

Transaction Structure of GoP Domestic Ijarah Sukuk
ASSETS OF THE NATIONAL HIGHWAY AUTHORITY (NHA)

Preamble

This structure is to facilitate the issuance of Government of Pakistan (“GoP”) domestic Ijarah Sukuk Program on the identified asset of National Highway Authority as the Underlying Asset (mentioned as ‘The Asset’). The documentation for this structure will include a Sukuk Issuance Undertaking, Purchase Agreement, Title Agency Agreement, Agency Agreement, Ijarah Agreement, Service Agency Agreement, Purchase Undertaking, Cost Undertaking and Rules.

The Asset

Identified underlying asset of National Highway Authority (“NHA”) together with identified, unencumbered and undisputed land of NHA surrounding the identified asset. These lands would be identifiable by survey numbers (if applicable) and area, and would be identified as the proposed Asset (the “Asset”) to facilitate issuance of GoP Ijarah Sukuk (the “Sukuk”).

The underlying Asset (Sukuk Assets) on which this Sukuk would be issued include the Land, Building & Infrastructure of National Highway Authority specifically located at

- **Makran Coastal Highway (N-10):** Ormara (27,905 Kanal & 18 Marla)
The highway land along with all constructions and improvements thereon
- **Makran Coastal Highway (N-10):** Gawadar & Jiwani (17,042 Kanal & 10 Marla)
The highway land along with all constructions and improvements thereon
- **Grand Trunk Road (N-5):** Peshawar & Nowshera (6,172 Kanal & 15 Marla)
The highway land along with all constructions and improvements thereon
- **Indus Highway Project (N-55):** Peshawar, Kohat, Lachi, Banda, Daud Shah, Karak, Domair, Bannu, Norang, Lakki Marwat, D.I Khan (11,361 Kanal & 11 Marla)
The highway land along with all constructions and improvements thereon
- **Indus Highway Project (N-55):** Peshawar, Kohat, Karak, Takht Nasrali, Naurang, Bannu, Parova (12,604 Kanal & 04 Marla)
The highway land along with all constructions and improvements thereon

The total value of the asset is equal to PKR 641,719,120,450/-

The underlying Asset (“Sukuk Asset”) may be used as per the requirements of GOP to be ascertained at the time of issuance of Sukuk. Accordingly, the proportionate share of undivided Asset(s) will be purchased.

Valuation of the Asset has been carried out by two PBA approved independent valuers, and the lower of the two valuations has been accepted as the sale price of the Asset

The Relevant Authority: A government institution or authority which has control over the Asset. For each Asset the Relevant Authority is as follows:

Asset	Relevant Authority
Makran Coastal Highway (Ormara) (N-10)	National Highway Authority (NHA)
Makran Coastal Highway (N-10): Gawadar & Jiwani	National Highway Authority (NHA)
Grand Trunk Road (N-5): Peshawar & Nowshera	National Highway Authority (NHA)
Indus Highway Project (N-55): Peshawar, Kohat, Lachi, Banda, Daud Shah, Karak, Domair, Bannu, Norang, Lakki Marwat, D.I Khan	National Highway Authority (NHA)
Indus Highway Project (N-55): Peshawar, Kohat, Karak, Takht Nasrali, Naurang, Bannu, Parova	National Highway Authority (NHA)

Title Agent: A government institution or authority which will hold the title of the Asset on behalf of the Investors under Title Agency Agreement. For each underlying asset the Title Agent would be as follows:

Asset	Title Agent
Makran Coastal Highway (Ormara) (N-10)	National Highway Authority (NHA)
Makran Coastal Highway (N-10): Gawadar & Jiwani	National Highway Authority (NHA)
Grand Trunk Road (N-5): Peshawar & Nowshera	National Highway Authority (NHA)
Indus Highway Project (N-55): Peshawar, Kohat, Lachi, Banda, Daud Shah, Karak, Domair, Bannu, Norang, Lakki Marwat, D.I Khan	National Highway Authority (NHA)
Indus Highway Project (N-55): Peshawar, Kohat, Karak, Takht Nasrali, Naurang, Bannu, Parova	National Highway Authority (NHA)

