoM”) and Solid Waste and Public Cleansing Management Corporation (“SWCorp”) to grant Alam Flora the right to undertake the privatisation of collection services and public cleansing management services for a concession period of twenty two (22) years commencing from 1 September 2011 until 31 August 2033 in Federal Territories of Kuala Lumpur and Putrajaya, and Pahang Darul Makmur, pursuant to the implementation of the Solid Waste and Public Cleansing Management Services Act 2007 (Act 672).

For the Company to sustain its competitive edge, a wholly-owned subsidiary of Alam Flora, namely Alam Flora Environmental Solutions Sdn Bhd (201101010651 (938781-W)) (“AFES”) has been set up to undertake the non-concession business covering the industrial, commercial & institutional waste management, construction waste, waste management facilities, integrated facility management and recycling business.

Currently, Alam Flora and AFES (collectively hereinafter referred to as “Alam Flora Group” or the “Group”), with a total manpower strength of 3,000 and investment of approximately more than RM500 million since inception, shall actively continue to pursue projects and initiatives that benefit the waste industry, the communities, the ecosystem and the nation.

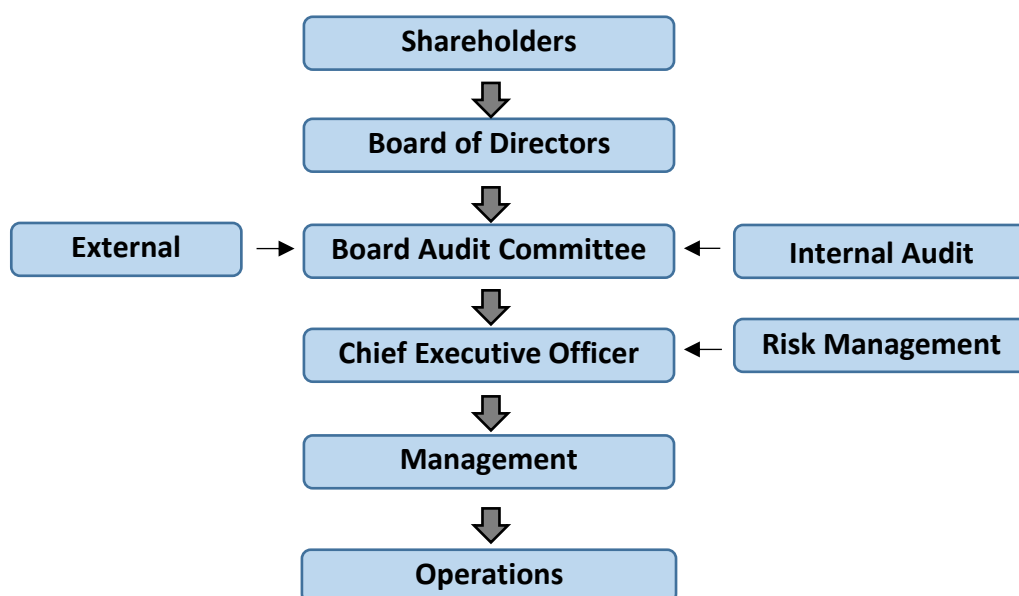
1.2 ALAM FLORA Group Corporate Governance

The Group has a clear governance structure in place with the primary purpose of safeguarding the stakeholders' interest. This includes the Government, the shareholders, the Board of Directors, the Management, creditors, suppliers/ vendors, customers, employees, banks and community, among others.

The set of regulations, policies and procedures that are in place are defined as follows:

- Clear roles, responsibilities, practices and code of conduct;
- Risk Management mechanism;
- Compliance, Assurance & Control mechanisms; and
- Safeguarding the shareholders' rights.

Alam Flora Group's Corporate Governance Structure

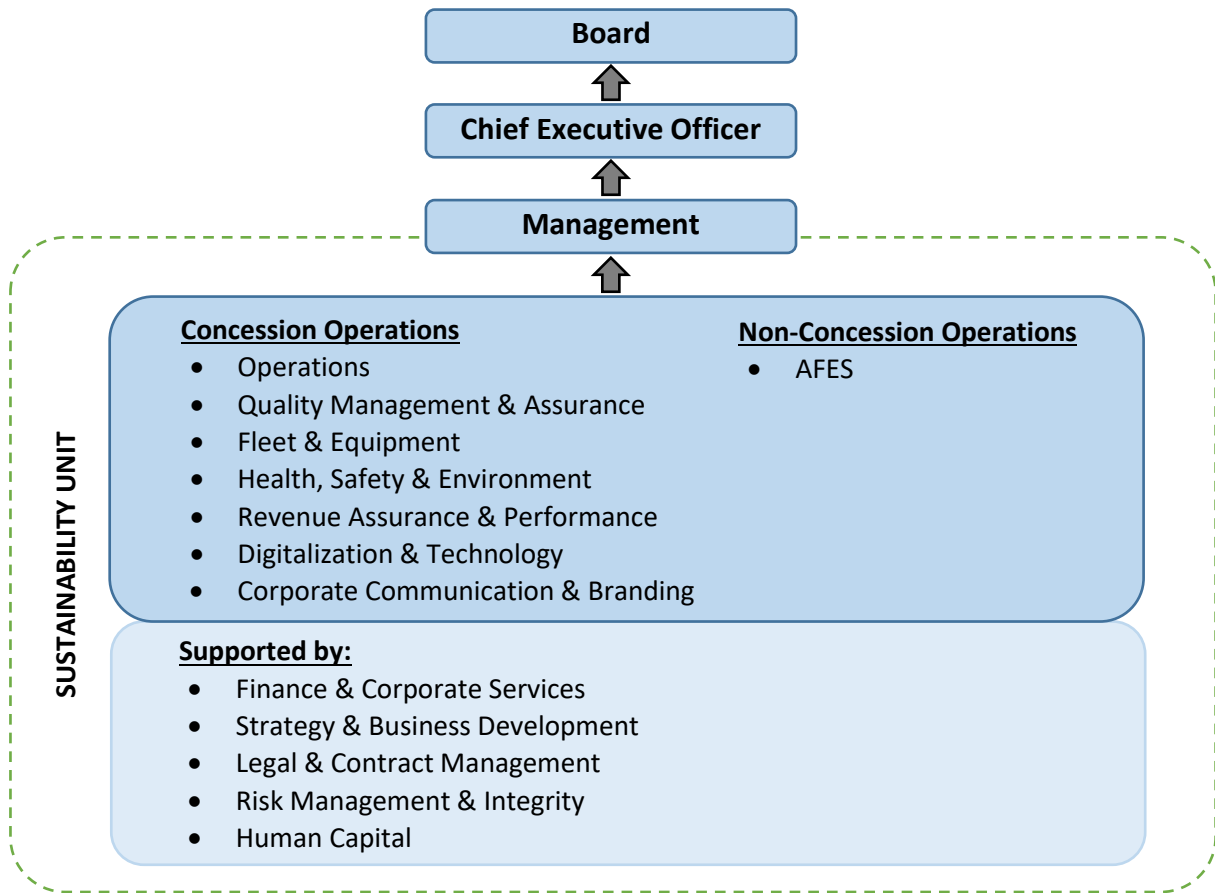


Alam Flora Group's Sustainability Governance follows a 'tone from the top' approach, spearheaded by the Chief Executive Officer ("CEO"). The Group's sustainability unit is represented by the custodians from each department with support from other business units as described in the diagram below.

As a whole, the Sustainability Unit focuses on driving the Group's sustainability strategy, approach, goals, and targets across the organisation, and provides assessment, analysis, and reports on the Group's sustainability performance to the Management team. The Sustainability Unit will also ensure that the Group's sustainability initiatives and programmes are carried out as planned by the various departments.

The Group CEO shall report and update the Board of Directors of the Company on Alam Flora Group's sustainability initiatives and progress against set sustainability targets.

Alam Flora Group's Sustainability Governance



1.3 ALAM FLORA's Responsibility Towards the Environment

Annually, Alam Flora amasses an average of 1.01 million tonnes of waste. A substantial percentage of this waste originates from the collection of domestic household waste and public cleansing services where areas such as covered and open drains, beaches, highways, main roads, side and back lanes, are manually and mechanically cleansed. While Solid Waste Management is the primary business driver, Alam Flora takes on a holistic approach in waste management by constantly striving to enrich the communities and the environment by increasing the quality of life.