The Structure - Explanation

1. PSX will announce an Auction process (could be either through book building or normal auction at PSX) for the issuance of new Sukuk. The announcement of Auction process would be accompanied with a detailed term sheet for the information of investors. The term sheet will specifically mention the target size of the issue, the name of the issuer, eligible investors, tenor of the Sukuk (1 year), and the process of redemption at the end of the tenure (i.e the Purchase Undertaking by GOP). Along with the term sheet the approved Shariah Structure of the transaction would be attached for information of the investors.
2. Prior to the Auction date, it would be ensured that the registration process of the potential investors is completed. Along with the registration form the investors would provide an authorisation that in case their bids are accepted, then PDSCL acting on their behalf can execute transactional documents with relevant counter parties for the issuance of Sukuk.
3. On the Auction date, the potential investors would submit their bids in the Auction system. The bids would mention the Investment Value per Sukuk and proposed annual Ijarah Rental amount, the sum of

these two should be equal to the Face Value per Sukuk. The bid would also include the total investment the potential investor wishes to make in the Sukuk.

4. The Auction screen shall be made available to Debt Management Office, Finance Division by the Pakistan Stock Exchange to evaluate the investors bids and decide the cutoff Investment Value per Sukuk and Ijarah Rental amount (the sum of which would be equal to the Face Value of the Sukuk).
5. Upon the successful completion of the Auction process the cutoff Investment Value per Sukuk and Ijarah Rental amount (The sum of which should be equal to the Face Value of the Sukuk) of the Sukuk would be announced and successful investors would be notified accordingly. The cutoff Investment Value per Sukuk and Ijarah Rental amount would be applicable on all the successful investors.
6. Subsequently PDSCL (as agent of Investors) and National Clearing Company of Pakistan Limited (NCCPL) will execute an **Agency Agreement** whereby PDSCL will appoint NCCPL as its agent ("Paying Agent") to collect proceeds from the Investors, collect rentals and other payments due from GoP and distribute the same to the Investors after withholding tax on rental. **NCCPL may enter into an arrangement with SBP for debiting and crediting of GoP account.**
7. A **Sukuk Issuance Undertaking** will be executed by PDSCL, the GoP (acting through Ministry of Finance "MoF") and the Relevant Authority (under whom the asset is in control) i.e., NHA in favor of the Investors, whereby PDSCL will undertake to issue the Sukuk into book entry form to the Investors in their designated CDS accounts. Subsequent to the auction for the Sukuk, the Investors will provide their funds to SBP/ NCCPL enabling it to pay (on behalf of the PDSCL as Agent of Investors) the purchase price of the Asset to GoP upon execution of Purchase Agreement. Each Sukuk to be issued will represent an undivided share in the ownership of the identified/ purchased portion of the Asset and the accrued rental till that point in time. Under the Sukuk Issuance Undertaking, PDSCL will also give its acceptance to appointment as Investment Agent of Investors.
8. The PDSCL, acting on behalf of the Investors, will enter into a **Purchase Agreement** with NHA and GoP (acting through MoF), for purchase of undivided ownership (expressed in terms of percentage) in identified portions of the Asset at an agreed price ("Purchase Price") equivalent to the cutoff Investment Value. The Paying Agent shall subsequently transfer the Purchase Price to the seller's (GoP) bank account.
9. Pursuant to the Purchase Agreement, ownership of the purchased portion of the Asset (the "Sukuk Asset") will be transferred to Investors while the registered title will remain with the Relevant Authority (under whom the asset is in control) i.e NHA. The Relevant Authority NHA will then will execute a **Title Agency Agreement** in favour of the Investors to the effect that it is holding the registered title of the Asset as **Title Agent** on behalf of the Investors. Once the ownership of the Asset is transferred to the Investors, a document (Schedule 3 of Purchase Agreement signed by PDSCL and GoP, acting through MoF (as Seller), will be executed to prove that the possession of the Asset is handed over to PDSCL for and on behalf of the Investors which will legally confirm that all the risks and rewards of the Asset have passed on to the Investors.
10. Under the Title Agency Agreement, the Title Agent i.e. NHA will delegate its duties and powers under the Title Agency to PDSCL, with the exception of holding the registered title to the Asset.
11. Following the purchase of the Sukuk Asset and obtaining possession through the above mechanism, the PDSCL, acting on behalf of the Investors, (as "Lessor") will enter into an **Ijarah Agreement** with GoP (as "Lessee" acting through MoF) wherein these Asset will be leased to GoP for a fixed period (1 year or 12 months) against fixed Ijarah Rental payments ("Lease Rentals") in accordance with the terms and conditions as specified in the Ijarah Agreement. Under the terms and conditions of the Ijarah Agreement, GoP will be allowed to nominate any of its affiliates e.g. NHA to use, operate and maintain the proportionate share of Investors in the identified/specified Asset as its nominee.
12. The **Lease Rentals for each Rental Period** would be fixed (for the whole tenure i.e. 1 year) as announced through the auction result. The Ijarah Agreement would provide that it shall automatically terminate if a Total Loss Event occurs and the Lessor will be entitled to any insurance/takaful proceeds payable as a result of the Total Loss Event.