Besides the above commitment under the concession segment, the Group also offers holistic environmental solutions under its core non-concession business activities covering:

1. Effective Integrated Facility Management of all technical, mechanical, electrical, civil, structural, energy saving solutions and architectural engineering facilities within building;
2. Cleansing and waste solutions for all types of waste including control, treatment, generation, storage, collection, transfer and transport, processing and proper disposal of waste for the commercial, industrial and institutional segment;
3. Achieving recycling rate of 15%-20% from total waste collected by Alam Flora (in support of the National Recycling Target of 40% by 2025);

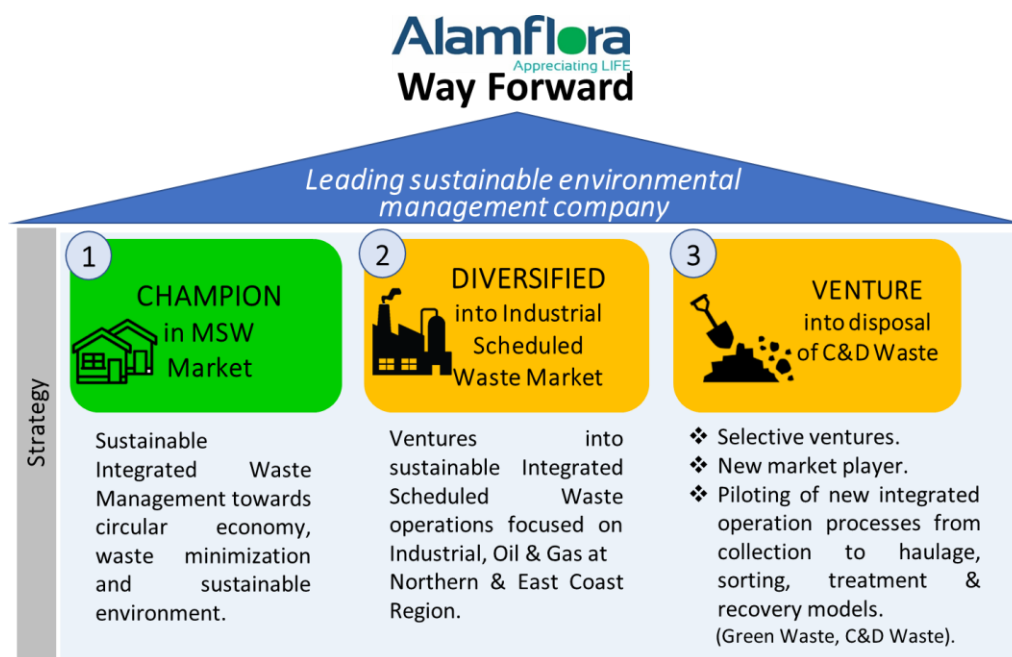
4. Handling all types of waste from ports including waste generated from sea-going vessels, which are categorized into three segments particularly Scheduled Waste, Solid Waste and Sewerage.

1.4 ALAM FLORA’S Sustainability Strategy and Commitment to the UN SDGs

Waste management refers to actions that handle waste materials. It includes collection, transportation, processing and disposal of waste. Waste diversion, recycling, reuse and recovery are the key sustainable strategies for waste management companies to ease the burden on landfills, while conserving natural resources and saving energy. In short, this helps to utilise resources more effectively and sustainably.

Today, Malaysia is besieged with the growing pressure of waste management-particularly the increase in waste volume due to industrial growth, increase of population, and rapid urbanisation where enormous quantities of materials are being disposed amidst the need to improve community living standards.

Therefore, in recognition of the importance for effective resource management for the benefit of long-term economic and environmental sustainability, Alam Flora Group has set out our business strategy to become the leading sustainable environmental management company moving forward.



As part of its Sustainability Strategy, Alam Flora Group has implemented waste minimisation programmes which include separation of waste at source diversion of waste, as well as various utilisation and treatment of waste as a secondary source.

Overall, Alam Flora Group recognises that the sustainability goals set out in our business strategy plan will create a positive, measurable and sustainable impact on

the environment and for our stakeholders. Although the impact may vary in accordance to the 17 United Nations Sustainable Development Goals (“UN SDGs”) due to the interdependency between the SDGs. Projects and activities financed in accordance with this Alam Flora Green Financing Framework will generally be aligned with the following SDGs:



- a. SDG 9: Industry, Innovation and Infrastructure;
Alam Flora is committed towards SGD 9 by facilitating initiatives to build resilient infrastructure, promote sustainable industrialisation and foster innovation.
- b. SDG 11: Sustainable Cities and Communities;
Alam Flora is committed towards SDG 11 to reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.
- c. SDG 12: Responsible Consumption and Production;
Alam Flora is committed towards SDG 12 to substantially reduce waste generation through diversion, reduction, recycling and reuse. This also involves decoupling economic growth from environmental degradation, increasing resource efficiency and promoting sustainable lifestyles.
- d. SDG 13: Climate Action; and
Alam Flora is committed towards SDG 12 through its aspiration to achieve Net Zero Carbon Emissions by 2050, under the Malakoff Group, in line with limiting global warming to 1.5°C.
- e. SDG 15: Life on Land.
Alam Flora is committed towards SDG 15 of which as an environment company, Alam Flora also conforms to ensure the conservation of land ecosystems, including their biodiversity, in order to enhance their capacity to provide benefits that are essential for sustainable development.