13. A **Service Agency Agreement** will be executed between PDSCL (as Agent of Investors/Sukuk Holders) and GoP (acting through MoF) whereby GoP will be appointed as Service Agent to undertake services relating to the leased asset during the term of the lease in consideration for a nominal fee.

All routine maintenance is to be done by the Lessee whereas all major maintenance will be the responsibility of the Lessor. In case any major maintenance is required, the Service Agent would be under obligation to obtain prior permission from the Lessor, to incur the necessary expenses for carrying out such major maintenance.

14. GoP (acting through MoF) will execute a **Purchase Undertaking** in favour of the PDSCL to purchase the Sukuk Assets at the Exercise Price at maturity or upon an Event of Default. The Exercise Price shall be an amount equal to the Investment Value in the Sukuk Assets. The GoP will also be liable to pay all amounts as per the Ijarah Agreement at maturity or upon an event of default. Upon exercise of the Purchase Undertaking at maturity or upon Event of Default and Termination, a Sale and Purchase Agreement shall be executed between the PDSCL and GoP (acting through MoF) to evidence the purchase of Sukuk Assets by GoP. The Purchase Undertaking will also specify all the events under which it will be exercised, including GoP default in the performance of any other covenant or obligation in the Purchase Undertaking or Title Agency Agreement will be deemed an Event of Default, and all cross default provisions.
15. GoP (acting through MoF) will execute a **Cost Undertaking** to pay all applicable fees and expenses and provide indemnities associated with the Sukuk issuance.
16. The Joint Financial Advisors (JFAs), Ministry of Finance and all concerned Stakeholders shall be responsible for i) proper execution and ii) the legal documentation as per the approved Shariah Structure to ensure Shariah compliance and seamless management throughout the tenor of the Sukuk and at the time of the maturity of the Sukuk.

Key Documentation

S.No	Legal Agreement	Parties
1	Agency Agreement	PDSCL and NCCPL
2	Sukuk Issuance Undertaking	PDSCL, GOP, NHA
3	Purchase Agreement	PDSCL, NHA, GOP
4	Title Agency Agreement	NHA and PDSCL
5	Ijarah Agreement	PDSCL and GOP
6	Service Agency Agreement	PDSCL and GOP
7	Purchase Undertaking	GOP
8	Cost Undertaking	GOP
9	Rules	NHA, PDSCL