2. ALAM FLORA Green Financing Framework

As part of our broad sustainability strategy, the Group has established this Alam Flora Green Financing Framework (“Framework”), which may be updated from time to time. The purpose of this Framework is to set forth principles under which Alam Flora intends to issue green financing instruments. This includes Green Sukuk, Green Bonds, Green Loans, and other types of debt instruments used to finance green eligible projects.

In line with the Group’s ambition towards embracing and supporting the UNSDGs, this framework is aligned with the following guidelines, frameworks or standards, as amended from time to time (collectively, the “Sustainability Guidelines/ Frameworks”):

- Green Bond Principles (“GBP”) of the International Capital Markets Association (“ICMA”) or as they may subsequently be updated;
- ASEAN Green Bond Standards (“GBS”) of the ASEAN Capital Markets Forum (“ACMF”) or as they may subsequently be updated;
- Sustainable and Responsible Investment (“SRI”) Sukuk Framework of the Securities Commission Malaysia or as they may subsequently be updated; and
- Green Loan Principles (“GLP”) of the Loan Market Association (“LMA”), Asia Pacific Loan Market Association (APLMA), and Loan Syndications and Trading Association (LSTA) or as they may subsequently be updated.

Alam Flora’s Green Financing Framework will cover the following core components within the Framework, in alignment with the Sustainability Guidelines/ Frameworks: -

- i. Use of proceeds;
- ii. Project evaluation and selection;
- iii. Management of proceeds; and
- iv. Reporting.

2.1. Use of Proceeds





The proceeds financed in accordance with this framework shall be utilised by Alam Flora to pay/repay or refinance the Islamic financing or existing conventional borrowings of the Group, finance present and future investments of the Group, finance the working capital and capital expenditure requirements of the Group, prefund any required designated account(s) and to defray the fees and expenses incurred in relation to the green financing instruments issued in accordance to the framework.


The utilisation of proceeds is intended to be dynamic, provided such that utilisation is channelled towards projects and assets (“Eligible Projects” and “Eligible Assets” respectively) in adherence with the Eligible Categories and Eligible Criteria as set out under 2.1.1 herein.

The use of proceeds is aimed at supporting the transition towards a more inclusive, resource-efficient economy that is aligned to the UN SDGs and Circular Economy concept.

2.1.1. Eligible Categories and Eligible Criteria

As part of Alam Flora Group’s endeavour to achieve sustainable alternatives, the Group has, in this Framework, listed Eligible Categories and Eligible Criteria aligned with the UN Sustainable Development Goals that improve waste management, protect the environment, accelerate recycling, limit the use of landfilling and create incentives to change consumers’ behaviour as follows:

UN SDGs	Eligible Categories	Eligible Criteria: Alignment with the UN SDG Targets
	<p>Waste-to-Energy</p> <p>Renewable Energy</p>	<p>Development, manufacture and/or distribution of products designed for circularity and/or adaptive re-use.</p> <p>Transforming and improving waste to renewable energy source, and improvement of the energy efficiency infrastructure.</p>
	<p>Sustainable Waste Management</p>	<p>Construction, operation, design and management, as well as upgrade of recycling infrastructure, waste mobility and transportation. This includes:</p> <ul style="list-style-type: none"> • Improvements to waste minimization, waste filtering, waste management, and recycling and reuse processes that divert organic materials from landfills to composting; • Investment, preventive maintenance, and/or upgrade in sustainable fleets and fleet systems that reduce GHG created by fleet operation as well as anaerobic digestion in such facilities; and • Other improvements to facilities that are ancillary to the above activities.
	<p>Sustainable Water Management and Projects</p>	<p>Financing sustainable equipment, development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none"> • Clean and/or drinking water • Wastewater treatment • Sustainable urban drainage systems • Flood and drought protection
	<p>Climate Change Adaption</p>	<p>Research leading to technology innovation with sustainability benefits, toward achieving Net Zero Carbon Emissions by 2050.</p>

UN SDGs	Eligible Categories	Eligible Criteria: Alignment with the UN SDG Targets
	Environmentally sustainable management of living natural resources and land use	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage lands, and halt and reverse land degradation and halt biodiversity loss.

The above Eligible Categories and Eligible Criteria, will not include the financing of incineration of recyclable materials, fossil fuel energy generation (e.g. standalone projects connected to high-polluting activities such as oil, gas and mining), nuclear energy generation, weapons and defence industries, potentially environmentally negative resource extraction, gambling or tobacco. Where applicable, Alam Flora will undertake necessary processes to identify and manage potentially material environmental and social risks associated with the Eligible Project and Eligible Assets.

2.2. Project Evaluation and Selection

The strategic direction for sustainability at Alam Flora Group is guided by the Board of Directors, with the Chief Executive Officer (“CEO”) taking a role for the implementation of any sustainability exercise, which includes approval of Eligible Projects nominated under the Eligible Categories and Eligible Criteria for funding in accordance with the Alam Flora Green Financing Framework.

The CEO will hold the ultimate responsibility for the Alam Flora Green Financing Framework. The responsibilities shall include:

- a. Reviewing and approving the Alam Flora Green Financing Framework and any subsequent changes.
- b. Reviewing and approving the annual reporting as prescribed under the Alam Flora Green Financing Framework.
- c. The CEO will be supported by the Green Financing Working Committee in identifying and reviewing the Green Eligible Categories and Eligible Criteria under the Alam Flora Green Financing Framework.



The process for evaluation and selection of Eligible Projects and Eligible Assets is as follows:

- a. Review and validation of the operations are in accordance with the guiding principles for the selection of Green Eligible Categories and Eligible Criteria for the Use of Proceeds.
- b. Evaluate the proposed Eligible Projects and Eligible Assets against the Alam Flora Green Financing Framework.

- c. Submit recommendation to the CEO for approval on the selection of the Eligible Projects and Eligible Assets based on the proposal from the Green Financing Working Committee.
- d. Monitor the Eligible Projects and Eligible Assets portfolio during the actual operations. Alam Flora Group can decide to replace the Eligible Projects and Eligible Assets if it no longer meets the Eligible Categories and Eligible Criteria by going through steps (a) to (c) above.

2.3. Management of Proceeds

The proceeds will be allocated to the Eligible Projects and/or Eligible Assets that meet the Eligible Categories and Eligible Criteria in accordance to the evaluation, selection process, and approval outlined in this framework. The utilisation is intended to be dynamic, with new Eligible Projects and/or Eligible Assets being able to be added and removed, where applicable.

The proceeds will be deposited into the Alam Flora's bank account which shall be managed by Alam Flora's Finance team. Alam Flora Group will create a Green Financing Register to track the allocation of the proceeds raised in reference to this framework. The Green Financing Register will be reviewed and endorsed annually by the CEO of the company.

During the tenure of any green financing instrument issued, if any existing Eligible Projects and/or Eligible Assets no longer meets the eligibility criteria set forth in the Eligible Categories and Eligible Criteria, new Eligible Projects and/or Eligible Assets will be identified and the proceeds will be allocated to those operations' activities as soon as it is practicable. Pending full allocation, Alam Flora will invest the balance of unallocated green financing instrument proceeds in the permitted investment instruments in accordance with Alam Flora's cash management policy.

2.4. Reporting

Alam Flora will publish a progress report on our corporate website (www.alamflora.com.my) annually, and on a timely basis in the event of any material developments until full allocation of the green financing instrument proceeds. This report will include, among others:

- The original amount earmarked for the Eligible Projects and/or Eligible Assets;
- The amount of green financing instrument proceeds that have been utilised/allocated to one or more Eligible Projects and/or Eligible Assets defined as the whole or part of new or existing projects, under construction and/or in operation, either individually or by category, subject to confidentiality considerations (customer consent);
- The unutilised amount and where such unutilised amount is placed or invested pending utilisation;
- The list of Eligible Projects and/or Eligible Assets with a selection of brief descriptions;
- Expected impact metrics, where feasible; and
- The outstanding amount of net green financing instrument proceeds yet to be allocated to Eligible Projects and/or Eligible Assets at the end of the reporting period.

3. External Review

Alam Flora shall appoint MARC Ratings Berhad (“MARC”) as an independent party to review and provide a Second Opinion Report on the Alam Flora Green Financing Framework. The Alam Flora Green Financing Framework and the Second Party Opinion Report will be made available on Alam Flora’s corporate website (www.alamflora.com.my) at the time of issuance and throughout the tenure of the green financing instruments, as our commitment to transparency and integrity.